How did localization, a key source of competitive advantage as in this case, become a strategic liability?

The efforts in localization didn't just concern marketing changes but involved operational transformation and institutional embedding. From the local product adaptation to the creation of a supply chain from scratch and the adoption of food handling protocols, positioning as a trusted brand by aligning with the local religious and cultural expectations.

As the conflict with CPRL Managing Director Bakshi escalated, McDonald's lost control of decisions and couldn't guarantee brand standards. The localized operations were now practiced outside corporate control, even if the brand name remained on the stores, damaging McDonald's consistency and reputation.

So McDonald's maximized the local responsiveness but didn't take into consideration governance safeguards and regulations, failing to anticipate the need for future integration. They didn't define an exit strategy, asymmetrical control right and mechanisms to solve conflicts beforehand, leading the company into a situation where they could not manage nor modify.

This configuration led to a deeper strategic problem: their local adaptation created structural dependency. The business was so fitted to the local partner's management and context that it was no longer governable within the McDonald's global system.

In conclusion, localization is critical for market entry and recognition, but it should always be designed carefully and have set limits. Flexibility, reversibility and control mechanisms must be included to ensure the firm's autonomy. Otherwise, this source of advantage can suddenly turn into a vulnerability, exposing operational and reputational risks.

I identified 3 possible tools to help mitigate these risks:

1. Define a clear exit strategy from the start, for example the exit after reaching certain performance goals or after a defined number of years.
2. Securing asymmetrical control over non-negotiable aspects such as food safety, suppliers and brand standards.
3. Include negotiation and a review mechanism, the JV has to not be treated like a static agreement, but the contract must include regular review points, where the parties could reassess their roles, responsibilities and plans in order to adapt to strategic and market needs.