

International business environment: russia

Business



1) The question that is being answered is about the aspects of the economic environment in Russia that impact McDonald's operations in that country. These aspects relate to working under state control (when it was USSR) which meant dealing with centralized planning and state controls on the prices, procurement of raw materials and dealing with chronic shortages; working during the transition from centrally controlled economy to free-market economy which meant dealing with political instability and economic uncertainty and finally, working under the new liberalized economy which means working in conditions similar to those in western economies. These changes in the external economic environment meant that McDonald's had to adapt to the local conditions where shortages were the order of the day, prices were controlled by the government, and inefficiency was the hallmark of the economic system and finally, challenges in procurement of raw materials for its products. Since Russia went through the stages described above, McDonald's had to reorient its strategy to meet the challenges posed by these changes in the external environment which impacted the operations of its stores in Russia. Further, with price control and rationing of raw materials, McDonald's had to cope with uncertainty in procurement which pushes up costs but the end-user price remains the same for its finished products.