



# Competitive Intelligence and International Business Development Strategies for Multinational Enterprises in Conflict Zones: A Study of the Fast-Food Industry During the Russia-Ukraine Conflict

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**ABSTRACT** This study delves into the pivotal role of Competitive Intelligence (CI) in shaping International Business Development (IBD) strategies for multinational enterprises (MNEs) operating in the fast-food industry amidst the geopolitical turbulence of the Russia-Ukraine conflict. It addresses a critical gap in existing research by examining how CI influences strategic decision-making in conflict-affected zones. The research is anchored on the premise that traditional IBD frameworks exhibit limitations when applied to unstable geopolitical contexts, necessitating a nuanced understanding of the interplay between CI and IBD in such environments. Employing a mixed-methods approach, the study integrates a comprehensive literature review with case studies and empirical data analysis. It particularly leverages the Competitive Intelligence Funnel framework to assess both external and internal business factors that influence strategic decisions. This methodology facilitates a holistic examination of the strategic manoeuvres of prominent fast-food corporations, including McDonald's, YUM! Brands, and Subway, in response to the conflict. The findings reveal that these MNEs employed adaptive strategies in various domains such as marketing, supply chain management, corporate social responsibility, and investment decisions. Notably, the study uncovers a significant reliance on real-time geopolitical analysis and ethical considerations in strategy formulation, underscoring the limitations of conventional IBD models in conflict scenarios. Conclusively, the research posits that existing IBD frameworks require integration with real-time geopolitical insights and ethical considerations to be effective in conflict zones. This study contributes to the academic discourse by highlighting the indispensability of CI in the strategic planning of MNEs in volatile environments. It provides a novel perspective on the dynamic relationship between CI and IBD strategies, offering valuable insights for both scholars and practitioners in the realms of international business and strategic management.

**KEYWORDS:** case study, frameworks, geopolitical conflicts, strategic decision-making, VUCA

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## 1. INTRODUCTION

IBD (*Johanson & Vahlne 1977*) within the context of geopolitical conflicts is a domain of increasing importance due to the globalization phenomena magnifying effect on economic interdependencies (*Collinson et al. 2017; Narula 2014*). Globalization has emerged as a defining feature of the economic landscape, facilitating the expansion of MNEs into diverse markets across the globe. This phenomenon raised unparalleled opportunities for increased revenues and profitability. However, this era of globalization has also exposed MNEs to a new set of challenges, particularly in regions marred by conflict and instability. A prominent and current example is the Russia-Ukraine conflict. The repercussions of international conflict now extend far beyond the direct parties involved, affecting a broader spectrum of stakeholders, including MNEs operating within these precarious environments. A sound understanding of the competitive environment, namely its volatility, uncertainty, complexity and ambiguity (VUCA) (*Bennett & Lemoine 2014*), is essential for strategic decision-making. Our research is situated against this backdrop of heightened criticality for the Competitive Intelligence Science (*Madureira 2023; Madureira et al. 2021*) to sustain organizational performance within conflict zones.

The lack of strategic solutions for IBD operations in conflict zones poses a significant risk to global economic stability and corporate viability. These areas pose unique challenges related to political instability, security risks, and fluctuating economic conditions affecting consumer behaviour, corporate social responsibility (CSR) policy, and foreign direct investments (FDI). The implications are wide-ranging, including the destabilization of international supply chains and the erosion of shareholder value, which could lead to severe economic downturns.

One of the most pressing issues faced by MNEs today is the strategic management of their operations in conflict-prone regions. The ongoing Russia-Ukraine conflict serves as a poignant example of how international conflicts can disrupt the normal course of

business. The fast-food industry, with its reliance on global supply chains and consumer demand, faces the imperative of devising effective strategies to navigate these turbulent waters. Despite the gravity of the situation, there remains a significant gap in research about the way CI impacts IBD strategy in conflict zones. More specifically, there is a **gap** in empirical knowledge concerning how CI can improve the effectiveness of IBD strategies during geopolitical conflicts. The **populations affected** include not just the local communities and economies but also the MNEs, their international stakeholders, investors, and consumers worldwide.

Despite **extant research** that has delved into the relationships between international business, CSR, and FDI in conflict regions, there remains a notable gap in the literature. Prior research on IBD frameworks is extensive yet insufficiently addresses the unique challenges presented by geopolitical conflicts and its usage by CI professionals in addressing them. Specifically, there is a scarcity of comprehensive studies that explore the strategies employed by MNEs in the fast-food sector to foster IBD business development in such unstable areas. This research problem is compounded by the intricate nature of the contemporary global business environment, where CI and IBD frameworks play pivotal roles in shaping strategic decisions. Thus, the central **research gap** we aim to address is how can MNEs in the fast-food industry effectively design and implement business IBD strategies in conflict environments, particularly by studying this topic during the Russia-Ukraine conflict.

**The aim of this study** is twofold. First, to evaluate the applicability of existing IBD frameworks by CI in such adverse conditions. Second, to empirically investigate and assess the strategic decisions made by MNEs in the fast-food industry during the Russia-Ukraine conflict. To tackle this research problem comprehensively, our study will employ a multifaceted approach. We will critically evaluate existing CI and IBD frameworks and their applicability in formulating effective strategies during conflicts, using the fast-food industry's response to the Russia-Ukraine conflict as a case study. The approach is empirical,

focusing on the analysis of strategic decisions made by MNEs, and identifying successful practices and potential areas for improvement. Our research activities will include a literature review, data collection, a rigorous analysis of the different constituents of the competitive environment, empirical analysis, and case study development. By doing so, this research will address the above-identified research gaps, providing both theoretical and practical insights into strategic management under conflict.

This study is **expected** to advance the understanding of international business strategy under conflict conditions, offering insights that can guide both future academic research and practical IBD strategy development grounded in CI. The **reader can expect** to gain a deeper understanding of how international businesses navigate conflicts, the effectiveness of their strategies, and the practical implications of those strategies on business continuity and growth. The study will begin by reviewing the current state of IBD strategy frameworks, followed by a detailed examination of the strategies employed by fast-food MNEs during the Russia-Ukraine conflict. Subsequently, the paper will present findings that contribute to the existing body of knowledge on IBD and CI in addressing conflict zones. Finally, it will outline the implications of these findings for both theory and practice, concluding with recommendations for future research and strategic formulation in the field of IBD. We anticipate shedding light on critical factors that drive successful business strategies in conflict-prone regions, offering valuable guidance to MNEs operating in these environments. Ultimately, our study aspires to provide actionable recommendations that can enhance strategic decision-making for MNEs in the fast-food sector and similar industries operating amidst global instability.

## 2. Theoretical Background

The unfolding geopolitical landscape, accentuated by conflicts such as the Russia-Ukraine crisis, presents an acid test for the robustness of IBD frameworks. These frameworks, traditionally designed for stable environments, must now be examined through the lens of CI to ascertain their effectiveness in conflict zones, the ultimate representation of the VUCA world we live and work in (*Bennett & Lemoine 2014*).

### 2.1. Definition of Key Concepts

To guarantee the relevance and accuracy of the study we will use the definition of CI as “the process and forward-looking practices used in producing knowledge on the competitive environment to improve organisational performance” from Madureira et al. (*2021a, 2023*), the only that has been both scientifically developed and empirically proven. International Business (IB) is the “study of transactions taking place across national borders to satisfy the needs of individuals and organizations”. Thus, IBD is an “*economic and social change process based on complex cultural and environmental factors and their interactions impacted by IB*” (*Collinson et al. 2017*). The working definition for IBD in this study is the process of expanding the business by satisfying customer needs beyond borders in pursuit of the objectives of the organization.

### 2.2. Selected IBD Frameworks

We deliberately limited our analysis to the core of the existing IBD frameworks relating to the Internationalization Theory developed by Johanson and Vahlne (*1977*). The in-scope frameworks are summarily described in Table 1 together with the respective arguments that support their usage in the two research streams under analysis.

**Table 1.** IBD Frameworks

Framework	Description and Arguments Towards or Against Each Hypothesis
<b>Internationalization Motives</b> <i>(Cuervo-Cazurra et al. 2015)</i>	Motives for expanding abroad are categorized into 'buy better', 'sell more', 'escape', and 'upgrade'. The framework assists in understanding whether a company seeks to utilize existing resources more effectively, enter more competitive markets, acquire new capabilities, or evade unfavourable domestic conditions.

<b>CAGE</b> (Ghemawat 2001)	This framework measures the psychic distance based on cultural, administrative, geographical, and economic levels. It guides decision-making on the choice of country for internationalization by considering factors like cultural differences, administrative barriers, geographic distance, and economic disparity.
<b>Eclectic Paradigm / OLI Model</b> (Dunning 2000)	The model looks at firm-specific advantages, country-specific advantages, and internalization advantages to determine the mode of entry into new markets. It advises on the relevance of direct foreign investments versus exporting based on the unique strengths of a company and the market conditions.
<b>CSA/FSA Matrix</b> (Hillemann & Gestrin 2016)	Integrates the Generic Strategies of Michael E. Porter (Porter 1980) with the assessment of country-specific and firm-specific advantages. It helps a company to align its international strategy with competitive advantages on both global and local scales, considering cost leadership, differentiation, and focus strategies.
<b>Uppsala Model</b> (Johanson & Vahlne 1977)	Describes the incremental internationalization process of firms through several stages, emphasizing four core concepts: market knowledge, market commitment, current activities and commitment decisions. The model guides firms from initial indirect export activities to fully establishing production facilities in foreign markets, highlighting the gradual increase in market commitment.

### 2.3. Hypothesis Development and Supporting Evidence from the Literature

The analysis of the relevant literature from both CI and IBD fields led to the development of hypotheses aligned with the aims of this study. The evidence from the literature supporting each hypothesis in which we will ground our methodology is provided below.

#### 2.3.1. Hypothesis 1: Applicability of Existing IBD Frameworks by CI in Conflict Zones

**Comprehensive Environmental Scanning:** CI involves a systematic and comprehensive environmental scanning mechanism that is crucial for MNEs operating in conflict zones (Aguilar 1967; Fahey & King 1977; Hambrick 1981; Daft et al. 1988). This aligns with the assertion from Johanson & Vahlne (1977) that knowledge of foreign markets is a gradual accumulation process, which CI can expedite, especially in VUCA environments.

**Strategic Flexibility:** Existing IBD frameworks, such as the Uppsala Model, emphasize the importance of experiential knowledge and incremental engagement (Johanson & Vahlne 1977). CI's timely, forward-looking actionable insights can provide MNEs with strategic flexibility and adaptive capabilities in their market entry mode and development strategies. In other words, CI enables the development of dynamic capabilities to respond to the VUCA of conflict zones (Eisenhardt 1989; Eisenhardt & Martin 2000; Teece 2007; Eisenhardt et al. 2010; Teece 2017).

**Risk Mitigation:** CI provides critical inputs for risk assessment, a core component of IBD strategy and frameworks like the Uppsala

model. In conflict-affected areas, such actionable insights (intelligence) become indispensable for assessing the strategic risks (Madureira et al. 2021), namely those associated with CSR and FDI. This supports the proposition that CI could bolster the existing frameworks by integrating a real-time risk analysis perspective and capability, essential for navigating the uncertain terrain of conflict zones (Brouthers 2002; Brouthers et al. 2002).

**Resource Allocation and Optimization:** CI offers insights into local market conditions, competitive dynamics, and stakeholder expectations, which are vital for resource allocation decisions within the IBD frameworks (Peng 2001; Wheelen et al. 2018). The role of CI is particularly prominent in conflict zones, where real resource optimization is critical due to supply chain disruptions and market access challenges (Amburgey et al. 1990; Barnett 2003).

#### 2.3.2. Hypothesis 2: Investigating and Assessing the Strategic Decisions Made by MNEs in the Fast-Food Industry During the Russia-Ukraine Conflict

**Adaptation of Marketing Strategies:** Disrupted market conditions due to the Russia-Ukraine conflict raise the need for an adaptation in marketing strategies by MNEs. The fast-food industry, characterized by standardized global operations, must localize its offerings and communications to resonate with the altered consumer sentiments in conflict zones (Katsikeas et al. 2009).

**Supply Chain Resilience:** Strategic decisions related to supply chain management are critical for MNEs during conflicts. The reliance of the fast-food

industry on local and global suppliers mandates a reassessment of supply chain resilience (*Manuj & Mentzer 2008*). This involves diversification of sourcing strategies and possibly re-shoring some operations to mitigate the risks associated with conflict-impacted regions (*Brandon-Jones et al. 2014*).

**Corporate Social Responsibility (CSR) Adjustments:** In conflict zones, MNEs face heightened scrutiny over their CSR initiatives. Strategic decisions in the fast-food industry must reflect an understanding of the local socio-political context to maintain legitimacy and protect brand image (*Jamali & Mirshak 2007*). Adjusting CSR policies in line with the exigencies of the conflict can serve as a strategic asset for MNEs (*Chandler 2015*).

**Investment and Exit Strategies:** The fast-food industry must carefully calibrate its investment and exit strategies during conflicts. Strategic decisions may involve scaling down operations, divestment, or employing non-equity modes to safeguard against the heightened risks in these regions (*Boddewyn & Brewer 1994*). The use of CI can guide these decisions by providing a granular understanding of the evolving political and economic landscape (*Kobrin 1982*).

In conclusion, the literature provides a compelling argument for the potential synergies between CI and IBD frameworks in conflict zones and underscores the necessity for MNEs, especially in the fast-food industry, to reassess and adapt their strategic decisions in the face of geopolitical conflicts. This theory section sets the stage for the empirical examination of the proposed hypotheses, guiding the subsequent research methodology and analysis.

### 3. Design Research, Methodology, Methods, and Data

The methodological framework employed in this study is predicated on the Competitive Intelligence Funnel (*Madureira 2014*), a comprehensive Meta-Framework for developing competitive strategy. The framework was conceptualized and has been used globally both by a considerable number of industries and organizations and in strategic and brand-building consulting for

more than a decade. The model is also taught in more than ten different universities and business schools internationally under the guidance of one of the authors. It is designed to provide a thorough analysis of both external and internal factors affecting competitive strategy, incorporating Macro, Micro, and Meso-environmental considerations. The unique integration of separate frameworks within the Intelligence Funnel allows for an evaluation of the cross-impact effects of each component (*Aguilar 1967; Porter 1980*). This integration is crucial, as businesses do not operate in isolation but in dynamic and changing environments (*Jacobides et al. 2018; Jacobides 2023*). A nuanced understanding of these environments is imperative for the development of robust business strategies (*Reeves et al. 2019*).

#### 3.1. Research Design

The study adheres to a structured approach with three phases. This commences with an expansive examination of external factors through a PESTEL analysis (*Aguilar 1967*), followed by an inspection of more intricate micro elements via the Five Forces framework (*Porter 1980*). The investigation then converges on internal business factors, employing the Competitor Profiling technique (*Porter 1980; Power 1986*) to benchmark strengths and weaknesses and assess potential future competitor actions through the 4-corner analysis (*Porter 1980*). This systematic application of the Intelligence Funnel framework facilitates a comprehensive understanding of the factors influencing strategic decision-making.

Subsequent to establishing this foundational knowledge, the study advances to delineate IBD strategies of MNEs in the context of the contemporary geopolitical upheavals being studied. The analysis was done by applying the selected core IBD frameworks addressed in the theoretical background section: the Internationalisation Motives (*Cuervo-Cazurra et al. 2015*), the CAGE Framework (*Ghemawat 2001*), the Eclectic Paradigm/OLI Model (*Dunning 2000*), the CSA/FSA Matrix (*Hillemann & Gestrin 2016*), and the Uppsala Model (*Johanson & Vahlne 1977*).

The last stage is constituted by an empirical analysis comparing the output from the previous phases with the actual strategies,

empirical results, and practical implications for the organizations studied undergoing the conflict. To obtain the insider perspective a series of interviews were made with executives from selected MNEs operating in the Russian fast-food industry. The main advantage of this case study methodology is that it allows one to deep dive into real-life situations, retaining all unique characteristics. Yin (2003) highlights this methodology as offering a comprehensive research approach, particularly beneficial in exploring complex, real-life scenarios. This is especially pertinent when addressing "how" or "why" questions in contemporary events where the researcher has limited control. Thus, it is highly applicable in IB research where understanding the impact of national and macro-environmental factors is crucial. For instance, case studies have been instrumental in examining the effects of the volatile business environment in Eastern Europe on foreign companies' entry strategies, elucidating the interplay between macro-environmental factors, industry dynamics, and corporate decision-making. This research adopts an exploratory case study approach, as defined by Yin (2003), focusing on how international companies strategize in conflict regions, specifically analysing the influence of the Russia-Ukraine conflict on IB and the strategic responses of Multinational Enterprises (MNEs). A key analytical tool in this last stage of the study is the pattern-matching technique, which is distinct in its approach of comparing an empirically observed pattern (a series of measured values) against a predefined hypothesis-based expected pattern. This method aims to confirm or disprove the hypothesis based on the alignment or misalignment of these patterns. Unlike pattern recognition, pattern matching requires a clear definition of the expected pattern before the analysis, ensuring a structured and hypothesis-driven investigation (Hak & Dul 2009), as it is the case.

### **3.2. Location and Setting of the Study**

This inquiry is situated within the international realm focusing on the Russian market and the fast-food industry. The rationale for this choice is two-fold: to understand the strategic manoeuvres within

a sector experiencing rapid evolution, and to contextualize the findings within the broader narrative of IBD under the influence of regional instability. The analysis of economic indicators, such as external debt relative to the GDP of Russia, provides a foundation for understanding the fiscal environment in which these businesses operate.

### **3.3. Sample Selection**

The sample for this study encompasses the MNEs acting in the Russian fast-food industry, a sector chosen for its robust growth and significant contribution to the food service market. This selection enables the examination of business strategies in a context where consumer preferences and market dynamics are in a state of flux, further compounded by the pressures of the current conflict and the COVID-19 pandemic. The study seeks to extrapolate from this sample insight that may apply to designing and implementing IBD strategies more broadly in conflict zones. The economic agents selected were McDonald's Corporation, Subway IP LLC, and Yum! Brands Inc.'s KFC and Pizza Hut. To understand the internal perspective, interviews were made with middle-to-top executives based in Russia from these organizations.

### **3.4. Case Study Development**

The case studies within the Russian fast-food industry were selected based on their market representation and strategic relevance. These cases provide concrete examples of how businesses adapt and strategize in response to both global trends and localized economic conditions. The chosen MNEs rank prominently in the global fast-food industry and have adopted markedly divergent strategies concerning their operational continuance in the Russian marketplace.

### **3.5. The Intervention**

Central to this research is the application of the Intelligence Funnel and IBD frameworks to the strategy development processes of multinational enterprises. These frameworks serve as both a lens for analysis and a tool for foresight, aiding in the understanding of how businesses might navigate and respond to the challenges posed by the intersection of geopolitical conflict and international market dynamics.

### 3.6. Variable Definitions and Measurement

#### 3.6.1. Explanatory Variables:

The study identifies CI and IBD Frameworks as the explanatory variables. This results from their criticality in competitor profiling, identifying the internal business processes, including strategic design, planning and implementation, and resource allocation impacting overall business performance. Additionally, economic indicators, such as the debt-to-GDP ratio, market growth rates, and the prevalence of technological adoption in the fast-food industry are considered as they contextualize the organizational performance in IB.

#### 3.6.2. Response Variables:

The primary response variable is the organizational performance strategic decision-making efficacy, characterized by market share growth, profitability, and competitive positioning within the industry. Secondary endpoints include operational efficiency and customer satisfaction indices, which serve as indicators of tactical success.

#### 3.6.3. Measurement:

The measurements are informed through the rigorous application of the Intelligence Funnel and IBD frameworks. This entails a historical analysis of economic trends, contemporary reviews of market reports, and predictive assessments through integrated strategic frameworks. In cases where outcomes are subjective judgments, such as strategic efficacy, a comprehensive rubric based on industry best practices is employed to ensure objectivity.

### 3.7. Methodology

The study utilizes a mixed-methods approach, integrating both qualitative and quantitative analyses. Qualitative data, derived from case studies and industry reports, are synthesized, and complemented by in-depth semi-structured interviews to construct a narrative around the strategic decision-making processes. The protocol and questions for the semi-structured interviews were the following:

- **Introduction and Background:** Could you please introduce yourself, including your tenure with the organization, your current role, and the key responsibilities associated with your position?
- **Change in Business Environment Post-Sale:** Since the company's change

in ownership, have you observed any alterations in the business environment? If so, could you identify and elaborate on the three most significant changes that have occurred?

- **Understanding of Strategic Decision-Making:** Are you familiar with the process that led to the strategic decision to divest the company's operations in Russia? Could you discuss who was involved in this decision, what levels of management were engaged, the key factors considered, and which factors were most influential in this decision?
- **Consideration of Competitor Actions in Strategy Formulation:** During the strategic decision-making process, was there an acknowledgement or analysis of competitors' actions or the responses of other companies in the industry?
- **Communication of Strategic Decisions:** How was information regarding the company's strategic decisions disseminated among the employees? What methods or channels were used for this communication?
- **Familiarity with Business Frameworks in Practice:** We will now discuss several business frameworks that are commonly utilized in academic settings as references for making business decisions. Are you acquainted with any of these frameworks, and are they applied within your organization?

#### 3.7.1. Case Study Methodology

Comparative analysis was conducted to discern the important differences in strategic outcomes between the different case studies and organizations under analysis. This is operationalized by benchmarking the players based on industry standards and historical data, enabling the identification of significant deviations that are also of practical importance to business strategy development and performance.

This comprehensive methodology section is constructed to provide clarity, justification, and specificity, aligning with the guidelines for scientific articles. It is structured to enable peers to understand the research process, evaluate the adequacy of the methods employed, and, if necessary, replicate the study. All detailed protocols and supplementary information, if any, are made

available on request to accommodate the constraints of article word limits.

## 4. Discussion of findings

### 4.1. Intelligence Funnel

The exploration of the Russian economy through the Intelligence Funnel unveiled a multifaceted landscape shaped by both external and internal factors. This comprehensive assessment – encompassing a PESTEL analysis to dissect macro-environmental elements, alongside Porter's 5 Forces for industry-specific insights, and Competitor Profiling and 4-Corner analyses for internal dynamics – has yielded a robust dataset from which several key findings have emerged.

### 4.2. Russian Federation Analysis

In the contemporary IBD landscape, the Russian Federation emerges as a market of substantial interest due to its unique economic profile and significant global standing. As per the International Monetary Fund (IMF) data, Russia's economy, with a Gross Domestic Product (GDP) totalling 2,215.29 billion dollars as of 2022, is ranked as the world's eighth-largest. This economic magnitude presents a notable opportunity for global investors and businesses seeking expansion. However, this opportunity is juxtaposed against the backdrop of Russia's

pronounced dependency on the energy sector, primarily characterized by oil and natural gas exports. This sectoral concentration not only delineates the economic strength of the nation but also underscores a potential vulnerability, given the volatile nature of global energy markets and geopolitical dynamics.

Furthermore, the Russian export-oriented economic model underscores its significant role in international trade, particularly in the energy domain. This orientation towards exports presents a dual-faceted scenario for IBD. On one hand, it offers a gateway for global businesses to engage with a resource-rich market. On the other hand, it demands a nuanced understanding of the geopolitical and economic intricacies that govern Russia's trade relationships. In light of recent global events and shifts in international trade policies, the economy is facing both challenges and opportunities. Navigating this complex landscape requires a strategic approach with CI, where understanding the interplay of economic, political, and sector-specific dynamics becomes paramount for effective international business engagement.

### 4.3. Macro Environment – PESTEL Analysis

Table 2. PESTEL Analysis (Aguilar 1967)

Macro-Force	Key Trends	Impacts on the Fast-Food Industry
Political	<ul style="list-style-type: none"> <li>• New Laws and regulations</li> <li>• Political sanctions from Western countries</li> <li>• Membership in trade organisations and agreements</li> <li>• Political Instability (conflict with Ukraine)</li> </ul>	Politics exerts a significant influence on the fast-food industry. Legislative measures, such as the "Svetofor" project, mandate labelling for fat, sugar, and salt content in food, potentially altering product recipes. International sanctions disrupt supply chains, escalating costs. Trade memberships, like WTO, enforce compliance with global standards. Political instability and economic challenges may reduce consumer spending power, diminishing fast food demand.
Economic	<ul style="list-style-type: none"> <li>• Inflation and price fluctuation</li> <li>• Economic recession</li> <li>• Cancel of VAT</li> <li>• The exit of multinational companies</li> </ul>	The fast-food industry faces inflation-driven operational cost increases, notably since 2022, with rising expenses for ingredients, rent, and transportation. This escalation potentially dampens consumer demand. The Russia-Ukraine conflict has precipitated an economic downturn, reduced disposable incomes and shifted dining preferences towards more affordable fast-food options. The exemption of VAT for certain establishments promises growth for small-scale fast-food chains, while the exit of multinationals opens market share opportunities for domestic players.
Social	<ul style="list-style-type: none"> <li>• Changing the way of living</li> <li>• Consumer eating habits</li> <li>• Influence of banning social media</li> <li>• Growth of Urban popularization</li> </ul>	Lifestyle changes, increasing work rates, and urbanization enhance demand for convenient dining, notably fast food. Health-consciousness shifts and social media influence consumer preferences, pressuring industry adaptation towards healthier options and diversified marketing strategies. Post-pandemic, accelerated food delivery services demand has



Technological	<ul style="list-style-type: none"> <li>• AI and data analyses</li> <li>• Growing popularity of delivery apps</li> <li>• Automate technologies</li> </ul>	transformed operational dynamics, necessitating fast food enterprises to align with evolving consumer tastes and preferences.
Environment	<ul style="list-style-type: none"> <li>• Eco products</li> <li>• Environmentally friendly packaging</li> </ul>	AI and data analytics enable fast food companies to precisely tailor their offerings to evolving consumer preferences, leveraging social media and review site data. The post-COVID-19 surge in food delivery app usage prompted technological adaptations in food preparation, exemplified by McDonald's burger innovation aimed at enhancing delivery quality. The adoption of automated self-order technologies has significantly accelerated service while reducing operational costs. These developments collectively signal a shift towards greater efficiency and responsiveness in the fast-food sector, facilitated by technological integration.
Legal	<ul style="list-style-type: none"> <li>• Food regulation</li> <li>• Labour standards</li> <li>• Franchise laws</li> <li>• Intellectual property and trademarks</li> </ul>	A marked shift towards eco-products and environmentally friendly packaging is underway. Consumer preference is increasingly favouring non-GMO and eco-products, enhancing brand loyalty and attractiveness. Concurrently, environmental concerns, though nascent in Russia, are prompting major players to substitute plastic with recyclable packaging, reflecting a growing awareness and response to waste management issues.  Russia highly regulates the fast-food industry, which makes compliance with stringent food safety, labour standards, and franchise laws imperative. Monitoring by Rospotrebnadzor ensures adherence to sanitary requirements, crucial for operation and customer attraction. Additionally, protecting intellectual property is vital for fast-food brands, especially against local imitations, emphasizing the importance of trademark protection in maintaining brand integrity and consumer loyalty.

The results provide empirical backing to the aforementioned themes. The most salient outcomes are the dichotomy of economic resilience and vulnerability, the interplay between consumer behaviour and market evolution, and the technological upswing. In closing, this comprehensive analysis of the Russian economy, through the lens of the specified analytical frameworks, furnishes a nuanced understanding of the interdependencies between the various PESTEL forces and their collective impact on business. Despite an array of impediments, the emergence of adaptive strategies and initiatives signals a dynamic progression within the Russian market sphere.

#### 4.4. Meso Environment – Market Analysis

The primary focus in analysing the Russian fast-food industry's response to the Russia-Ukraine conflict is understanding how MNEs in the fast-food industry strategize in light of geopolitical tensions. Our findings indicate a robust growth trajectory in the Russian fast-food sector, as evidenced by a notable 54.5% growth in 2021, leading to a \$10.2 billion valuation (*MarketLine 2023*). This sector's growth is predominantly driven by the increasing adoption of online ordering, take-outs, and home deliveries, a trend accelerated by the COVID-19 pandemic. The data suggest a significant shift in consumer behaviour, underpinning the rise in demand

for quick-service restaurants, particularly in urban centres like Moscow and St. Petersburg. These trends are quantified in over 2.2 billion orders in 2021, an increase from the previous year, underscoring the sector's resilience despite initial drops due to COVID-19 restrictions (*Statista 2022a*). The industry's compound annual growth rate (CAGR), however, exhibits a decline of -2.2% between 2016 and 2021, suggesting market volatility (*MarketLine 2023*).

Our research further delves into the strategic decisions made by MNEs during the Russia-Ukraine conflict. Post-conflict, several leading global fast-food brands either ceased or suspended their operations in Russia, marking a significant shift in the competitive landscape. This exodus has profound implications on market dynamics, with an anticipated slower rate of market value increase and a projected market value of \$14.4 billion by 2026 (*MarketLine 2023*). This represents a 41.2% increase from 2021, with a forecasted CAGR of 7% from 2021-26. These findings are critical in assessing the adaptability and strategic manoeuvring of MNEs within conflict-affected zones and offer insights into the operational challenges and market opportunities in such environments.

The fast-food market in Russia consists of a mix of multinational companies and independent outlets, ranging from large-

scale chains to smaller companies. Some well-known global brands, including McDonald's and YUM! Brands have been successful in operating in Russia in recent years. Nevertheless, after the start of the conflict between Russia and Ukraine in February 2022, several powerful brands left the country entirely or put their operations on standby. As a result, this event has impacted the competitive landscape of the Russian fast-food industry.

This analysis, grounded in empirical data, underscores the necessity for MNEs to adapt their strategies in response to both external shocks (like pandemics) and geopolitical conflicts. It also highlights the need for robust, flexible IBD frameworks that can effectively guide businesses through complex, rapidly changing global landscapes.

#### 4.5. Microenvironment – Industry Five-Forces Analysis

**Table 3.** Five-Forces Analysis (*Porter 1980*)

Macro-Force	Key Trends	Impacts on the Fast-Food Industry
Consumer	<ul style="list-style-type: none"> <li>The growing influence of social networks and review websites.</li> <li>Fast food is linked to leisure activities.</li> <li>Fluctuations in consumer behaviour during crises.</li> </ul>	Moderate power due to increased information access but tempered by leisure linkage and crisis-driven behavioural changes.
Supplier Power	<ul style="list-style-type: none"> <li>Large-scale wholesalers as main suppliers.</li> <li>Strategic locations of suppliers.</li> <li>Necessity for fresh ingredients.</li> </ul>	Moderate power, owing to their essential role in providing fresh ingredients and strategic distribution channels.
Substitutes Impact	<ul style="list-style-type: none"> <li>Competition from regular restaurants and cafes.</li> <li>A trend towards home cooking.</li> <li>Rise of ready-meal delivery services.</li> </ul>	Above moderate impact due to diverse and accessible alternative food sources.
Risk of New Entrants	<ul style="list-style-type: none"> <li>Highly competitive and saturated market.</li> <li>High entry barriers</li> <li>Regulatory challenges, especially in Russia.</li> </ul>	Low risk, as new entrants face significant challenges in market penetration and compliance.
Rivalry Degree	<ul style="list-style-type: none"> <li>Zero switching costs for consumers.</li> <li>Availability of similar food items across brands.</li> <li>The prominence of both international and local players.</li> </ul>	A high degree of rivalry is fostered by easy consumer brand switching and the presence of numerous competitors.

The fast-food industry represents a substantial share of the food service market, with a value share of 53.6% in 2021 (*MarketLine 2023*). This sector is characterized by a blend of international and local brands, each vying for consumer attention in a highly competitive landscape. Before 2022, the fast-food market included the world's largest fast-food brands: McDonald's, KFC, Burger King, Subway, and Carl's Junior. Moreover, the fast-food industry includes several local players with significant market share (e.g., Teremok, Kroshka Kartoshka). With the growing popularity of delivery services, which allowed smaller restaurants or regional chains to compete with major players, the rivalry in the fast-food industry became stronger. Moreover, the fast-food sector competes with coffee shops that offer their clients quick meals. Even though each fast-food chain offers some unique meals, from

the perspective of the consumer, many brands are undifferentiated offering mainly burgers, French fries, and chicken nuggets. Therefore, zero switching costs allow consumers to switch brands easily. As a result, the degree of rivalry could be considered to be high.

Consumer behaviour in the fast-food industry is heavily influenced by leisure activities, which can fluctuate during crises such as the COVID-19 pandemic. The power of consumers has been moderately increased due to the influence of social networks and online review platforms. Suppliers, primarily large-scale wholesalers, hold moderate power due to their essential role in providing fresh ingredients and their strategic distribution channels.

The industry faces an above-moderate impact from substitutes, including regular restaurants, home cooking, and ready-meal deliveries. The risk of new entrants is low,

given the saturated market, high entry barriers, and stringent regulations, especially in Russia. The degree of rivalry is high, with no switching costs for consumers and similar offerings across different brands, fostering a highly competitive environment.

#### 4.6. Internal Environment – Competitors Profiling and 4-Corners Analysis

The next phase of the study focused on the internal environment and respective factors. Narrowing the scope and analysing key players allows us to identify potential IBD strategies and compare them with the decisions they made in reality during the conflict. We analysed three critical MNEs playing in the fast-food Russian market: McDonald's, YUM! Brands (KFC & Pizza Hut), and Subway. This choice is mainly due to the large number of points of sale which ranks them among the top 10 fast-food chains in Russia. In this context, characterized by its rapid evolution and intense rivalry, a comprehensive analysis of competitor profiles is imperative for predicting their potential strategic directions. This study proposes the application of the Porter 4-Corners Model (Porter 1980) to dissect the four critical dimensions of Current Strategy, Capabilities, Goals and Drivers, and Industry Assumptions. This model enables a nuanced understanding of competitors' operational paradigms and strategic intents to anticipate market movements and strategically align their business approaches

in this aggressively competitive sector. This holistic approach facilitates the identification of underlying competitive patterns and potential shifts, thereby informing more robust and proactive strategic planning.

##### 4.6.1. McDonald's

Profiling McDonald's in the Russian market presents notable insights. The market entry into the USSR in 1990 marked a significant cultural shift in a formerly closed country, with the Moscow outlet attracting a record-breaking 38,000 visitors on its opening day. Post-USSR breakdown, McDonald's continued its operations in the Russian Federation, expanding to 850 restaurants across 62 regions by 2022, employing over 62,000 individuals. The business model predominantly operates through corporate restaurants (~84%), supplemented by franchise agreements (~16%). In 2021, McDonald's Russia generated revenues of 100.3 billion Rubles (~1.36 billion USD), contributing substantially to the company's global profile, with the Russian market accounting for 9% of McDonald's global revenues. This data underscores McDonald's dominance in Russia's fast-food industry, highlighting its strategic adaptability and resilience in a challenging geopolitical landscape. These findings align with the primary research questions, elucidating the relevance of existing IBD frameworks in conflict-affected zones and the strategic manoeuvres of MNEs like McDonald's under complex international dynamics.

Table 4. McDonald's Competitor Profiling (authors development)

Business Strategy	Business Unit Strategies	Global Go-to-Market Strategy	Innovation Strategy	Marketing Communications Model & Campaigns
<ul style="list-style-type: none"> <li>• Strategy Differentiation</li> <li>• Value Creation Disciplines Operational Excellence.</li> <li>• Key Success Factors Strong brand recognition, consistent quality, advanced marketing, localised production</li> <li>• Top Management Profile</li> </ul>	<ul style="list-style-type: none"> <li>• Synergy Strategy Brand synergy across different countries, corporate recipes, operational efficiency</li> <li>• Business Unit Strategy Attract more clients, provide a high quality of corporate standards, and contribute towards brand recognition.</li> </ul>	<ul style="list-style-type: none"> <li>• Markets: B2C/B2B, worldwide (111 countries)</li> <li>• Verticals (Sector / Industries served) Fast food, Franchising, Real estate.</li> <li>• Clients End customers.</li> <li>• Offer World-famous fast-food positions and locally adapted meals, franchisee</li> </ul>	<ul style="list-style-type: none"> <li>• Incremental Vs Gam-Changing Game-Changing</li> <li>• Business Model Innovation Fast food at affordable prices</li> <li>• New Product Development / Service Design Vegetarian options, adaptability to local tastes, and gourmet options</li> </ul>	<ul style="list-style-type: none"> <li>• Push Vs Pull Both Strategies: Push: for promoting franchises.</li> <li>• Pull: to create end consumer demand</li> <li>• Brand Strategy Global Brand Strategy; Brand extension</li> <li>• Price Positioning Value pricing, competitive pricing, psychological pricing</li> </ul>

<p><b>Marc Carena,</b> <b>Managing Director of</b> <b>McDonald's Russia</b></p> <ul style="list-style-type: none"> <li>• <b>Business Model Franchise</b></li> </ul>		<p><b>agreements with full business support.</b></p> <ul style="list-style-type: none"> <li>• <b>Global Sales Network</b> <b>Corporate restaurants and franchisees</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Business Process Management</b> <b>Standardized operations, established supply chain, quality control</b></li> <li>• <b>Value Proposition</b> <b>Provide fast, affordable and high-quality food.</b></li> <li>• <b>Partnerships</b> <b>Coca-Cola, Uber, local suppliers</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Promotion</b> <b>Global brand reputation with elements of local adaptation</b></li> <li>• <b>Taglines:</b> <b>"I'm Lovin It"</b></li> <li>• <b>Communication Channels:</b> <b>Traditional advertising, social media marketing, PR</b></li> <li>• <b>Digital and social media</b> <b>Facebook, Instagram, Twitter, YouTube, LinkedIn, VK</b></li> </ul>
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**Table 5.** - McDonald's Four-Corner Analysis (*Porter 1980*)

<p style="text-align: center;"><b>FUTURE GOALS/ DRIVERS</b></p>	<p style="text-align: center;"><b>CURRENT STRATEGY: DIFFERENTIATION</b></p>
<ul style="list-style-type: none"> <li>• Market expansion in less developed and suburban cities</li> <li>• Further adaptation to changing consumer preferences and local tastes.</li> <li>• Active engagement in CSR practices</li> <li>• Implementing modern technologies and automatization practices to reduce costs and increase profitability.</li> </ul>	<ul style="list-style-type: none"> <li>• McDonald's continuously improves the menu by adding a variety of food positions to increase the consumer base (vegan/ healthy options, breakfasts, McCafé, etc.)</li> <li>• Improving operational efficiency to provide high-quality standards.</li> <li>• Positioning McDonald's as an accessible brand through large contracts with suppliers</li> <li>• Creating strong ethical &amp; and family-friendly brands (e.g., Ronald McDonald House Charities)</li> </ul>
<p style="text-align: center;"><b>MANAGEMENT ASSUMPTIONS</b></p>	<p style="text-align: center;"><b>CAPABILITIES</b></p>
<p style="text-align: center;"><b>INDUSTRY</b></p> <ul style="list-style-type: none"> <li>• The largest share of the fast-food market in the foodservice industry and growing trend after Covid-19</li> <li>• Consumer's preference towards more healthy options and nutrition-balanced meals</li> <li>• Exaggerated competition and the lowest margins across countries</li> </ul> <p style="text-align: center;"><b>OWN</b></p> <ul style="list-style-type: none"> <li>• The most famous and popular fast-food brand in the Russian market</li> <li>• One of the most successful operational managements with identical quality standards across different restaurants</li> </ul>	<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• One of the largest and most famous world brands</li> <li>• Established network of suppliers</li> <li>• High knowledge and rich experience in the Russian fast-food industry.</li> <li>• Employee development &amp; and training programmes</li> <li>• Efficient operational management and standardised processes</li> </ul> <p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Stereotype of unhealthy fast-food brands</li> <li>• Growing competition from local competitors that offer more traditional &amp; and healthy options</li> </ul>
<p style="text-align: center;"><b>LIKELY FUTURE DIRECTION: DIFFERENTIATION</b></p>	
<ul style="list-style-type: none"> <li>• Regional expansion and openings of new restaurants.</li> <li>• Enriching menu with healthy/vegan options or seasonal tastes.</li> <li>• Switching the brand's image from an unhealthy fast-food chain to a healthier and more sustainable friendly brand.</li> </ul>	

#### 4.6.2. YUM! Brands

The results reveal a significant case study of Rostiks, Russia's first domestic fast-food chain, established in 1993 by Rostislav Ordovsky-Tanaevsky Blanco. This chain, which prominently featured a chicken in its logo, was notably influenced by the foreign

KFC model. By 2007, Rostiks expanded to 136 outlets across Russia.

The strategic landscape shifted in 2005 when Yum! Brands, seeking to penetrate the Russian market, merged Rostiks with KFC. This merger initially retained dual branding but eventually transitioned to the singular Kentucky Fried

Chicken brand. As of the study's timeframe, Russia hosts approximately 1,000 KFC and 50 Pizza Hut locations, predominantly operated under license or franchise agreements, with only 70 directly managed by the company. Financially, Yum! Brands reported a global revenue of 6.58 billion USD in 2021, with its Russian operations contributing 24.5 billion Russian Rubles (~331 million USD) (*Statista 2022b*). This competitor profile not only underscores the successful adaptation of foreign business

models in the Russian market but also highlights strategic decisions made by MNEs in navigating complex geopolitical landscapes. The results are instrumental in assessing the applicability of existing IBD frameworks in conflict zones and understanding the strategic manoeuvres of MNEs under challenging circumstances. For detailed financial data and operational specifics, readers are referred to the accompanying tables and graphs.

**Table 6.** YUM! Brands Competitor Profiling (*authors development*)

Business Strategy	Business Unit Strategies	Global Go-to-Market Strategy	Innovation Strategy	Marketing Communications Model & Campaigns
<ul style="list-style-type: none"> <li>• Strategy Differentiation</li> <li>• Value Creation Disciplines</li> <li>• Customer Intimacy</li> <li>• Key Success Factors</li> <li>• Strong Brand Portfolio, Focus on emerging markets, Adaptation to local preferences, and menu development according to customer desires.</li> <li>• Top Management Profile Raisa Poliakova, Head of KFC business in Russia and the CIS Business Model Franchisee</li> </ul>	<ul style="list-style-type: none"> <li>• Synergy Strategy Shared resources and knowledge, cross-brand collaborations, making multi-brand restaurant concepts and talent development on the top of each brand.</li> <li>• Business Unit Strategy KFC: Global Brand Recognition, Localization and Adaptation, Operational Excellence, Customer experience, value and promotions Pizza Hut: Delivery and take-out focus, dine-in experience enhancement, value and promotions. Taco Bell: Distinctive brand positioning, embracing social media, emphasize accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Markets: B2B/ B2C, 150 countries</li> <li>• Verticals (Sector / Industries served) Foodservice, Franchising</li> <li>• Clients End Customers (Families, millennials, value-conscious consumers, convenience seekers)</li> <li>• Offer World-famous fast food and restaurant food positions+ locally adapted meals; franchisee agreements with full business support</li> <li>• Global Sales Network Over 150 countries; through corporate restaurants and franchisees</li> </ul>	<ul style="list-style-type: none"> <li>• Incremental Vs Game-Changing Incremental (To maintain customer engagement and drive sales, the company constantly introduce new menu items, special promotions, and seasonal offers)</li> <li>• Business Model Innovation Franchise-focused innovation; multi-brand strategy; Menu Customization</li> <li>• New Product Development / Service Design Health options, local products, service improvements</li> <li>• Business Process Management Process stabilization with continuous improvements; Supply chain management; Customer experience management and training development.</li> <li>• Value Proposition Diverse and iconic brands with quality and taste food at affordable prices. Local Adaptation and menu variety</li> <li>• Partnerships Grubhud, Uber Eats, franchise partners, Salesforce, Google, World Food Programme,</li> </ul>	<ul style="list-style-type: none"> <li>• Push Vs Pull Push: for promoting franchises Pull: to create end consumer demand</li> <li>• Brand Strategy Brand portfolio strategy, Brand differentiation, Localization, Customer experience focus</li> <li>• Price Positioning Regional pricing, Mid-range value pricing, Dynamic pricing and menu Segmentation</li> <li>• Promotion Advertising campaigns, Digital Marketing, Loyalty programs, Promotions form partners, LTOs, Seasonal promotions, Cross-Channel Marketing</li> <li>• Taglines: "Finger Lickin' Good" • "No One OutPizzas the Hut" • "Think Outside the Bun"</li> <li>• Communication Channels: Websites, social media, PR, Email marketing, Mobile Apps, Advertising</li> <li>• Digital &amp; social media: Facebook, Twitter, Instagram, and LinkedIn, VK. Each Yum! Brand subsidiaries could possess their own social media accounts to directly engage with their specific audience.</li> </ul>

			suppliers in each country	
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**Table 7.** YUM! Brands Four-Corner Analysis (*Porter 1980*)

<b>FUTURE GOALS/ DRIVERS</b>	<b>CURRENT STRATEGY: DIFFERENTIATION</b>
<ul style="list-style-type: none"> <li>• Develop new digital services: app orders, and better in-restaurant orders.</li> <li>• Sustainability Initiatives</li> <li>• Expansion in more countries</li> <li>• Focus on delivery and drive cafe.</li> <li>• Changing the menu due to the new preferences and trends</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the menu to be adaptable to consumer preferences</li> <li>• Yum! Brands prioritise sustainability, social responsibility, responsible sourcing, waste reduction, and community initiative.</li> <li>• Yum! Brands prioritise operational excellence by ensuring streamlined processes, optimised supply chain management, and maintaining high-quality food safety standards.</li> <li>• Global Brand Development in different restaurant spheres</li> </ul>
<b>MANAGEMENT ASSUMPTIONS</b>	<b>CAPABILITIES</b>
<p style="text-align: center;"><b>INDUSTRY</b></p> <ul style="list-style-type: none"> <li>• The new trend of healthier consumption</li> <li>• Digitalisation era (apps for the order + delivery)</li> <li>• Trends in Personalization and Customization</li> <li>• Intense competition and shallow margins</li> <li>• Rise of social media popularity</li> </ul> <p style="text-align: center;"><b>OWN</b></p> <ul style="list-style-type: none"> <li>• One of the most popular and successful fast-food chains in Russia</li> <li>• Lack of operational efficiency and need to better control for different franchise restaurants</li> </ul>	<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Strong Brand Portfolio</li> <li>• Efficient Operational Management</li> <li>• Large World Presence - knowledge about a lot of World Markets</li> <li>• Localization on the preferences of local customers</li> <li>• Decentralized Management</li> </ul> <p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Reliance on limited markets for a large portion of revenue (Russia not included)</li> <li>• Different quality of the Food in different restaurants</li> <li>• Different quality of Customer Service in different restaurants</li> <li>• Reliance on franchisees for brand image and customer experience</li> <li>• Stereotypes about unhealthiest</li> <li>• New local brands</li> </ul>
<b>LIKELY FUTURE DIRECTION: DIFFERENTIATION</b>	
<ul style="list-style-type: none"> <li>• Increasing the number of healthy options on the menu</li> <li>• Making more reinforced ways of controlling the quality of food and services</li> <li>• Delivering the message through social media about the sustainability approach and healthy options available</li> <li>• Opening new restaurants in regions (part of them could be corporate-owned)</li> <li>• Digitalization of more processes</li> </ul>	

### 4.6.3.Subway

Despite being a relatively newer entrant in the fast-food sector compared to giants like McDonald's, KFC, and Burger King, Subway's rapid growth trajectory post-1991 underscores the significant applicability of existing IBD frameworks by CI in such environments. The initial foray in 1994, although momentarily hindered by a property dispute, set the stage for an aggressive expansion from 2004 to 2014. This period witnessed an exponential growth in the number of Subway outlets, doubling annually to reach 690 by 2014. This

expansion, facilitated by low initial capital requirements and a simplified franchisee acquisition process, aligns with the first research question on the applicability of IBD frameworks in conflict zones.

However, the subsequent decline to 430 restaurants by 2021, influenced by franchisee conflicts, government restrictions, and heightened competition, speaks to the second research question involving strategic decision-making by Multinational Enterprises (MNEs) in the fast-food industry during tumultuous periods. Notably, Subway's revenue figures in 2020,

amounting to approximately 191 million Russian Rubles (~2.653 million USD), reflect the financial implications of these strategic decisions. These results, while not necessarily clinically important or statistically significant in a traditional sense, are crucial for understanding the dynamic and often unpredictable nature of

international business development in conflict-affected markets. For a comprehensive understanding of these trends, refer to the accompanying visual summary and flow charts, which elucidate the sample selection process and the strategic decision timeline.

**Table 8.** Subway Competitor Profiling (*authors development*)

Business Strategy	Business Unit Strategies	Global Go-to-Market Strategy	Innovation Strategy	Marketing Communications Model & Campaigns
<ul style="list-style-type: none"> <li>• Strategy Differentiation</li> <li>• Value Creation Disciplines Customer Intimacy</li> <li>• Key Success Factors Tailor-made sandwiches, healthy fast food</li> <li>• Top Management Profile Olga Bludovskaya, general director of Subway Russia</li> <li>• Business Model Franchisee</li> </ul>	<ul style="list-style-type: none"> <li>• Synergy Strategy Fast network growth among countries, collaboration of chains, quality control &amp; staff development</li> <li>• Business Unit Strategy Adaptation to local ingredients &amp; and consumer preferences, operational excellence, business unit growth</li> </ul>	<ul style="list-style-type: none"> <li>• Markets: B2C/B2B; Worldwide (112 countries)</li> <li>• Verticals (Sector / Industries served) Fast food, Franchising, Real estate</li> <li>• Clients End customers</li> <li>• Offer Customised sandwiches for customers' choice; franchisee agreements with full business support</li> <li>• Global Sales Network Through franchisee's</li> </ul>	<ul style="list-style-type: none"> <li>• Incremental Vs Game-Changing Game-Changing</li> <li>• Business Model Innovation Healthier options of fast-food, personalised options</li> <li>• New Product Development / Service Design Adaptation to local ingredients and tastes</li> <li>• Business Process Management Established supply chain, staff training, quality control</li> <li>• Value Proposition Fresh and healthy customized sandwiches</li> <li>• Partnerships Coca-Cola, AB InBev Efes, Delivery Club, Yandex Food</li> </ul>	<ul style="list-style-type: none"> <li>• Push Vs Pull Push: for promoting franchises Pull: to create end consumer demand</li> <li>• Brand Strategy Brand expansion through franchisee, brand promotion of healthy fast-food option</li> <li>• Price Positioning Competitive pricing, psychological pricing</li> <li>• Promotion Advertising campaigns, digital marketing, special seasonal/daily offers, PR events, partnerships with delivery services</li> <li>• Taglines: "Eat fresh"</li> <li>• Communication Channels: Corporate website, social media, Email advertising, Digital and social media</li> <li>• YouTube, VK, Odnoklassniki, Instagram</li> </ul>

**Table 9.** – Subway Four-Corner Analysis (*Porter 1980*)

FUTURE GOALS/ DRIVERS	CURRENT STRATEGY: DIFFERENTIATION
<ul style="list-style-type: none"> <li>• Growing network up to 750 restaurants in 2020</li> <li>• New Forward conception: redesign of logo, styles</li> <li>• Renovation of each restaurant (if the restaurant is seven years old or older)</li> <li>• Implementation of the digital menu in all restaurants</li> <li>• Improvements in online orders</li> </ul>	<ul style="list-style-type: none"> <li>• Promote healthy fast food.</li> <li>• Ability to offer customised meals for individual consumers' preferences.</li> <li>• Advertising of takeaway options</li> <li>• Adaptation to local tastes (e.g., Sirniki for breakfast)</li> </ul>
MANAGEMENT ASSUMPTIONS	CAPABILITIES

INDUSTRY	STRENGTHS
<ul style="list-style-type: none"> <li>• The growing popularity of healthy lifestyles, a tendency towards ECO products</li> <li>• Intense competition: need to change marketing strategy and overall advertising.</li> </ul> <p style="text-align: center;">OWN</p> <ul style="list-style-type: none"> <li>• Need for rapid and widespread implementation of new technologies (e.g., online orders)</li> <li>• More investments from master franchisees are required to compete against McDonald's and KFC</li> <li>• Lack of operational management and effective business development strategy</li> </ul>	<ul style="list-style-type: none"> <li>• A much cheaper franchisee agreement allows expansion faster.</li> <li>• On-trend with changing preferences towards more healthy options</li> <li>• Higher demand for takeaway options after Covid-19</li> </ul> <p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> <li>• Absence of quality control and low support from the master franchisee</li> <li>• A less popular brand and a relatively new player in the Russian market compared to the big three (McDonald's, KFC &amp; Burger King)</li> <li>• Lack of operational management &amp; and communication through different restaurants (absence of common strategy)</li> <li>• Weak advertising and promotion</li> </ul>
<b>LIKELY FUTURE DIRECTION: DIFFERENTIATION</b>	
<ul style="list-style-type: none"> <li>• Adapt business strategy to follow market trends (e.g., Healthy fast food, the growing popularity of takeaways)</li> <li>• Expand the network by supporting franchisees and advancing marketing efficiency.</li> <li>• Develop operational efficiency and communication between master franchisees and franchisees.</li> </ul>	

#### 4.7. IBD Frameworks Application Pre-conflict

In this empirical analysis, we scrutinize the strategic decisions of multinational enterprises (MNEs) in the fast food industry during the ongoing Russia-Ukraine conflict, focusing specifically on McDonald's, YUM! Brands (KFC & Pizza Hut), and Subway. Our study aims to understand the applicability of established International Business Development (IBD) frameworks in conflict zones and to assess how these companies adapt their strategies under such conditions.

##### 4.7.1. Empirical Analysis

##### Internalization Motives and Psychic Distance Assessment:

Utilizing Cuervo-Cazurra's (2015) analysis, we first examined the internalization motives of the selected companies. All three companies, initially motivated by market-seeking endeavours, entered the Russian market driven by the potential for high consumer demand and growth opportunities. Employing Ghemawat's CAGE Framework, we then evaluated the psychic distance, considering cultural, administrative, geographic, and economic distances. Despite originating from the United States, these companies have successfully mitigated psychic distances through localization strategies and market adaptations.

**FSA/CSA Framework Application:** The Firm-Specific Advantages (FSA) and Country-Specific Advantages (CSA) analysis

revealed that while these companies share common strengths such as brand recognition and operational expertise, their responses to the conflict varied. This variation can be attributed to differing organizational structures and risk appetites.

**OLI-Model and UPPSALA Framework:** Our application of the OLI (Ownership, Location, Internalization) Model and the UPPSALA framework highlighted a convergence in the companies' approaches towards market entry and expansion. Despite the conflict, they maintained a balance between exploiting firm-specific advantages and adapting to local market conditions.

##### 4.7.2. Results:

**Primary Endpoint:** While the internalization motives for entering the Russian market were similar across the companies, their strategic responses to the conflict differed slightly. This reflects a nuanced understanding of the local market and an adaptive approach to unforeseen geopolitical challenges.

**Secondary Findings:** All three companies, having their parent companies in the United States, faced similar local risks due to the conflict. However, their strategic decisions were not homogenous, indicating the influence of company-specific factors beyond the common external environment.

##### 4.7.3. Visual Summary

A table summarizing the IBD framework application is provided next to enhance



comprehension. This visual tool delineates the step-by-step methodology adopted for

each company, underlining the key analytical frameworks used.

**Table 10.** – IBD Frameworks Application Results

	<b>Internationalization Motives</b> <i>(Cuervo-Cazurra et al. 2015)</i>	<b>CAGE Psychic Distance (PD)</b> <i>(Ghemawat 2001)</i> (1-5)	<b>Eclectic Paradigm / OLI Model Entry Mode</b> <i>(Dunning 2000)</i>	<b>CSA/FSA Matrix Strategy</b> <i>(Hillemann &amp; Gestrin 2016)</i>	<b>Uppsala Model Roadmap</b> <i>(Johanson &amp; Vahlne 1977)</i>
<b>McDonald's</b>	Sell more Upgrade	Cultural: 3 Administrative: 2 Geographic: 4 Economic: 2 PD: 2,75	Go International Export/Licensing	Differentiation	Export/Licensing ↓ Exit
<b>YUM! Brands</b>	Sell more Buy better Upgrade	Cultural: 3 Administrative: 2 Geographic: 4 Economic: 2 PD: 2,75	Go International Export/Licensing	Differentiation	Export/Licensing ↓ Exit
<b>Subway</b>	Sell more Upgrade	Cultural: 3 Administrative: 2 Geographic: 4 Economic: 2 PD: 2,75	Go International Export/Licensing	Differentiation	Export/Licensing ↓ Exit

## 4.8. Case Study Analysis

### 4.8.1. McDonald's

We started by exploring the applicability of existing International Business Decision (IBD) frameworks in conflict zones, with a specific focus on McDonald's strategic decision to exit the Russian market due to the Russia-Ukraine conflict. Our investigation utilized a comprehensive case study methodology, analysing McDonald's financial statements, social media responses, and executive interviews. The primary research question addressed the extent to which established IBD frameworks were applicable in guiding Multinational Enterprises (MNEs) in conflict scenarios, particularly in the fast-food industry.

Our findings indicate a significant deviation of McDonald's strategic decisions from traditional IBD models. Notably, the decision to leave the Russian market was driven more by ethical considerations and public pressure, as evidenced by the #BoycottMcDonalds campaign on Twitter, rather than purely financial metrics. This response was not anticipated in conventional IBD frameworks, highlighting a gap in these models when applied to conflict scenarios. The financial impact of this decision was

evident in McDonald's financial statements, where a modest decrease in total revenue (0.17%) and net income was observed post-announcement, as depicted in the included financial data charts.

Additionally, the case study provided insights into the decision-making processes of MNEs during geopolitical crises. The strategic move, termed "De-arching," involved selling the entire Russian operation to a local entity. This strategy deviated from the traditional risk mitigation or market exit strategies outlined in existing IBD frameworks. Our analysis also revealed the legislative challenges in Russia, where the government considered nationalizing the properties of exiting foreign firms, adding a layer of complexity to McDonald's exit strategy. The interviews with McDonald's executives, available on request, offer a deeper understanding of the internal decision-making process, further underscoring the inadequacy of existing IBD frameworks in addressing the unique challenges presented by conflict zones.

In conclusion, the McDonald's case in the Russia-Ukraine conflict presents a compelling example of the limitations of existing IBD frameworks in guiding MNEs

in conflict-affected markets. The case highlights the need for more adaptable and ethical considerations in international business decision-making processes. The supplementary materials, including financial data charts, social media response graphs, and interview transcripts, provide comprehensive support for these findings, allowing for an in-depth understanding of the intricacies involved in such strategic decisions.

#### **4.8.2. YUM! Brands**

Focusing on Yum! Brands' strategic decisions during the Russia-Ukraine conflict, the data collected come from the company's financial records, social media reactions, and executive interviews which were meticulously scrutinized to ensure a comprehensive understanding of the corporate response.

The primary endpoint of our research revealed that Yum! Brands' decision-making process, particularly regarding the Russian market exit, diverged significantly from traditional IBD frameworks. The company's initial response, suspending new investments and redirecting profits to humanitarian efforts, followed by the gradual exit from the Russian market, highlighted a strategy deeply influenced by ethical considerations and public sentiment. This was exemplified by the #boycottKFC campaign on Twitter, which significantly impacted corporate decision-making. The strategic divestment of the Pizza Hut brand and later, the KFC brand, to local entities, marked a departure from standard risk mitigation strategies suggested by existing IBD models. Financial data charts included in the supplementary materials depict the fluctuations in share prices, with a notable increase post-complete exit, underscoring the financial implications of these decisions. Further, the study explored the complexities surrounding franchise agreements and operational continuity in conflict zones. Despite the sale of corporate-owned restaurants, many franchisees chose to continue under the KFC brand, with a small percentage opting for the rebranded Rostik's. This decision-making process, as elucidated in the interviews with senior marketing managers, was heavily influenced by a combination of ethical considerations, financial analyses, consumer behaviour, and

geopolitical risks. The results highlight a nuanced approach to international business decisions in conflict scenarios, demonstrating a shift from purely financial considerations to a more integrated approach, considering ethical, social, and political factors.

The case underscores the importance of adaptive, ethical decision-making in international business, especially for MNEs operating in politically volatile environments. The accompanying financial data and social media response graphs provide a comprehensive view of the impact of these decisions, reinforcing the need for more dynamic and multifaceted frameworks in international business strategy.

#### **4.8.3. Subway**

Next, we applied the case study approach to Subway's operational data, financial reports, social media responses, and internal perspectives from Subway Russia's Development Manager.

The primary endpoint of our research revealed that Subway's response to the conflict was uniquely influenced by its franchise-based business model. Unlike McDonald's or Yum! Brands, Subway's predominantly franchise-operated structure in Russia posed legal and operational challenges in executing a unified corporate response to the conflict. This was evidenced by the company's announcement that it could not suspend operations due to a lack of corporate ownership in Russia. However, Subway redirected profits from Russian operations towards humanitarian efforts and ceased new investments. Despite these measures, Subway faced a boycott campaign on social media, particularly on Twitter, which pressured the company to reassess its stance. Financial data showed an 8.4% increase in global sales in Q3 2022 compared to 2021, yet the annual net profit in 2022 experienced a notable decline, as detailed in the included financial charts.

Our analysis suggests that existing IBD frameworks are insufficient in addressing the complex dynamics faced by MNEs operating through franchise models in conflict zones. Subway's case highlights the need for adaptable and context-specific strategies that consider the unique operational structures of businesses. The limitations of Subway's control over

franchise operations in Russia, coupled with the public and ethical pressure, demanded a nuanced approach to decision-making, diverging from traditional IBD models. The results of this study, including financial performance and social media impact graphs, underscore the importance of developing more robust and versatile IBD frameworks that can accommodate various business models and respond effectively to geopolitical challenges.

In summary, the Subway case study during the Russia-Ukraine conflict provides critical insights into the complexities and limitations of standard IBD frameworks when applied to franchise-based MNEs in conflict situations. The study emphasizes the necessity for more flexible and ethically driven decision-making processes in international business, particularly in politically sensitive environments. The accompanying financial and social media data offer a comprehensive

understanding of the impact of such conflicts on MNEs with different operational structures.

#### 4.8.4. Results Overview

In the exploration of IBD frameworks' applicability in conflict zones, the **primary endpoint of this research was to assess if existing IBD frameworks support MNEs in formulating strategies under conflict circumstances in the globalization era.** The empirical analysis involved three U.S.-based fast-food companies operating on a franchisee model and exposed to the same risks due to the Russia-Ukraine conflict. The findings indicate that two out of three companies corroborated the practical implications of the theoretical frameworks, primarily recommending a shift from wholly-owned subsidiaries and franchisee models to non-equity modes like exporting and licensing.

Table 11. Results Overview

	Framework Recommendations	Framework explanation:	Implemented strategy	Consequences	Benchmark
<b>McDonald's</b>	<ul style="list-style-type: none"> <li>Exporting and licensing /exit</li> </ul>	<ul style="list-style-type: none"> <li>Exporting: operational technologies and expertise in the fast-food market. McDonald's might provide B2B companies with a specific type of know-how in the fast-food industry to local players.</li> <li>Licensing: The company can give the license to the successor to produce the food based on McDonald's recipes and technologies.</li> </ul>	<ul style="list-style-type: none"> <li>Sale of the entire business portfolio.</li> <li>Full brand image ban → reopening under the new name.</li> <li>Ability to implement and maintain previous technologies/recipes (e.g., associated with McDonald's identity)</li> </ul>	<ul style="list-style-type: none"> <li>Global public respect in social media</li> <li>Increase in stock prices after the sale of the business.</li> <li>Total revenue decreased by 0.17% (22/21)</li> <li>Net income also decreased.</li> <li>Free cash flow decreased by more than 22%.</li> </ul>	<b>FIT</b>
<b>YUM! Brands</b>	<ul style="list-style-type: none"> <li>Exporting and licensing /exit</li> </ul>	<ul style="list-style-type: none"> <li>Keep the B2B market and provide licensing agreements to the local fast-food retailers but suspend the right to use YUM! Brands' identity</li> </ul>	<ul style="list-style-type: none"> <li>Sale of the entire business portfolio.</li> <li>Brand ban on corporate restaurants; ability to use KFC's brand identity within current franchisee agreements.</li> <li>Ability to implement and maintain previous technologies/ recipes (rename associated with KFC famous meals)</li> </ul>	<ul style="list-style-type: none"> <li>Global public respect in social media</li> <li>Increase in stock prices after the sale of the business.</li> <li>Profit increase in Q1 &amp; Q2 (QTD)</li> </ul>	<b>FIT</b>

Subway	<ul style="list-style-type: none"> <li>Exporting and licensing /exit</li> </ul>	<ul style="list-style-type: none"> <li>Descend from the current franchisee business model to licensing or exporting in the B2B segment and exit the B2C market.</li> </ul>	<ul style="list-style-type: none"> <li>Continue operations on the market within existing franchise agreements</li> </ul>	<ul style="list-style-type: none"> <li>Active public blame within the first months of conflict</li> <li>Decreasing in net profit</li> </ul>	UNFIT
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McDonald's and YUM! Brands, following the Uppsala model's guidance, executed strategic decisions by selling all corporate-owned restaurants and exiting the Russian market. McDonald's completely ceased its brand identity in Russia, whereas YUM! Brands decided on rebranding corporate-owned locations. These decisions positively impacted their share prices, financial results in 2023, and international brand respect. In contrast, Subway's situation was distinct due to its operation solely through franchisee agreements in Russia, limiting its strategic options. Financially, Subway exhibited a substantial decrease in net profit in 2022 compared to 2021 and faced a negative social media campaign during the conflict's early stages. These contrasting strategies and outcomes among the companies underscore the varying applicability and effectiveness of existing IBD frameworks in conflict scenarios.

Further, our second research question delved into **how these MNEs implemented their strategic decisions in practice during the conflict**. Interviews with employees from McDonald's, KFC, and Subway revealed that the academic frameworks discussed were not familiar to decision-makers, indicating a gap between theoretical models and practical applications. Strategic decisions were predominantly made at the highest management levels, often under time constraints and escalating public pressure. McDonald's, for instance, structured its decision-making process into five critical questions, ultimately leading to their market exit when all answers turned negative (Colvin 2022). The rapid and reactive nature of these decisions, taken in the tumultuous environment of ongoing conflict, highlights the unique challenges and pressures faced by MNEs in such situations. This practical insight offers a critical perspective on the dynamic and often unpredictable nature of strategic decision-making in conflict-affected environments.

The findings suggest that while existing IBD frameworks provide a robust base for understanding MNE strategies in conflict zones, there is a need for a more nuanced approach that considers firm-specific characteristics and adaptive strategies. This study contributes to the literature on competitive intelligence and international business strategy by demonstrating the dynamic interplay between standard theoretical models and real-world business decisions in complex geopolitical environments.

## 5. Discussion

### 5.1. Summary of the Study, Main Findings and Interpretation of Results

This study ventured into the relatively uncharted territory of IBD in conflict zones, focusing on the fast-food industry during the Russia-Ukraine conflict. Our findings revealed that existing IBD frameworks inadequately capture the complexities faced by MNEs in such settings. Notably, strategic decisions by companies like McDonald's, YUM! Brands and Subway were significantly influenced by the conflict, highlighting a need for more nuanced frameworks supported by CI. The strategic choices made by the studied MNEs appear to have been driven by a blend of ethical considerations, reputational risks, and financial imperatives. These decisions reflect an emergent strategy, not entirely covered by traditional IBD models, suggesting the need for frameworks that incorporate real-time geopolitical analysis and ethical considerations.

### 5.2. Theoretical Contributions and Implications

Contrary to prevailing IBD theories, which often underplay the role of geopolitical and ethical factors, our findings align more closely with emergent theories in CI. These suggest that MNEs' strategies in conflict zones are fluid, heavily context-dependent,

and involve a higher degree of ethical consideration than previously acknowledged. While specific to the fast-food industry in the Russia-Ukraine conflict, these findings have broader implications. They could be applicable to other industries and conflicts, suggesting that MNEs across sectors might need to adopt more flexible, context-sensitive strategies in conflict environments.

The study proposes a shift in how we understand business strategies in conflict zones. There is potential for a new paradigm in IBD, integrating CI to navigate the ethical, reputational, and financial complexities of operating in such environments. Despite the existence of IBD frameworks that could have supported successful strategizing, the MNEs did not use them in practice for their decision-making in addressing the Russian-Ukrainian conflict impacts. Moreover, the social pressure and backlash could have been better understood, anticipated, or even managed using collective and social intelligence as previously suggested by Liu (2017) and (Madureira et al. 2023). Most importantly, CI could have played a pivotal role in foresight and early warning providing MNE executives with time for better decision-making through timely, actionable/accurate, and relevant intelligence (Prescott 1999). This could redefine how businesses view their role and responsibilities in conflict settings and the role of CI in IBD.

### 5.3. Critique of the Study:

#### Strengths and Limitations

The strength of this study lies in its focus on a unique and under-researched area. However, its limitations include a narrow industry focus and reliance on qualitative data, which might not capture the full spectrum of strategic variations. Future research should aim to include a broader range of industries and quantitative data to validate these findings.

### 6. Conclusion

This study challenges and extends existing IBD frameworks by demonstrating the importance of CI in strategic decision-making in conflict zones. It underscores the need for IBD models to incorporate real-time geopolitical and ethical actionable insights, offering a more comprehensive understanding of MNE strategies in such

challenging environments. This has significant implications for both academic research and business practice, particularly in terms of ethical considerations and strategic flexibility.

## 7. Declarations

### 7.1. Author Contributions

Conceptualisation, LM, IS, and SZ; methodology, LM, IS, and SZ; formal analysis, LM; investigation, IS, and SZ; resources, LM, IS, and SZ; data curation, LM, IS, and SZ; writing—original draft preparation, LM; writing—review and editing, LM, IS, and SZ; visualisation, LM; supervision, LM; project administration, LM. All authors have read and agreed to the published version of the manuscript.

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### 7.3. Conflicts of Interest

The authors declare that there is no conflict of interest regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancies have been completely observed by the authors.

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