

# **Case Study 1**

## **McDonalds and Hindu Culture**

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November 7, 2004

## **Introduction**

For thousands of years, India's Hindu culture has revered the cow. Some 300 million of these animals roam India, untethered, revered as sacred providers. They are everywhere – everywhere, that is, except for on your plate, as Hindus do not eat the meat of the sacred cow. (*International Business, Pg125*) The placing of the cow on a pedestal is a value that is unique to the Indian culture. Values and norms are the central components of a culture. Values are abstract ideals about what a society believes to be good, right, and desirable. (Pg. 705) Norms are social rules and guidelines that prescribe appropriate behavior in particular situations. (Pg. 702) Because the value systems of different religious and ethical systems have different implications, corporations seeking to conduct business in host countries must adapt to the culture and norms of the host society. In many cases business practice of “When in Rome”, is not an acceptable practice.

## **Ethical Dilemma**

A few of the ethical dilemmas McDonalds' faced, and are still facing, deal with religion and the disregard for animal welfare in the Indian Culture. The World Health Organization has identified obesity as a global problem, citing the alarming statistic that over 300 million people are now obese. The average daily diet has also undergone tremendous change, with all nations converging on a diet high in meat, dairy products, and processed sugars. Correlating closely to a worldwide rise in affluence, the new “global diet” is not necessarily a beneficial trend, as it can increase the risk of obesity and diabetes. Now viewed as a global health threat, obesity has been dubbed “globesity” by

the World Health Organization. ([www.britannica.com](http://www.britannica.com))

The bottommost ethical dilemma is based on different cultural practices regarding cultural balance, McDonalds was aware that they were “fraudulently concealing” the existence of a beef based flavoring in the oil used to cook its French fries. Thereby, it was not allowing the Indian consumer to honor its doctrine of not consuming beef products. Further, as a native to India, the globally recognized icon, “Big Mac” is opposite the belief that the cow is sacred. How can one support a company that was founded on the abuse of a countries religious scripture?

### **Evaluation of the country’s strategy involved in the Dilemma**

The United States of America was at the center of the McDonald’s dilemma. Not only were our country’s ethics on trial, so to be our western culture. Recently a number of lawsuits have been filed against the corporation, as some have tried to blame their obesity on the consumption of McDonald’s fast food. As a fact, several non-governmental organizations, such as The World Health Organization, have targeted McDonalds for repeated criticism and protest. As “globesity” has become a world –wide reality, the people of the country of India can ill afford to support the likes of McDonalds, and other international eateries? Not because they are obese, for they suffer from various forms of malnutrition, which is further highlighted by its ability to provide adequate access to health care. To illustrate, the Indian government provides healthcare to its entire people. However, the number of doctors averages out to 1 per 2000 citizens. Further degenerating is the fact that the average citizen earns 12,000 Rupees per year, which is

roughly the equivalent of \$250 U.S. dollars. This means that while hospitals exist, the average citizen cannot afford the private health care. ([www.britannica.com](http://www.britannica.com))

### **Difference if the trade association did not exist**

If the trade association did not exist then the ethical dilemmas McDonalds is facing would not have been an international issue. The trade association has brought about a set of standards that should be used as a guide when doing business abroad. If the trade association did not exist there would be no guide thus allowing businesses to participate in unethical practices.

### **The lessons Globalization advocates raised**

McDonalds corporate responsibility report states,

At McDonald's, making customers happy is what our business is all about. And we know it takes a lot to make that happen. We work hard to provide every customer with a choice of meals and an experience that exceeds their expectations. But that's only part the story. When you come through our doors and look beyond the front counter, there's a company and a system dedicated to earning your trust. And whether it's called "good corporate citizenship" or "social responsibility," we take seriously our commitment to conducting our business in a way that respects the world around us and the issues that matter most to you.

([www. McDonalds. Com](http://www.McDonalds.Com))

As a company, I believe McDonalds has not learned a valuable lesson. The corporation must learn that the benefits to address the ethical issues far outweigh the benefit of ignoring them. The corporation is concerned with the almighty dollar, and is aware that the dilemma in India had little impact on its long-term plans. To illustrate, the company expects to open another 80 restaurants in India by the year 2005. What an example of giving the people what they want! Moreover, McDonalds is aware that the Indian consumer will continue to allow their children to consume the product, for it is noted that they want their children to enjoy the “American” experience. (*International Business*, pg. 125) Since the American experience is valuable to many native Indians, we must assume that the progression is acceptable. I disagree; how can the average citizen afford McDonalds on an annual salary of \$250. Imagine this; a family of four spends \$10 dollars to experience the “American” experience. Based on an annual salary of \$250, this is roughly 10 percent of the family income.

### **Action that should be taken**

The ethical dilemma may really be about McDonald's opinion on what it constitutes as a wholesome food substitute. Regardless of what the company thinks, they must invest time and resources to ensure the people of India that their products are free of beef and its byproducts. The answers lie with the question of, whose ethics do you use in international business? The answer is your values, but you cannot force your values on the communities and cultures of other countries. Noted ethicist Thomas Donaldson

points out that the respect of core human values must be the starting point and once the starting point is assured businesses must also respect the local culture. (*International Business, Pg 121*)

### **Case Discussion Questions**

1. What lessons does the experience of the McDonalds in India hold for other fast-food chains and retail stores?

*Several non-governmental organizations, such as The World Health Organization, have targeted McDonalds for repeated criticism and protest. The protest could have been avoided by releasing maximum information regarding its food products. I am pretty sure that the Official at McDonald's knew that its product contained beef by-products. Just as they have to fully disclose this type of information in the USA, they must apply the same standard on foreign soils. If it had not been for the three Indian nationalist, living in the USA filing suit, then the mockery would have continued.*

2. Is there anything that McDonald's could have done to have foreseen or better prepared itself for the negative publicity associated with the revelation that it used beef extract in its frying oil?

*McDonald's should have expected the fallout to reach the people of India. Therefore, they should have initiated damage control. This includes making a formal apology, fully disclosing all facts regarding the discrepancy, and offering some form of compensation, which could include an offer of discounted food prices*

3. How far should a firm such as McDonalds go in localizing its product to account for cultural differences? At some point, might it not lose an advantage?

*Firms cannot take the ethnocentric approach when establishing new business on foreign soil. One of the biggest issues facing a company that goes global for the first time is the danger of not being informed. Doing business in another culture requires that the company adapt to the culture's values and norms. This said, they must go as far as to use local suppliers, employ local citizens, and transfer some of the executive power to the people of the host country.*

## **References**

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