

The effects of globalisation on burger king



1. 0 Introduction

1. 1 Reason for choosing project topic and organisation

This Research and Analysis Project is based on topic 5: The effects of globalisation on Burger King Holdings Inc (referred as “ Burger King”, “ the company” or “ BK” from now onwards).

Among the reasons for choosing the topic include:

Globalisation is neither a very elegant word nor a very clear concept, but the term has been accepted very quickly on a global scale (Wesseling, 2009).

Globalisation reflects business orientation based on the belief that the world is becoming more homogeneous and that the distinctions between national markets are not only fading but for some products, will eventually disappear (Czinkota et al., 2004). Its fast growing impact on the world certainly attracts my attention.

The ACCA course I am currently pursuing has provided me with some theoretical knowledge of this topic to analyze a real life company. This assignment will certainly allow me to put my theoretical knowledge into practical experience. By conducting research on an organisation, where BK will be my subject of research it will certainly widen my horizon of knowledge on this topic. Taking into account the information gathering analytical skills like computation, extrapolation and communication for the research which will help in my future career as an accountant, I will certainly benefit from my research on this topic.

In any research project, ease of obtaining information is of main concern furthermore with most time and budget constraints. BK was chosen because its annual financial report, press release and other relevant information on the company are easily accessible online at its website [www. bk. com](http://www.bk.com). Further updates and company activities are also available by just a click away from academic databases and the internet.

Another reason for choosing the company because BK is among the most well known fast food restaurants. BK is the second largest fast food hamburger chain in the world. Every day, over 11 million guests visit a BK somewhere in the world (Burger King Holdings Inc., 2010). The tremendous market reach along with various achievements as listed in Appendix 1 as well as the fact that I am a fan of its offerings all compelled me to choose this company.

Note: Only financial statement till June 2009 is used in this research as that was the latest annual financial statement published at the point of doing my research.

1. 2 Project Objective and Research Question

This research project involves the evaluation of the effects of globalisation on an organisation. After much research on this topic, I realised that different people around the people have different views and perception concerning globalisation.

From quantitative point of view, globalisation is defined as the intensification of economic, political, social and cultural relations across borders whereas from qualitative point of view, globalisation is defined as a process

comprising a number of qualitative transformation, which are represented by technological transformation, the financial transformation, the geographical reallocation of production, the process of commodification, the polarisation of wealth, the subordination of politics to economics and the related decline of the nation state (Talani, 2004).

Globalisation process, driven by rapid and largely unrestricted flows of information, ideas, cultural values, capital, goods and services and people lead to a shift towards a more integrated world economy. These processes, promoted by converging market preferences, falling trade barriers, and the integration of national economies is emerging as the norm in a growing range of economic activities, changing economic theory and practices (Jutaliaviciene et al., 2006).

Globalisation has resulted in both opportunities and threats in terms of all parties involved such as suppliers, customers and competitors (Burgers et al., 1993; Courtney et al., 2001; Oxelheim et al., 1991). Thus even though there are many ways to examine the effects of globalisation but I believe Michael Porter's Five Forces Model (Barriers to Entry, Supplier Power, Customer Power, Rivalry, and Threat of Substitutes) can give a clearer picture of the industry the company operates in and steps taken by the company to stand out among all the other competitors worldwide.

Therefore, the research question can be structured as " What is the impact of globalisation on BK in terms of barriers to entry, supplier power, customer power, rivalry, and threat to substitutes using Porter's Five Forces Model?"

1.3 Overall research approach

Porter's five forces is a framework for the industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979 (Porter, 1979). It uses a basic five forces framework that determine the competitive intensity and therefore attractiveness of a market. Attractiveness of a market is based on overall industry profitability whereas an "unattractive" industry is where overall profitability is driven down by the combination of forces. An industry approaching "pure competition" would be a very unattractive industry (Porter, 1979; 1980).

Porter's Five Forces Model consists of 5 fundamental competitive forces:

Threat of new entrants contribute to the capacity levels, affect prices and possibly reduce the profitability of existing competitors (Williams et al., 1996).

Threat of substitutes exist if there are alternative products with lower prices of better performance parameters for the same purpose (Reklies, 2001).

Bargaining power of customer is determined by the size and concentration of customers. Other factors are the extent to which buyers are informed and the concentration or differentiation of the competitors (Karagiannopoulos, 2005).

Bargaining power of supplier attempts to capture pressures that suppliers to the industry can exert on industry profitability. A powerful supplier can raise the company's cost through demanding higher prices for its input or delivering lower quality inputs (Rothaermel, 2008).

Rivalry among existing competitors describes how intense could the competition be between existing firm in an industry. Lower returns earned by highly competitive industries due to the higher cost of competition (RapidBI., 2008).

Appendix 2 gives more details on the forces and circumstances affecting the strength of each forces.

The diagram below should give a better view of how the 5 forces interacts with each other.

Rivalry among existing competitor

Threat of new entrants

Bargaining power of customer

Bargaining power of supplier

Threat of substitutes

Diagram 1: The Five Competitive Forces that shapes strategy (Porter, 1979)

The effects of globalisation on BK as done with the five forces framework will help me to understand the competitive situation of the company and how competitive advantages might be achieved using the concepts and analytical techniques.

As a final note, this model also promotes clear strategic thinking since Porter (1979) argues that business with no clear strategy will have no basis on which to integrate its activities and achieve consistency between its various

function and units (The Antidote, 1998). In the end, could lead to reduced profitability and even failure.