

The Four Risk of International Business Mc Donald's dalam Pemasaran Global

Cindy¹, Cristina², Thalia Wang³, Dennys Ng⁴ and Jeffrey Andelson⁵
Management, International University Batam
Email: 2141002.cindy@uib.edu

Keywords:

Four risks of international business, Mc Donald's, international business, government, culture

Abstract

As time goes by and the development of the business being undertaken, of course the opportunities for expansion will also be higher. Mc Donald's is one of the multinational companies involved in the fast food sector and has been known by many people who have finally expanded globally. The purpose of this research is to identify and analyze the four risks faced in international business or the four risks of international businesses that Mc Donald's has. The research method that we use is qualitative method, observation and internet searching. Observation of Mc Donald's uses a qualitative method, namely the four risks of international business which consist of cross cultural risk, country risk, currency risk, financial, and commercial risk. Mc Donald's in dealing with cultural differences in expanding business to other countries is by studying the culture implemented by the country to maintain its success. Mc Donald's provides services by meeting consumer needs by considering local, demographic and geographical factors of the country. Mc Donald's must give a good impression and find out whether the cooperation partners can create good cooperation in the company's operations. McDonald's has the best fast food chain management in its business as well as being a pioneer in a global marketing strategy, implementing a certain system that is adapted to the region where the McDonald's store is located. McDonald's success in the fast food industry is due to its ability to adapt not only locally but on a global scale

1. Introduction

In the course of business growth and development, the opportunities for expansion naturally increase. This expansion can take various forms, such as opening new branches or stores at local, national, or international levels. However, the process of expansion or restructuring can also bring about inevitable risks, particularly in terms of business risk. These risks can arise due to various factors and may have both positive and negative impacts on the company. The extent of these effects depends on how effectively the company manages uncertainty and mitigates risks.

Therefore, it is essential for companies to analyze, estimate, or identify the risks they may face in order to develop appropriate strategies to avoid or minimize their impact. McDonald's, a multinational corporation widely recognized as the largest fast-food restaurant chain globally, serves as an example. Founded by brothers Richard and Maurice McDonald in San Bernardino, California, in 1940, McDonald's experienced significant expansion under the leadership of entrepreneur Ray Kroc, who

acquired equity from the McDonald's brothers and expanded the brand worldwide. McDonald's expansion globally symbolizes globalization and is often seen as emblematic of American lifestyle. The objective of this study is to identify and analyze the four main risks encountered in international business operations, specifically focusing on McDonald's.

2. Literature Review

Cross-cultural risk, also known as cross-cultural differences, refers to the occurrence of differences between cultures in environments or organizations where international interactions take place. These differences can include religious practices, customs, and norms. It is a common risk in international business and requires adaptation to diverse cultures to prevent obstacles.

Negotiation patterns involve interactions between two companies aiming to resolve issues and find mutually beneficial solutions. Effective negotiation is crucial for achieving profitable outcomes. Ethical practices play a significant role in international interactions to

avoid conflicts between parties from different countries. Maintaining good etiquette can reduce suspicion and facilitate agreements beneficial to all parties involved.

Country risk arises from changes in a country's economy or political landscape, impacting other countries simultaneously. This can pose challenges for businesses operating in affected countries, leading to potential losses. Currency/financial risk, also known as exchange rate risk, refers to the risk of adverse changes in exchange rates. This risk is common in international transactions involving multiple currencies and can affect the profitability of companies, particularly those in the fast-food industry that may need to adjust prices in response to inflation.

Exchange rate risk relates to fluctuations in currency values, which can impact financial instruments and transactions. Changes in exchange rates can affect the financial performance of companies operating globally. Foreign taxation refers to taxes imposed on income earned from global operations. Understanding and managing tax obligations are essential for companies engaged in international marketing to ensure compliance and financial stability. Commercial risk involves the inherent risks associated with business operations aimed at generating profits. These risks must be managed effectively to avoid potential bankruptcy and ensure sustained profitability.

3. Research Methods

The research method employed is qualitative, utilizing observation and internet searching. Observations were conducted on McDonald's, focusing on the four risks of international business: cross-cultural risk, country risk, currency/financial risk, and commercial risk. The qualitative approach allowed for an in-depth analysis of these risks. Using a descriptive method, the analysis aimed to uncover facts and materials supporting the data related to the risks faced by McDonald's in various countries. This involved gathering information from public sources locally to

support global marketing efforts and the establishment of restaurant franchises. Observations were made on the differences in marketing methods employed by McDonald's franchises in various countries.

This included an examination of the fast-food menu offerings, such as French fries, fried chicken, hamburgers, and soft drinks, in different regions. The study also analyzed the consumption patterns and lifestyle of different societies in each country, including eating habits and overall lifestyle preferences.

4. Results and Discussion

In carrying out the global business development process and expanding business activities to other countries, McDonald's is a fast-food restaurant chain that has experienced significant growth worldwide, with franchises located in numerous countries. McDonald's is renowned for its fast-food offerings, including hamburgers, French fries, fried chicken, soft drinks, and McFlurry desserts, which are the main menu items offered to consumers. However, in the process of expanding globally, several potential risks may arise. Here are the four risks of international business that may be encountered

4.1 Cultural differences

Country differences inherently possess unique characteristics in lifestyle patterns and consumption styles that vary according to each country's habits and customs. When McDonald's expands its business to other countries, it encounters diverse cultures, and it adjusts by learning and adapting to the culture of each country to maintain its success. McDonald's caters to local needs by considering factors such as demographics and geography. While McDonald's offers a basic menu including hamburgers and fried chicken, it also adapts its menu to suit the consumption patterns of each country. For example, in Indonesia, McDonald's offers fried chicken packaged with rice, reflecting the local preference for rice-based meals. In contrast, in Singapore, McDonald's serves fried chicken with French fries, aligning with the different consumption habits there.

To navigate cultural differences, McDonald's customizes its menus and business plans accordingly, respecting each country's policies and cultural norms. Negotiation tactics employed by McDonald's in establishing business operations abroad also take into account cultural differences and government policies. For instance, in Japan, McDonald's adapted its name to "Makudonarudo" to resonate with local audiences while maintaining market presence. Similarly, McDonald's preserves the traditional interior design of its outlets in China to honor the country's culture.

In terms of ethical practices, McDonald's upholds a set of ethical standards in its business operations. It strives to provide the best fast-food service globally while fostering strong relationships with its workforce, communities, and international partners. These ethical principles guide McDonald's in delivering high-quality food and services while contributing positively to the societies it operates in across various countries.

4.2 Country risk

In expanding its business to other countries, McDonald's faces the challenge of navigating different economic systems that influence the sustainability of its operations. In countries with government-controlled economies like Russia and Ukraine, external factors such as political crises can significantly impact the food industry. Although these crises may not directly affect McDonald's profitability, they pose challenges that the company must address to remain competitive. In response to such challenges, McDonald's must take proactive measures to adapt to the situation and ensure its continued success. This may involve collaborating with the government and exploring various strategies to mitigate the impact of economic instability on its operations.

However, sometimes the situation may become untenable, leading the company to make difficult decisions. For instance, in the face of ongoing challenges in Russia, McDonald's may decide to temporarily suspend its

operations in the country. Prior to this decision, the company would have provided clear guidance to its employees on how to navigate the crisis and minimize potential losses. By taking decisive action and prioritizing the long-term interests of the company, McDonald's aims to weather the challenges and emerge stronger in the competitive landscape.

4.3 Currency / financial risk

The economy of each country undoubtedly influences the sustainability of companies, which indirectly affects their financial outcomes. Several risks may arise due to fluctuations in profit or additional income, which could impact financial reporting. Here are some potential scenarios that may occur when McDonald's engages in global marketing, influencing financial reporting:

1. Inflation:

As economies develop, inflationary pressures naturally arise, impacting the operations of McDonald's. The prices of almost all menu items at McDonald's tend to increase as inflation becomes difficult to control within a country. Consequently, McDonald's adjusts its prices to align with the balanced inflation experienced by a country.

2. Exchange Rates:

Fluctuations in foreign currency exchange rates significantly influence businesses engaged in global marketing. The fluctuation of a country's currency exchange rate affects McDonald's global marketing endeavors, as it impacts the amount of currency required to be paid in the local currency. Fluctuations in exchange rates can lead to increases or decreases in exchange rates.

3. Foreign Taxation:

In McDonald's global marketing efforts, understanding the tax implications is crucial. McDonald's must ascertain the taxes involved in expanding its operations or conducting deep global marketing in a country. This includes considerations such

as Value-Added Tax (VAT) on fast food sales, which can vary from country to country.

4. Commercial Risk:

Establishing partnerships with other entities requires McDonald's to maintain a positive image and ensure that its partners can uphold the same standards in operational efficiency. By fostering good relationships with partners, McDonald's can mitigate operational risks. For instance, McDonald's offers food delivery services through various platforms like Food Panda, Go Food, and Grab Food, enabling consumers to enjoy its products even if they cannot dine in due to the COVID-19 pandemic. Additionally, collaborations with brand ambassadors, such as the BTS Meals and New Jeans X McDonald's promotions, help attract customers and increase revenue. These initiatives contribute to enhancing operational efficiency and revenue for McDonald's.

5.1 Closing

McDonald's is renowned as one of the largest and most well-known franchise companies worldwide. Specializing in fast food, the company offers a wide variety of delicious menu items such as fried chicken, hamburgers, French fries, and more, constantly introducing innovative products to captivate consumers. In order to thrive amidst fierce competition, McDonald's implements diverse strategies.

From the aforementioned information, it can be concluded that the internal factors of the company outweigh its weaknesses, making its management of fast food chains one of the best in the industry. McDonald's global marketing strategy, recognized as a pioneer in the field, emphasizes customization to suit the local preferences and cultural nuances of each location.

5.2 Conclusion

McDonald's success in the fast food industry is attributed to its adaptability, not only at the local level but also on a global scale.

Additionally, its robust sourcing strategy and ability to engage local residents in target countries contribute significantly to its achievements. Local guidelines serve as operational instructions for McDonald's in various target countries, showcasing its commitment to respecting local customs and regulations.

Another noteworthy aspect of McDonald's business strategy is its pricing strategy, which aims to maintain consistent pricing across different markets while considering local income distribution. McDonald's demonstrates effective management by promptly responding to consumer needs in diverse markets through tailored advertising campaigns, initiatives, and operational processes.

5.2 Suggestion

As society progresses and technology advances, consumers are becoming more discerning, seeking products that offer both value for money and quality. As an established company, McDonald's must adapt to these evolving global demands, including heightened competition and changing consumer preferences.

Our group recommends that McDonald's continue its global expansion efforts, leveraging its significant presence and staying updated with the latest technology trends. Additionally, McDonald's should take proactive steps to promote environmental sustainability, aligning with the growing consumer preference for eco-friendly practices.

By incorporating various interesting menu offerings and innovative promotions, McDonald's can effectively compete with other industry players while meeting the evolving needs of consumers worldwide. This approach will help McDonald's maintain its position as a leader in the fast-food industry while catering to the demands of today's intelligent and discerning consumers.

Bibliography

- Achsani , NA, Tambunan , M., & Mulyo , SA (2012). Impact of fiscal policy on the agricultural development in an emerging economy: Case study from the South Sulawesi, Indonesia. *International Research Journal of Finance and Economics*, 96, 101-112.
- Akhmad , A., & Amir, A. (2018). Study of fuel oil supply and consumption in Indonesia. *International Journal of Energy Economics and Policy*, 8(4), 13.
- Akhmad , P. (2016). The impact of price subsidy policy of fertilizer on production, demand and supply of corn in Indonesia. *American-Eurasian Journal or Sustainable Agriculture*, 10(1), 29-37.
- Ali, MY (2022). The Process of Making a Pinisi Boat in Bantobahari District, Bulukumba Regency, Indonesia. *European Journal of Engineering and Technology Research*, 7(5), 70-75.
- Arsal , M., & Arsal , D. (2019, August). Urban forests and financial resources perspective in Indonesia. In *IOP Conference Series: Materials Science and Engineering* (Vol. 593, No. 1, p. 012006). IOP Publishing.
- Arsal , M. (2021). Impact of earnings per share and dividend per share on firm value. *ATTESTATION: Journal Scientific Accounting* , 4(1), 11-18.
- Arsal , M., HAMID, NINBA, Arsal , R., & Basri , M. (2014). Consumer Behavior of Islamic banking. *International Journal of Science Commerce and Humanities*, 59-64.
- Darise , R.I. (2023). The Effect of Economic Growth and Income Inequality on Poverty in Central Sulawesi Province Period 2011-2022. *Formosa Journal of Sustainable Research*, 2(5), 1331-1342.
- DEITIANA TITA. 2011. " Influence Ratio Finance , Growth Sales And Dividends On Stock Prices." *Journal Business And Accounting* 13(1): 57-66.
- Dewi, Putu Dina Aristya , and IGNA Suayana . 2013. " The Influence of Eps, Der, and Pbv On Stock Prices." *Udayana University Accounting* 1: 215-29.
- Heradhyaksa , Bagas. 2022. " Implementation Investment Sharia Gold Perspective of Islamic Law." *Journal of Islamic Economic Law (JHEI)* 6 (1): 35-51. <https://jhei.appheisi.or.id/index.php/jhei/article/download/111/60>.
- Jaman , A. (2016). Influence of work environment and organizational culture on job satisfaction and performance of lecturers as intervening at the Master Management Program of Muhammadiyah University of Makassar. *Journal Of Advanced Research in Engineering & Management (IJAREM)*, 1.
- Jusriadi , E., Syafaruddin , S., & Rahmadiani , R. (2019). The Influence of Competence, Work Discipline and Salary on Nurses' Job Satisfaction and Ability in Providing Service at PT. Zulu Alpha Papa Makassar. *UII-ICABE Proceedings*, 229-236.
- Jusriadi , E. (2022). Moderation of Leadership Style: Management Accounting Information Systems and Management Control Systems on Managerial Performance. *ATTESTATION: Journal Scientific Accounting* , 5(1), 16-32.
- Karim, K. (2019). The impact of fuel oil price fluctuations on Indonesia's macro economic conditions. *International Journal of Energy Economics and Policy*, 9(2).
- Karim, K., & Tajibu , M. J. (2021). Determination of consumer switching barriers to use prepaid electricity systems in the household sector in Makassar , Indonesia . *International Journal of Energy Economics and Policy*, 11(1), 193-199.
- Manado, Pratama Kota, and Pratama Kota Manado. nd "3 1,2,3" 5(2): 901-8.
- Nawawi, Muhammad, Sultan University, Ageng Tirtayasa , and Serang City . 2020. " ERP,

SPM, SCM MEDIATION MODELS AND COMPANY PERFORMANCE” 4 (3): 357-78.

Novyarni , Nelli, Elizabeth Yuswantoro , and Reni Harni . 2022. “ Profit / Loss Investment Gold Broker Derivatives : Capital and Fees Transaction .” *Journal Accounting and Management* 19 (01): 49-61. <https://doi.org/10.36406/jam.v19i01.547>.

Prayuga , Rachman Saleh, Hairani Lubis , and Dian Dwi Nur Rahmah. 2022. “ Communication By Mouth To Mouth On Electronic Media With Stock Investment Decisions for Beginner Stock Investors .” *Psychoborneo : Journal Scientific Psychology* 10(1): 191. <https://doi.org/10.30872/psikoborneo.v10i1.7234>.

Rahim, AR, & Jam'an , A. (2018). The analysis of the influence of motivation and organizational commitment on employees' performance in Telkom Kandatel Gorontalo Province. *Problems and perspectives in management*, (16, Iss. 4), 429-443.

Romadhoni , B. (2020). Household electricity demand in South Sulawesi, Indonesia. *International Journal of Energy Economics and Policy*.

Rum, M. (2013). Locus of control, innovation, performance of the business people in the small business and medium industries in south Sulawesi. *Journal of Economics, Business, & Accountancy Ventures*, 15(3), 373-388.

Rum, M. (2016). Audit size, mandatory audit and time budget pressure on and audit risk and audit quality on practice of accounting users. *European Journal of Social Sciences*, 53(2), 201-215.

Rum, M. (2018, May). Cost Efficiency of Sea Freight and Lowering Cost of Consumption of Goods. In *IOP Conference Series: Earth and Environmental Science* (Vol. 156, No. 1, p. 012020). IOP Publishing.

Rizky , SN, Sunaryo , H., & Salim, A. (2022). Organizational culture, motivation and

organizational citizenship behavior effect on employee performance. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 5(1), 3565-3576.

Salim, A., Rustam, A., Haeruddin , H., Asriati , A., & Putra, AHPK (2020). Economic strategy: Correlation between macro and microeconomics on income inequality

in Indonesia. *The Journal of Asian Finance, Economics and Business (JAFEB)*, 7(8), 681-693.

Surya, B., Salim, A., Saleh, H., Abubakar, H., Suriani , S., Tenry Sose , A., & Makkulawu Panyiwi Kessi , A. (2021). Economic growth model and renewable energy utilization: Perspective of natural resources management and sustainable development of the Gowa regency region south Sulawesi, Indonesia.

Suarni , A., Jam'an , A., & Adawiah , R. (2023, February). *FUND MANAGEMENT: AN EXPLARATORY CASE STUDY OF MOSQUES IN SOUTH SULAWESI INDONESIA*. In *Proceedings of the 1st International Conference on Social Science (ICSS)* (Vol. 2, No. 1, pp. 188-194).

Suarni , A., Asriati , A., Masnan , S., & Fitriani , F. (2019). Factors Motivating The Local Community of Belawa , Wajo Regency, South Sulawesi Province to Engage in Edible Bird's Nest Industry In The Perspective of Islamic Business Ethics. *Muhammadiyah International Journal of Economics and Business*, 2(2), 183-194.

Suriyani , A., Saleh, S., & Akhmad , A. (2023). Capacity Building Empowerment of Weaver Groups Through Weaving Business Innovation at the Ikat Jata Kapa Weaving Center in Sikka Regency, East Nusa Tenggara Province, Indonesia. *European Journal of Development Studies*, 3(2), 59-68.

Zai , Immanuel, Nasar Buntu Laulita , Winson Ng, Jackson Lee, and Andi Yanto . 2022. “ University International Batam ” 6 (3): 790-96.