

**MANAGERIAL PERCEPTIONS OF CORPORATE SOCIAL
RESPONSIBILITY AND SOCIAL PRACTICES PRESENT AT
MCDONALD'S SOUTH AFRICA**

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INGRID BÖCKLE

Supervisor: Dr. Darlene Miller

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ABSTRACT

This study deals with corporate social responsibility (CSR) and focuses on managerial perceptions of CSR at McDonald's South Africa (SA) and how social responsibility is translated into social practices. The key objectives of the research are: to analyse McDonald's both internationally and locally in South Africa to establish whether CSR policies exist, then to investigate how these policies are perceived and integrated by outlet managers. Lastly to investigate what kind of social responsibility (SR) involvement, if at all, occurs at outlet level. The research site covers three regions in South Africa, which are the Eastern Cape, Western Cape and Gauteng. The total research sample is 38. 33 interviewees were outlet managers, who were purposively selected, and 5 additional interviews took place with: 2 McDonald's SA Head Office representatives, 2 interviews with beneficiaries of McDonald's SR involvement and 1 with the trade union SACCAWU. The research was carried out through questionnaires and semi-structured interviews. The design of this research is based on an interpretive social science approach. The aim of the research was to investigate outlet managers' perceptions of CSR and social practices present at McDonald's SA outlets.

The key findings of the research indicate that: CSR policies at McDonald's SA head office are not communicated sufficiently to outlet managers, SR involvement is evident, especially for initiatives focusing on children's welfare, but far too little occurs at the outlet level. There are also too few checks on social involvement by head office and no formal reporting system is available to the outlets except through an internal magazine, called the Big Mag. There is no official CSR report at McDonald's SA. The fact that no report exists makes this study more relevant since this research investigates matters pertaining to CSR and social practices. The overall significance of the study is that it brings to the forefront the importance of internal company and external broader regulation which is part of the greater debate of CSR. This is because the analysis of managerial perceptions and implementation of CSR shows some unwarranted discrepancies between policies and practices, locally, nationally and internationally even within the same organisation.

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TABLE OF CONTENTS

Title page.....	i
Abstract.....	ii
Acknowledgements.....	iii
Table of contents.....	v
List of acronyms.....	ix
List of figures.....	x
CHAPTER 1: INTRODUCTION.....	1
1.1. Introduction	1
1.2. “Corporate social responsibility (CSR)” – fad or fact?	3
1.3. The growth of the fast-food industry	7
1.4. Methodology	11
1.4.1 Research problem	11
1.4.2. Objectives	11
1.4.3. Research design and methodology	12
1.4.4. Research method	13
1.5. Case study: McDonald’s	14
1.5.1. Research site	14
1.5.2. Research sample	18
1.6. Research tools: questionnaires and interviews	22
1.7. Research procedure and time-line	23
1.8. Limitations	24
1.9. Chapter summary	25
CHAPTER 2: WHAT IS CORPORATE SOCIAL RESPONSIBILITY?.....	27
2.1. Corporate social responsibility (CSR)	27
2.1.1. Free markets and unfettered accumulation of profits	31
2.1.2. Fast-food, McDonaldization and the ‘throw-away society’	36
2.1.3. CSR: The alternative approach to business operations	39
2.2. An overview of CSR perceptions	44
2.2.1. CSR theories and benchmarks in the business community	47
2.3. CSR and global regulation	50

2.4. CSR in South Africa	54
CHAPTER 3: LORDS OF FOOD: A CASE STUDY OF MCDONALD'S.....	58
3.1. McDonald's Worldwide	58
3.1.1. History of the company	58
3.1.2. Geographic spread	60
3.1.3. Structure of organisation	63
3.1.4. Company strategy	64
3.1.5. Franchising	68
3.1.6. McDonald's franchising	69
3.1.7. McDonald's supply and value chain	72
3.2. Corporate social responsibility	75
3.2.1. CSR policy and reports	76
3.3. Global McDonald's SR initiatives	78
3.3.1. Children's initiatives	79
3.3.2. Balanced and active lifestyles campaign	80
3.3.3. Sport initiatives	80
3.3.4. Disaster relief	81
3.3.5. Critique of McDonald's social responsibility involvement	81
3.4. McDonald's CSR awards and achievements	82
3.5. Critiques of McDonald's	83
3.6. Concluding remarks	86
CHAPTER 4: MCDONALD'S SOUTH AFRICA.....	87
4.1. Introduction	87
4.2. The South African business sector	88
4.2.1. The South African fast-food sector	90
4.3. McDonald's in South Africa	93
4.3.1. Company background	93
4.3.2. McDonald's SA policies	95
4.3.3. Organisational structures	97

4.3.4. Franchising at McDonald’s SA	102
4.3.5. The South African outlet	104
4.4. McDonald’s outlet managers	107
4.4.1. The franchisee profile	108
4.4.2. The restaurant manager profile	110
CHAPTER 5: SOCIAL PRACTICES AND MANAGERIAL PERCEPTIONS....113	
5.1. Introduction	113
5.2. Managerial perceptions of CSR	114
5.2.1. Managerial perceptions of McDonald’s	114
5.2.2. McDonald’s ‘open door policy’	117
5.2.3. Perceptions of CSR	119
5.2.4. Perceptions of CSR involvement and social practices	123
5.2.5. Perceived children’s welfare involvement and sport affiliations	126
5.2.6. Perceptions of South Africa and CSR	129
5.3. Social initiatives and practices	132
5.3.1. SR initiatives and practices: Head Office and nation-wide campaigns	132
5.3.2. SR initiatives and practices: Individual outlets practices	136
5.3.3. Major beneficiaries	141
5.3.4. Concluding remarks	142
5.4. Key findings	143
5.5. Concluding remarks	148
CHAPTER 6: CONCLUSION.....153	
6.1. Fast-food and corporate responsibility	154
6.2. Major findings	155
6.3. Suggestions for future research	157
APPENDIX.....159	
Appendix 1. Interview schedule.....159	

Appendix 2. Outlet Manager Questionnaire and Interview Questions.....161
Appendix 3. McDonald's Publications.....169
BIBLIOGRAPHY.....177

LIST OF ACRONYMS

AICC	African Institute of Corporate Citizenship
CEO	Chief Executive Officer
CSI	Corporate Social Investment
CSO	Corporate Social Opportunity
CSR	Corporate Social Responsibility
FIFA	Fédération Internationale de Football Association
ISO	International Organisation of Standardization
McDonald's SA	McDonald's South Africa
MNC's	Multi-National Corporation's
SACCAWU	South African Commercial, Catering and Allied Workers Union
SR	Social Responsibility
UN	United Nations
WTO	World Trade Organisation

LIST OF FIGURES

Chapter 1

Figure 1.1	Map of McDonald's outlets in South Africa	15
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Chapter 3

Figure.3.1	Map of location of McDonald's outlets and year of founding outlet	61
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Chapter 4

Figure 4.1	Head management structure of McDonald's South Africa	98
Figure 4.2	Outlet Reporting and Employee Structure at McDonald's	101

LIST OF TABLES

Chapter 1

Table 1.1	Table of outlets researched	16
Table 1.2	Table illustrating the demographics of interviewees	20

Chapter 3

Table 3.1	McDonald's corporation condensed consolidated statement of income	63
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Chapter 4

Table 4.1	Crew handbook 2004: Summary	96
Table 4.2	Employee initiatives that exist at McDonald's South Africa	106
Table 4.3	Differences and similarities in franchise outlets and McOpCo owned restaurant manager autonomy	110

Chapter 5

Table 5.1	Perceptions of McDonald's	115
Table 5.2	Social involvement and practices of outlets	137
Table 5.3	Independent outlets social practices	139

LIST OF GRAPHS

Chapter 3

Graph 3.1	Recorded Revenues for 2006 for McDonald's, Burger King and Yum! Brands	62
Graph 3.2	McDonald's comparable sales increases for 2004 and 2008	62

Chapter 4

Graph 4.1	South African fast-food outlets 2006	91
Graph 4.2	Racial composition of fast-food outlet visitors	92

Chapter 5

Graph 5.1	Perceived McDonald's involvement in CSR	124
Graph 5.2	Perceived categories of CSR expenditure	125
Graph 5.3	Perceived community participation	126
Graph 5.4	Perceived children's welfare involvement	127
Graph 5.5	Perceived sport affiliations	128

Chapter 1

INTRODUCTION

Managerial perceptions of corporate social responsibility (CSR) and social practices present at McDonald's South Africa

1.1. INTRODUCTION

This study examines the concept of corporate social responsibility (CSR) in conjunction with investigating how businesses perceive CSR and the type of activities that are practiced within the social framework of corporate responsibility. The 21st century is witnessing an increasing global awareness of trying to get corporations to take responsibility for their business operations. This is to some extent encouraging businesses to exercise more corporate responsibility towards the environment and society. A key reason for this is due to the realization that sustainable business operations are vital. Fraudulent corporate activities are also increasingly being publicized (Carmichael and Drummond, 1989:3). Such irresponsible business behaviours include monetary theft and unspeakable labour treatment. Prime examples are ENRON and Parmalat for money embezzlement and Nike for child labour and sweat shops. A more recent example is the economic crisis which is affecting the whole world. The crisis has lead to major organisations facing bankruptcy. For example the Lehman Brothers Holdings and others have either filed for bankruptcy or have required bailouts from governments. This is a graphic illustration of the poor regulation of multi-national corporations (Financial Times, 2008). These high-profile business affairs have drawn attention to the need to regulate businesses better and enhanced the need for alternative business practices. CSR initiatives offer such improved operating guidelines.

Briefly, CSR refers to organisations reflecting upon their duties as members of society in relation to the organisation's activities. This is why it is necessary to investigate businesses' perceptions of CSR. This study examines whether the concept is understood and integrated into business operations and explores declared CSR practices. The key focus of this study is to evaluate management perceptions of CSR

and examine social practices which are related to the social benchmark component of CSR. The Socially Responsible Index (SRI, 2007) states that CSR includes: economic sustainability; social sustainability: representing the immediate presence of corporations to citizens and; environmental sustainability.

CSR is often perceived as an extra activity that a company must take on and thus CSR's reputation for being a cost to the company is common. Likewise, initiatives like social reporting are often judged as being superficial and conducted only to appease interest groups. Henderson (2001:vii, 2) goes as far to say that CSR is referred to as being a misguided virtue or unproductive concept for business and society. Others, though, assert that there is a definite case for doing at least some good; to help develop society, further business goals and improve business reputation. CSR is also gaining more and more popularity due to social movements and increased consumer information (Gardberg and Fombrun, 2006:330; Friedman, 1982; Kotler and Lee, 2005; Scott, 2006:152).

For this research, the focus is on McDonald's South Africa (SA), a multi-national corporation in the fast-food industry. The reason for selecting the fast-food sector is because there is limited reporting and investigation of the industry in South Africa. The reason for selecting McDonald's is because McDonald's is a prominent player in the global and South African fast-food market. The significance of this CSR research is to uncover McDonald's outlet managers' perceptions of CSR and certain CSR behaviours, focusing on social practices that the outlets undertake. This is with the intention to examine the integration of, and management attitudes towards CSR and how the concept is translated into social practices.

Another key reason for conducting this research is that there is no independent CSR report available for McDonald's South Africa neither on the website nor from Head Office. It is critical to examine whether a company that is obtaining global accolades for its CSR practices is replicating these initiatives in the various geographical areas into which it is expanding. If not, the company may be guilty of different standards in the various countries it operates in. The reasons given by Head Office South Africa and outlet managers, when asked why there is no report, varied from the fact that McDonald's is still small in South Africa compared to other countries yet growing

and therefore it was also described as a ‘work in progress’. The fact that there is no South African report further strengthens the relevance of this research.

To understand exactly how this investigation of perceptions and social practices takes place this chapter also discusses the methodology employed during the research. This includes reviewing the objectives and gives the framework of the fieldwork carried out. Briefly, this research is a case study of McDonald’s in South Africa and therefore the respondent sample consists of outlet managers who were purposively selected. The research site is also dependent on the location of McDonald’s outlets but this research has focused on three locations which are: the Western Cape, Gauteng and the Eastern Cape. The overall design of the research is qualitative, focusing on an interpretive social science approach and it aims to investigate the nature of CSR by collecting data on the perceptions and attitudes of outlet managers and McDonald’s SA Head Office. This is in order to gain a better understanding of social and human activities within the sphere of CSR. Interpretive research requires relying on the information gathered and prior assumptions about the outcomes can limit the analysis. The methodology shall be expanded upon once an introduction to CSR has been explored.

To introduce the topic of CSR, the concept will now be contextualized within society and the business world of today. This is with particular focus on globalisation, multi-national corporations, the role of CSR and examining the growth of the fast-food sector, since the study focuses on a fast-food corporation. This discussion is followed by the methodology section and then a brief summary of each chapter in the study.

1.2. “Corporate Social Responsibility (CSR)” – fad or fact?

The 21st century has witnessed the globalisation of business with astonishing speed. Globalisation is not a new phenomenon and can be defined as the global spread and integration of a multiple number of issues including economic, political, technological and social factors (Appelbaum and Robinson, 2005:369). Globalisation has therefore made the world more accessible and competitive but this has in turn, unfortunately, heightened social costs because of worldwide exploitation of natural and human

resources (Harvey, 1989; Porritt, 2005:89; Ransome, 1999:19; Schoenberger, 1997). Due to globalisation it is necessary to also adopt a global understanding and to some extent global standards of CSR which should make it easier for societies and global corporations to know what is expected of them. A symbolic example of globalisation is being able to eat McDonald's anywhere in the world (Henderson, 2001:55; Maghrabi, 2006:307; Firat and Dholakia, 1998:105; Fig, 2007:vi).

Multi-national corporations (MNC's) have been in operation for several decades and are still one of the main examples of globalisation within the business world. MNC's are defined by their size and global expansion. MNC's are highly visible due to their degree of risk to and impact on local communities. This is why they are constantly being scrutinized. Their global span also gives MNC's immense power. Through advertising and strategic marketing, corporations have power over our mental space and intrude into all areas of people's lives. This power is also important when considering CSR. This is because large corporations have the resources, the technology, the global reach and ultimately the motivation to achieve sustainability. MNC's unfortunately have the power to sway societies into believing what they do is fair even though their actions may be damaging (Brammer and Pavelin, 2005:46; Elkington, 1998:71; Dobbin, 1998:2; Gardberg and Fombrun, 2006:339; Harvey, 1989).

For instance MNC's can gain high profits simply by shifting their industries across the world, which is possible through globalisation, but unfortunately they often participate in behaviours that are socially irresponsible. This can be due to different trade policies in varying countries and is especially noted when MNC's transfer to developing countries. Developing countries often require the finances and job opportunities that multi-nationals can supply and so these countries allow relaxed operating regulations. This highlights the downside of increased globalisation.

Recent globalisation, in relation to the spread of MNC's, has therefore brought with it; (1) disproportionate gains to multinational enterprises (2) social exclusion of the poor, (3) marginalization of poor countries and (4) a transfer of the power to act and decide from governments to multinational enterprises so that the roles and responsibilities of the latter now have to be conceived in more serious terms

(Henderson, 2001:111; Giddens, 1990:70). This paints quite a dire picture of the globalisation of trade and MNC's but there is increasing opposition to such bad practices.

There are interest groups that oppose and try to diminish such corporate strongholds. Good examples are human rights groups and trade unions which take on governments and corporations to try and get them to exercise social responsibility. These social, environmental or labour activists form part of globalisation because they are not calling for more nationalism but for international labour rights, environmental protection and heightened social involvement (Harvey, 1989:226, 227; Maynard and Mehrtens, 1993:17; Reich, 2006:23; White, 2005:91; Porritt, 2005:89-90; Veltmeyer, 2004:1).

These days there are undeniably more protests, especially in Western Countries, against corporations' irresponsible behaviour. Unfortunately, to a large degree the debate surrounding CSR has been dominated by the northern perspectives of American and European MNC's, NGO's, governments, trade unions and academics. It would therefore be necessary to globalise this debate by incorporating southern perspectives (Prieto-Carron, et al., 2006:977).

A reason why the debate has not yet fully incorporated a southern perspective is because to some extent governments of developing countries are frequently less restrictive on MNC's. There is scepticism concerning how much the host country actually benefits though from MNC's, if at all (Seidman, 2003). It is also questionable how successful developing countries would be if they tried to hold MNC's accountable for their actions. A problem with CSR is that MNC's can use CSR tools, such as large welfare donations, to manipulate their relationships with communities whilst in actual fact contributing very little to the lives of the community (Calvano, 2007:4). In South Africa, some MNC's were taken to court after apartheid by apartheid survivors, in conjunction with the Khulumani Support Group, in line with human rights abuses. The group claimed that the MNC's had supported the oppressive system and conducted unsavoury business operations, but were unsuccessful in their case against the MNC's (Khulumani Support Group, 2004:1).

Focusing once again on the global context, Seidman (2003:383) states that over the last twenty years there has been a growing awareness amongst MNC's of the need to demonstrate a more pragmatic approach to adopting certain rhetoric concerning codes of conduct. This means that MNC's seem more willing to act responsibly. For example, this often involves promising to ensure that all their factories, suppliers and subcontractors protect their workers and environments. The degree to which such codes of conduct are actually implemented remains unclear and does differ between companies. This growing awareness could be due to factors such as global transparency becoming increasingly popular. This is linked to faster communication and spread of information, which is increasing public concerns and pressures for good corporate citizenship (Seidman, 2003:383). For instance, people globally are now confronted with images of sweat-shop workers and this does promote some individuals or groups to take action against such business practices. Gardberg and Fombrun (2006:330) believe that undertaking a citizenship role helps global companies overcome nationalistic barriers, facilitates globalisation and builds local advantage. In other words it creates legitimacy, reputation and competitive advantage which are beneficial for all parties.

Large corporations have a much greater influence on people's lives than simply providing a good or service. Corporations regulate fashion trends, trade amongst countries and working environments (Giddens, 1990:1, 71). The growing question is how responsible are businesses and what are their responsibilities in relation to broader society? This responsibility ranges from managerial actions and workers' wellbeing, to the physical environment and to society in general (Utting, 2005:377-379). A key issue in this research is to examine what the management of a large corporation such as McDonald's perceives its responsibilities to be and how such issues are being addressed.

Today it is common for Chief Executive Officer's (CEO's) to take on more publicly spirited and philanthropic roles. The new trends and empirical evidence in fact highlight support for the assumption that corporations have increased their focus on social responsibility. For example, there is increased corporate giving, increased reporting on social responsibility initiatives, the establishment of a corporate social norm to do good and an apparent transition from giving as an obligation to giving as a

strategy. Yet the highest motivated reason for such strategy is still linked to economic considerations followed by ethical considerations (Rossouw, 1997; Thompson, 2005:2; Giddens, 1990; KPMG, 2005).

Western countries have seen the proliferation of different types of socially responsible investments as demands for more social responsibility have increased. For example, a 2002 survey of the Global Fortune Top 250 Companies indicated a continued increase in the number of companies reporting on corporate responsibility. In 2002, 45% of these companies issued environmental, social or sustainability reports compared to 35% in the 1999 survey (White, 2005:88; Kotler and Lee, 2005:2, 4, 5, 47; KPMG, 2005). KPMG (2005) did a revised survey in 2005 and found that 52% of the world's 250 biggest companies issue reports on CSR as compared to 45% in 2002. Top reporting countries are Japan and the United Kingdom. Even South Africa was included as one of the 16 countries with the highest increases seen. This is due to interest group pressures, but also because of institutions like the Johannesburg Stock Exchange (JSE) encouraging corporate reporting. Fig (2007:53) states, though, that still too few companies in South Africa actually prepare reports.

It is clear that CSR is gaining importance but the concept is still in flux. While it is necessary to regulate the practices of corporations, these welfare demands are balanced against the imperative of profit. This is due firstly to the fact that a balance between capitalist pursuits and welfare demands remains largely unequal and unchecked. Secondly CSR itself remains ambiguous with vague benchmarks and limited internationally acclaimed procedural and practical policies (Scott, 1979:140; Henderson, 2001:11). These issues will be discussed in greater detail in chapter 2. The next section focuses on one particular sector, namely the fast-food sector, with reference to the question of CSR.

1.3. The growth of the fast-food industry

Globalisation has fuelled the constant revolutionizing of production and consumption, which in turn creates new societal norms. Leisure time, which came about during the industrial revolution, was subsequently commercialized. Restaurants and fast-food

outlets form part of this commercialization of non-work time and changing life-styles (Fulcher, 2004:8; Illouz, 1997; Ritzer, 1993). This has led to the modern-day conception and realisation of the fast-food empire. Fast-food forms a huge part of the globalisation of trade, bringing with it not only specific operating and production processes but an identity and way of life that demands fast service, fast living and instant gratification. For instance, the beaming yellow arches of the McDonald's sign have become a symbol of global stature, just as fast-food is an expression of the instant gratification and convenience living that modern culture promotes (McCracken, 1986:73; Millstone and Lang, 2003:7; Royle and Towers, 2002:11).

The fast-food industry is very apparent in the North American society and also in the rest of the world. This highlights the fast-food industries' global expansion. According to Firat and Dholakia (1998:3), the leading state that pushes global trade is the USA which they refer to as a consuming colossus that drives production systems in pursuit of foreign conquests. This is illustrative of globalisation because it is characterised by the integration of communication and organisations internationally. Western food is as a result referred to as colonizing Africa and fast-food is rapidly infiltrating African countries including South Africa. Hence, the need to focus attention on the impact that fast-food has on society and on the corporations in charge of the fast-food expansion (Eetgerink, 2006:1; Millstone and Lang, 2003:92-94).

The introduction of the fast-food era has led to fast-food outlets sprouting up nationally and internationally. These outlets offer quick service, ready-made and easy to eat food products for the busy, always on-the-go consumer. Watson (1997:27) mentions the rationalization behind fast-food which is that; the company promises to provide fast, reliable, inexpensive service if the consumer agrees to pay in advance, eat quickly and leave without delay, making room for others. This kind of rationalization does expect consumers to be educated and disciplined so as to behave like proper consumers in a modern economy (Firat and Dholakia, 1998:21).

The inconveniences of fast-food are only felt later, through health issues, because fast-food is usually high in fats and sugars and the industry also influences family values and interactions. There are also ethical concerns that often revolve around advertising of fast-food products, especially advertising aimed at children who are

very easily influenced and whose attitudes are easily shaped by pop culture (Generation Next, 2008b:1).

Price (2005:1) gives another reason, aside from the efficiency explanation, why fast-food is so desirable even though, nutritionally speaking, it can be detrimental. He states that food used to be a scarce resource or at least it required effort and a lot of energy to obtain and fatty foods were especially scarce. So, since capitalism is a system that promotes or manipulates human desire, Price (2005:1) maintains that the system has done the same for our 'need' of fast-food. In support of Price's (2005) argument, Harvey's (2000:112) discussion on selling a brand in modern society is as follows:

“the organisation, mobilization and channelling of human desires, the active political engagement with tactics of persuasion, surveillance and coercion, become part of the consumption apparatus of capitalism, in turn producing all manner of pressures on the body as a site of and a performative agent for ‘rational consumption’ for further accumulation”.

What this means is that through the changing forces of economic and social realms, people have become entwined with consumption and accumulation at an alarming rate affecting food consumption. Smil (2000:8) has a similar view of the capitalist system but his key agents for dietary transition are: rising disposable incomes, social transformations and the intensifying global trade.

The structure of the fast-food industry is that it is usually made up of a global entity, such as McDonald's or KFC (Kentucky-Fried Chicken), who have a main head office and then open subsidiary outlets all over the world. These outlets are either owned by the head office in that country or by franchisees. There is a considerable shift to franchise owned outlets due to the fact that head office still receives payment but is no longer responsible for the day-to-day running of the outlet. This type of business organisation has specific effects on CSR. Firstly, separate outlet owners may not feel responsible for the entire company and so believe they are only a small business with minor corporate responsibilities. Yet individual owners can deal with CSR issues on a

more intensive micro-level especially when considering responsibility towards the workers and immediate community (Fulop and Forward, 1997:604-618).

McDonald's golden-arches are not only selling food but the Western lifestyle brand, which promotes fast-food as something desired and acceptable. Not all fast-food influences are harmful but corporations try to rationalise and commend their efficient services. This rationality may only exist for the corporation, though. For instance, customers at fast-food restaurants have to queue for food, have a limited menu and must clean away their own rubbish. Fast-food outlets do offer a requested service but consumer choices, whose actions are stated as being constantly rational, are often constrained within the logic of corporate profitability (Ritzer, 1993). All these factors can also hide the bad traits of fast-food and this is where CSR policies and practices should play a more intervening role.

To briefly introduce McDonald's South Africa (SA), the following observation gives an indication of how the company is perceived. McDonald's is described by a few outlets to be caring yet also profit-driven. This can mean one of two things: firstly that McDonald's is capable of being caring and yet still make a profit through operating responsibly or secondly that differing outlets perceive polarised ideas of McDonald's, one being caring whilst the other is profit-driven. McDonald's does utilize a rigid operations approach to ensure efficiency and profitability. For example, the 600-page Operations Manual that all outlets must follow indicates these trends. Yet due to the nature of its business, providing food, and therefore having a direct influence on communities in which it operates, McDonald's is required to portray an image of being caring and light-hearted which would explain the perceptions from outlets. It is therefore necessary to investigate whether such images are in fact demonstrating corporate responsibility or whether it is just a façade.

This brings us to the fact that more research on this ever-expanding industry is necessary, focusing particularly on how CSR is understood and perceived by McDonald's SA and the types of social practices that exist, especially at individual outlets. The chapter will now move on and discuss how the research has been conducted. This section shall focus on the research site and sample and the procedure of the research.

1.4. METHODOLOGY

The methodology section focuses on how the fieldwork and research component of the study was carried out. This segment outlines the research problem and research objectives followed by a description of the research design and method. The main case study is then examined by looking at: the research tools used, the research site and sample and the actual research procedure that was followed.

1.4.1. Research Problem

The research investigates what perceptions of corporate social responsibility (CSR) exist amongst McDonald's outlet managers and what CSR initiatives and practices, in particular social objectives, are present at the different outlets.

CSR cannot be neatly compacted into one narrow definition and therefore the concept allows for various interpretations. This is why it is important to research the types of perceptions that exist. This is to establish whether there is a commonality of ideas, especially within one organisation, or whether interpretations are quite varied. Disparate responses may reveal that CSR is merely a corporate gimmick to promote the company's image with very little strategic focus. In the same way, by investigating the types of social practices that exist at South African outlets, it can be analyzed at what level of involvement such cited social initiatives are being implemented or if they are merely projecting a superficial image of corporate involvement. The objectives described in the next section illustrate the key focal areas of the research.

1.4.2. Objectives

1. Investigate McDonald's South Africa's CSR initiatives and implementation, focusing on social practices.
2. Analyse the perceptions of corporate McDonald's and outlet managers concerning their understanding, perception and involvement in CSR.
3. Investigate corporate McDonald's values that should directly relate to and/or emphasize CSR commitment.
4. Compare McDonald's local activities against international CSR reports.

5. Identify whether responses correlate, what CSR initiatives are being addressed and if a contribution is being made through social responsibility projects such as children's initiatives and sports affiliation.

1.4.3. Research Design and Methodology

The design of this research is based on an interpretive social science approach. The study wishes to investigate the perceptions of CSR and social practices present at McDonald's SA outlets. This was done by collecting data concerning CSR policies that exist at McDonald's followed by an investigation of perceptions and attitudes that Head Office McDonald's and outlet managers have. Then the analysing of social practices in the country will follow.

The interpretive approach requires the researcher to rely on the information gathered and to ensure an empathetic understanding of the everyday lived experience of people within certain settings. Prior assumptions about the outcomes can therefore limit the analysis (Neuman, 2003:75-77, 139). Sociologists hope that an objective demonstration of the nature and extent of urban problems, such as irresponsible business activities, would point to the need for social change and provide a basis for implementing necessary changes (Adams and Sydie, 2001:23).

The researcher must remain objective during the direct contact with the individuals. Hence, for a comprehensive examination a multi-pronged research involving qualitative and quantitative methods are used. The study therefore includes close-ended questions so that data collected can be quantified. To complement these responses, semi-structured interviews were conducted (Neuman, 2003:139). Certain initiatives were also further researched, for example, cited social involvement such as children's welfare and sport affiliation.

1.4.4. Research Method

The following list of steps describes how the research was conducted. Since McDonald's outlets are spread all over the country, the research required a great deal of organizing and ensuring availability of interviewees.

1. Contacted McDonald's Head Office and individual outlets.
2. It was decided, due to time and financial constraints, to focus on three key research areas, namely outlets in the Eastern Cape and parts of the Western Cape and Gauteng regions. These areas would allow for a large sample pool.
3. All outlets were contacted by email and then by telephone. Meetings were organized with outlet managers.
4. The first set of interviews were conducted in the Eastern Cape in September 2007. Then more interviews were conducted in the Western Cape in September 2007 and in January 2008. The third round of interviews were held in Johannesburg in January 2008 (cf. Appendix 1, pg.159).
5. Observations were made at each outlet when visiting the outlet for the various interviews. All interviews were conducted face-to-face at the various outlets.
6. Telephonic conversations were held with charitable associations, and trade union.
7. Certain follow-up interviews with outlet managers were then conducted (cf. Appendix 1, pg.159).
8. The McDonald's internal magazine publication, The Big Mag, was analysed to gain further perspective on the company.
9. After all the interviews were completed the data accumulation and analysis commenced.

This research procedure shall be discussed in more detail after a brief look at McDonald's as the case study.

1.5. CASE STUDY: MCDONALD'S

This research is a focused case study on McDonald's SA with the objective of investigating CSR perceptions and social practices. A case study is detailed research pertaining to one group, organisation, event or unit. It allows for an in-depth examination of the chosen subject yet generalization is compromised because of the narrow focus of the research (Neuman, 2003:33).

The aim of this research is not to generalize results to the greater fast-food sector but is rather to examine the personal perceptions of McDonald's managers concerning CSR. This means a manageable research sample has been chosen but research is conducted comprehensively. The first important aspect of the research to look at is the research site followed by the research sample.

1.5.1 Research Site

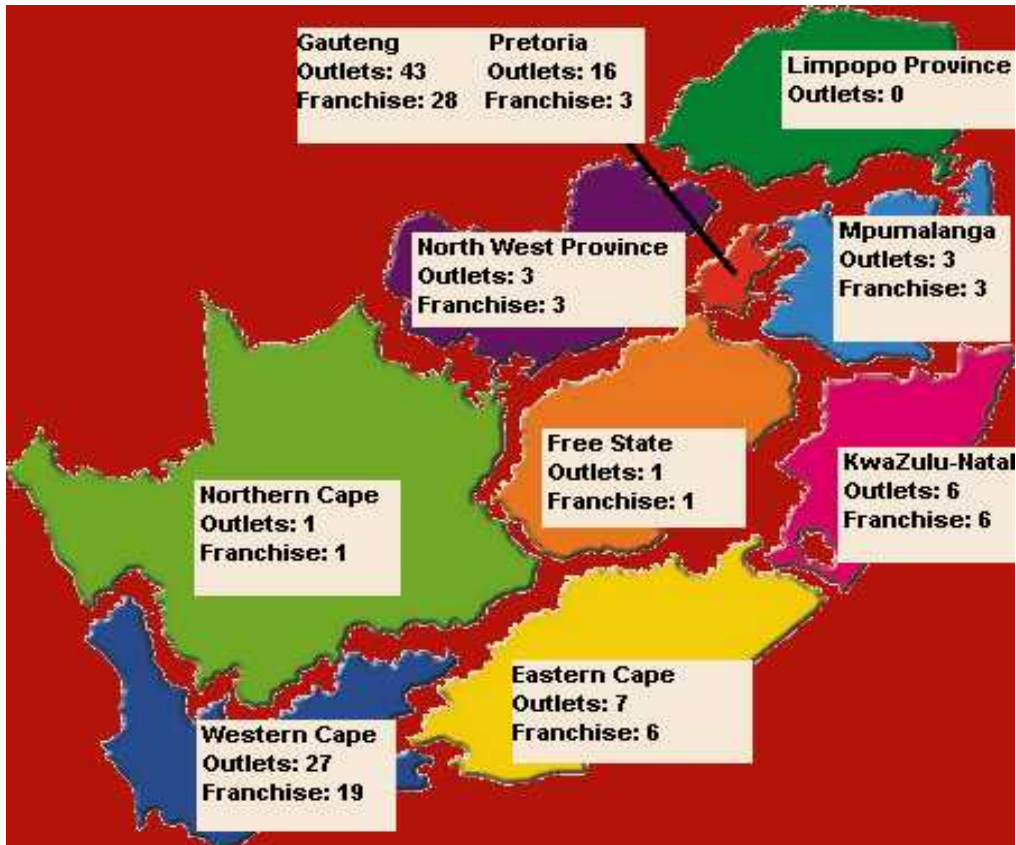
McDonald's operates within nine regions of South Africa. The total number of outlets in South Africa at the time of the research is 107¹ with outlet numbers varying in each region. Figure 1.1, to follow, illustrates outlet placement in South Africa and also how many outlets in each region are either Head Office owned (referred to as McOpCo outlets) or franchises. What this means is that Head Office own and operate a particular number of outlets. Rights of some other outlets are then sold to other people, referred to as franchisees, who then own and operate individual outlets. Franchise outlets are still under the control and supervision of Head Office though.

The distinction between McOpCo owned and franchise owned outlets is important for the research, as data yielded has indicated small but significant differences between the outlets. The total number of McOpCo outlets is only 37 whilst there are 70 franchise owned outlets countrywide. This does not mean though that there are 70 individual franchisees in South Africa because the majority of franchisees own at least two outlets and sometimes up to five outlets. The approximate number of franchisees

¹ The number of outlets is constantly increasing due to McDonald's expansion initiative across South Africa. The 107 figure is taken from the McDonald's Big Mag publication dated November 2007.

in South Africa is 20+. Again this number is constantly changing as new outlets are opened or outlets change ownership between Head Office and franchisees.

Figure 1.1 McDonald's Outlets in South Africa



(Source: Information from Big Mag, November 2007)

McDonald's SA has divided its outlet locations into 9 regions of which all are provinces except for the inclusion of Pretoria. Pretoria actually forms part of Gauteng but McDonald's has made it a separate region because of the number of outlets present. Limpopo is not included because there are no outlets located there but it is on figure 1.1 for illustration purposes. Figure 1.1 shows that Gauteng and the Western Cape have the largest number of outlets followed by Pretoria. The other regions have far fewer outlets.

The research site is dependent on the location of McDonald's outlets and those visited were selected from the positive responses received by email or telephonically. The outlets researched in this study are from 3 out of the 9 regions in South Africa which

are: the Eastern Cape, Western Cape (greater Cape Town area) and Gauteng². These regions were chosen because they were most accessible and the Western Cape and Gauteng are the regions with the most McDonald's outlets. Time constraints and feasibility did not allow for all regions to be researched. Researching three regions instead of just one does allow for a larger and more diverse sample. The majority of branches in each region were contacted but quite a few outlet managers in each region could not be accessed or did not want to be interviewed. The sample is stratified according to different areas within the region to gain a comprehensive sample pool. Yet since the Eastern Cape has limited outlets both areas, Port Elizabeth and East London, were investigated. As many outlet managers as possible were interviewed given the constraints presented by pressures on managers' time.

The table 1.1 below demonstrates the exact number of outlets interviewed in each region. Table 1.1 also highlights the number of McOpCo and franchise outlets researched.

Table.1.1. OUTLETS RESEARCHED						
Region	Total outlets	Outlets researched	% of outlets researched	McOpCo researched	Franchise Outlets researched	Comment
Eastern Cape	7	4	57%	0	4	The Eastern Cape only has two franchisees, one in Port Elizabeth and the other in East London.
Western Cape	27	17	63%	6	11	The Western Cape is the second largest region with 27 outlets
Gauteng	43	12	28%	1	11	Gauteng has the most outlets. The difficulty encountered was transport because the outlets are widely dispersed and up to 6 outlet managers were simply not available for interviews.
Total:	107	33	31%	7	26	

(Source: Research findings)

² Please refer to Appendix 1, pg 159, for the exact list of research sites.

The Western Cape region is where the majority of interviews took place with 17 outlets being researched. The Western Cape was the most accessible and the outlet managers, except for 3, were very cooperative. The Western Cape also has a large base of McOpCo outlets spread all over the region. The reason why fewer managers of McOpCo than franchise outlets have been interviewed overall is because countrywide there are a lot fewer McOpCo outlets. 35% of the total outlets are McOpCo whilst franchise outlets make up 65% out of the total 107 outlets.

The sample of 33 outlets may seem small in comparison with the 107 outlets countrywide. Yet, because each outlet had to be individually visited so as to conduct the interviews with the outlet managers in their normal surrounding, such in-depth research required a manageable sample. Since a franchisee also usually owns more than one outlet it means that even though just one outlet manager may have been interviewed the findings can apply to more depending on how many outlets a particular franchisee owns. For example, social practices would be similar or the same at outlets with the same owner-operator due to combined outlet involvement. Further discussion on outlet managers shall take place in the research sample section.

The reason why interviews had to be conducted in person was due to the fact that outlet managers would only do interviews face-to-face. This was to check the researcher's credentials and to ensure information was only used for the stated purpose. Visiting each outlet allowed for additional observations to be made at the outlets. This has contributed valuable information to the study.

The key features looked for during these observations at outlets were observing any direct references to social initiatives and involvements:

- Direct advertisement of social initiatives and contributions:
 - Visible Posters and promotions especially social involvement and contributions
 - Employee displays such as employee of the month and other awards which represents internal CSR initiatives

It is now necessary to examine the research sample more closely.

1.5.2. Research Sample

Since this research is a case study of McDonald's the respondent sample was purposively selected. The sample is made up of McDonald's South Africa outlet managers, which includes franchisees, restaurant managers and Head Office personnel. The exact respondents depended on who was willing to participate in the research.

The Research Participants

1) Outlet Managers: Franchisees and restaurant managers.

The phrase 'outlet managers' encompasses both franchisees and restaurant managers and the outlet manager is the key respondent in this research. There are two distinctions concerning the outlet manager which are important to the research.

Firstly, there are noted differences between the franchisee and restaurant manager since the franchisee is an owner/operator of an outlet whilst the restaurant manager is only an operator³. Both operate the running of outlets, for instance taking care of staffing and public relations, and so their perceptions of CSR are equally important. Franchisees and restaurant managers also deal directly with social practices that may be present at outlets. For the purpose of this research therefore both franchisees and restaurant managers are placed under the title 'outlet managers'. A reason for not focusing solely on franchisees is that they were much harder to get hold of than restaurant managers because firstly, they often own more than one outlet and therefore travel a lot and are busy. Secondly, franchisees frequently employ restaurant managers to deal with consultative issues. Some of the franchisees were sceptical about doing interviews and preferred to have managers answer questions. This is not a problem though, since managers predominantly are delegated all the key responsibilities.

A second crucial distinction needs to be made between the restaurant managers at a McOpCo outlet versus franchise outlets. This is because the research has yielded important differences in McOpCo versus franchise operations concerning social practices and other factors that influence perceptions of CSR. One of the key reasons

³ The exact differences in responsibilities shall be examined in Chapter 5 when the profile of an outlet manager is discussed.

for the differences found is that at McOpCo outlets the restaurant manager is the operator but not the owner whereas at franchise outlets the franchisee is the owner/operator but can employ a restaurant manager to operate the outlet for the franchisee. These issues shall be discussed further in Chapter 5. In the following chapters managers shall be referred to according to where their outlet is situated. For example, by the suburb their outlet operates in. This is to provide the desired managerial privacy.

2) Head Office

Head Office represents McDonald's SA nation-wide and internationally but also operates 37 out of the 107 outlets in the country. Head Office also controls the majority of the decision making concerning all outlets, deals with labour issues that may arise at any of the 107 outlets and ensures suppliers and franchisees operate in line with company specifications. The Human Resources Manager and the Training Manager, for franchisees, of McDonald's South Africa were interviewed.

Head Office is critical when it comes to influencing perceptions of CSR and how social practices are integrated. Head Office should therefore offer guidelines on CSR policies and social practices. For instance, some participation by outlets in social practices is mandatory. Therefore interviewing Head Office was vital since it forms the core of all the McDonald's SA activities and should give an overall evaluation of CSR perceptions. Head Office responses shall be compared to outlet responses which will aid in identifying organisational structure, flow of information and whether perceptions correlate or not.

3) Beneficiaries

Key beneficiaries of McDonald's SA are Cotlands, Red Cross and Tygerberg Hospital. Some were contacted to discuss McDonald's level and type of involvement. Further beneficiary information and responses were obtained from the Big Mag publications. This process was necessary so as to verify responses from outlet managers and Head Office. McDonald's engagement strategy also highlights how McDonald's SA interprets social responsibility.

4) Trade Union: SACCAWU

Interaction with stakeholders plays an enormous role in CSR and to be socially responsible requires stakeholder input. Head Office and outlet managers are asked about such involvement and especially whether there are trade union relations. It was necessary therefore to validate such responses by speaking to the trade union. The SACCAWU Representative interviewed deals with the fast-food sector in South Africa and therefore could give insight into their interaction with McDonald's.

Now that the research participants have been briefly discussed, table 1.2 below demonstrates exactly how many people were interviewed from each of the four categories above. Table 1.2 also highlights the total number of interviews which were conducted and the demographics of the interviewees.

Table. 1.2. DEMOGRAPHICS OF INTERVIEWEES							
INTERVIEWEES	TOTAL	SEX		RACE			
		Male	Female	Coloured	Black	White	Indian
OUTLET MANAGERS	33						
Franchisees	6	4	2	1	1	3	1
Restaurant managers	27	18	9	14	10	3	
HEAD OFFICE	2						
HR			1			1	
Training officer		1				1	
BENEFICIARY	2						
Cotlands		1				1	
Tygerberg Children's Hospital			1			1	
TRADE UNION	1						
SACCAWU		1			1		
TOTAL INTERVIEWEES	38	25	13	15	12	10	1

(Source: Research findings)

The total number of interviewees is 38 with the majority of the interviews being with outlet managers. All 33 outlet managers filled out a survey questionnaire and 28 also participated in a semi-structured interview after the survey was completed. The other 5 interviews, conducted with Head Office, beneficiaries and SACCAWU, were all conducted through use of semi-structured interviews.

In addition table 1.2 indicates that 25 males were interviewed and only 12 females. The reason why more males were interviewed is because there are only a limited number of female outlet managers country-wide and so this could not be controlled. The largest number of interviewees were Coloured and this can be attributed to the fact that the majority of interviews were conducted in the Western Cape which is the region with the largest Coloured population in South Africa (Statistics South Africa: Census 2001).

Secondary sources of information

1) Big Mag

The 'Big Mag'⁴ is a quarterly magazine that McDonald's SA Head Office produces and distributes to all the outlets. This magazine is not freely available to the public because it contains some confidential information about the financial success of outlets and other specific McDonald's programmes. The magazine illustrates and highlights important company policies, campaigns and relevant local information. These publications are very useful to contextualize McDonald's and to gain information on how the company operates within the country. They were therefore analysed and compared to each other and interview findings. This gave numerical data on how often certain social activities occur and how they are publicised by the company.

2) McDonald's Reports and websites

McDonald's has numerous international reports available which are easily accessible either from the internet or published articles. These reports have facilitated the profiling of the company and gaining information concerning global McDonald's. Local information is also available for McDonald's South Africa but predominantly from their official website.

⁴ Please refer to Appendix 3, page 169, for an example of a Big Mag publication.

3) Other

Other sources are books or articles published on the corporation and its operations. Specific CSR documentation has also been vital so as to identify what kind of CSR issues to focus on in the research.

1.6. RESEARCH TOOLS: QUESTIONNAIRES AND INTERVIEWS

The outlet manager questionnaire (cf. Appendix 2, pg.161) has 37 questions and can be broken down into four main sections: general company, outlet and personal perception questions focusing on CSR and lastly social practices. The four sections of the questionnaires are:

- (1) Manager Information: basic details about the person being interviewed.
- (2) Company values and objectives: questions on McDonald's as a whole and also specific outlet values and objectives with a particular focus on CSR.
- (3) South African focus: the questions are about McDonald's and the fast-food sector in general in South Africa relating to CSR issues. This section allows for free comment.
- (4) South African outlets: this section is specifically focused on the outlet. It asks what type of CSR involvement, focusing on social initiatives, are encouraged or pursued.

The questionnaires were designed in line with previous CSR surveys and questionnaires. This is to utilise questions already used by other companies or institutes to research CSR. Some questions were modified so as to suit the research question. The motivation for using established benchmarks of CSR for this research is to ensure accuracy and that common CSR concerns are addressed. This also allows for the research to be compared to other CSR studies.

The key questionnaires and documents utilised are: JSE Socially Responsible Index (SRI) survey; AICC corporate citizenship document, the benchmarks document; ISO

(International standards Organisation) and the awareness-raising questionnaire created by the European Commission Directorate-General for Enterprise.

Since the research is fundamentally based on an interpretative research design it is necessary to allow for subjective data collection. This was in the form of people's opinions and attitudes. To reduce the limitations of subjective study, set questionnaires were sent out along with analysing data collected through various techniques. For example observations at outlets and secondary document collection, from the Big Mag, will be compared to interviewee responses so as to establish accuracy. This is because perceptions are individual deductions but the observations and secondary data allow for further and sometimes more factual examination of the issues discussed. The responses received also directed questions for the more in-depth interviews which facilitated validity.

1.7. RESEARCH PROCEDURE AND TIME-LINE

The first phase of the research commenced in 2006 and involved secondary data collection of documentation so as to identify key CSR issues in South Africa and website research for background information on McDonald's and their international CSR reporting.

The second phase, beginning in mid-2007 comprised of getting into contact with outlet managers. It was anticipated that not all managers would be prepared to answer questions so this is why a large number of them were contacted in different regions. Questionnaires were originally to be sent out by email to outlets in August 2007 but this did not elicit sufficient responses. This is why from August 2007 to January 2008 questionnaires were distributed and completed face-to-face followed by the interview. The combination of questionnaire and interview was necessary because data from the questionnaire allows for quantitative analysis whilst individual perceptions and thoughts could be gathered more effectively through the interviews.

Concurrently to conducting the interviews, outlet observations took place. The observation segment of this research is rather limited because it is not the main data

collection tool. It is a good tool to use though, because often companies will display certain awards and contributions they have received or have made towards society. This gives a visual indication of the outlets' involvement in CSR. Since the focus of the research is community and socially based, the advertising of contributions is an interesting aspect to investigate.

The third phase of the research entailed interviews with key head office representatives. These interviews focused on more detailed accounts of Corporate McDonald's and in particular their CSR policy. Along with this, specific outlet CSR activities that give effect to the company's CSR vision were investigated. A critical review of the social practices present at McDonald's was conducted through further research on certain projects such as fund-raising activities and sport affiliations.

1.8. LIMITATIONS

The limitation encountered previously in this area of study was the reluctance of organisations to give out CSR information. McDonald's produces such reports internationally which are accessible online but there is no local report available.

The problems encountered while doing this fieldwork were mainly to do with the contacting of people. Outlet managers have erratic working hours and some outlet managers were not interested in being interviewed. Three outlet managers did not want to be interviewed whilst six outlets were impossible to get hold of. Outlets in other regions could also not be included due to feasibility issues and time constraints. Royle (2000:216) also stated that gaining access was a problem he encountered during his research on McDonald's. Another problem mentioned by the Cape Road Manager (September 2007, Port Elizabeth) is that with the increase in robberies at outlets the open door policy has been adjusted slightly because it is necessary to be more careful of who one lets in to view the outlet and how open one should be about the outlet's operations. In this research, an open door policy was noticeable as access to some information, like touring the outlet and Big Mag publications, was possible. Having said this, McDonald's SA has in some cases very limited information, for example there is no CSR report. The corporation is also reserved as to what type and how

much information they give out and to whom. For instance, all the managers wanted clear proof of why information was needed from them.

The other issue that had to be handled with care is that of validity and honesty of responses from outlet managers. This foreseen problem was dealt with by holding personalized interviews with all interviewees. This allowed for further questioning and probing when an issue was raised. Very often the interviewees would say something about a question even if not prompted. This allowed for spontaneous, personal and also in-depth responses. Finally, result generalization is difficult but that is why this study will serve as a benchmark for future research on McDonald's in particular. It is now time to look at the chapter summary section which is a synopsis of the rest of the study.

1.9. CHAPTER SUMMARY

Chapter 2 reviews literature relevant to the discussion of CSR and the research. Firstly the CSR concept is thoroughly defined. CSR is the umbrella term for corporate governance or social investment. A preferred CSR approach is the triple bottom line concept which encourages companies to focus on the economic, environmental and social bottom lines. This research focuses on the social bottom line and in particular on social involvement. Then the chapter examines the theoretical underpinnings of CSR focusing on: free markets and unfettered accumulation of profits, McDonaldization and the 'throw-away society'. Following on, different managerial perceptions of CSR will be discussed. The chapter then investigates CSR and global regulations and concludes by looking at CSR in South Africa.

Chapter 3 investigates the McDonald's corporation as a global entity so as to establish a foundation for the following chapters which focus on McDonald's in South Africa. This chapter discusses the corporation's historical and structural framework and also its policies and cited practices, with a particular focus on CSR initiatives. Detailed organograms of the company's organisational structure are provided, as well as a discussion of the system of franchising. McDonald's supply and value chain are also explored which highlight its rigid operations system. Lastly the chapter

investigates awards and achievements of the company but also critiques the corporation so as to gain a clear and developed understanding of the organisation.

Chapter 4 and 5 present the research findings. Chapter 4 firstly discusses the business context in which McDonald's operates followed by an in-depth inspection of McDonald's in South Africa. This includes discussing the local organisational structures, the South African outlet and investigating the local outlet manager more closely. The South African managers do exude a very determined and hard-working persona and this shall be explored further in conjunction with CSR practices.

This is followed by a detailed exploration in Chapter 5 of managerial perceptions of CSR. Then the social practices are investigated. National and individual outlet practices are examined. The level of involvement and the quantity of social engagement is also interrogated. For example, is social giving only limited to monetary donations or is there community involvement present? This is so as to discover whether involvement is merely on a surface level or in fact integrated into outlet operations. Perceptions and social practices are then compared. This is to inspect whether there is a correlation between perceptions and practices which would then bring to the forefront McDonald's SA involvement in and integration of CSR on the social engagement level.

Chapter 6 is the conclusion of the study where the study's success and findings are evaluated to formulate an appropriate conclusion in conjunction with the entire study. Suggestions for future research are also given.

Chapter 2

WHAT IS CORPORATE SOCIAL RESPONSIBILITY (CSR)?

2.1. CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR refers to companies reflecting upon their duties as members of society and it is also a commitment to improve community well-being through proper business practices and the contribution of corporate resources. CSR is thus simply an institutional ideology which is then made visible by the organisations that adopt appropriate and effective policies pertaining to responsibility. CSR is the umbrella term for corporate governance, corporate citizenship and social investment. This means that CSR is the conceptual framework that underpins social investment as a practical tool of corporate governance, something companies strive towards when deciding to undertake CSR. CSR initiatives therefore relate to a firm going beyond compliance and engaging in actions that appear to further some social good beyond the interests of the firm and what is required by law (Kotler and Lee, 2005:3; Porritt, 2005:72; Fig, 2005:601; Prieto-Carron, et al., 2006:978; McWilliams, Siegal and Wright, 2006:1).

Saunders (1995:77) states that individualistic desires, which are predominant in the capitalist system, can be very damaging for society and even self-destructive. Schumpeter (in Elkington, 1998:26) refers to this as the creative destruction feature of capitalism. Creative destruction means that as society progresses it produces more, but by doing so also uses up all societal and environmental resources which will eventually become exhausted if not protected. This explains the serious push that started over 30 years ago for companies to reduce their impact upon the environment and society, consequently promoting CSR.

Modern precursors of CSR can be traced back to the 19th century boycotts of foodstuffs produced with slave labour and business operations damaging to the environment. CSR is therefore simply the latest manifestation of earlier approaches to the role of business in society (Blowfield and Frynas, 2005:500). Since the 1960's American companies have not only felt a push to reduce their impact but also to

demonstrate their social responsibility. This has been done through establishing in-house foundations and giving programs. During the same time period, the concepts of good corporate citizenship and CSR have also undergone a fundamental change. Savitz (2006:45) refers to this as a time of social awakening. The most comprehensive introduction to current practices of CSR can be traced to a book published in 1953 by Howard R. Bowen called "*Social responsibilities of the businessman*". The focus of the publication was to highlight issues relating to CSR which ranged from public responsibility to social obligations and business morality (Anderson, 1998:3)

The traditional argument for CSR is rooted in the principled approach to 'doing good'. Porritt (2005:240) believes that modern-day 'good' corporations have moved beyond the regulated minimum and are voluntarily seeking a more durable convergence between shareholders and broader societal interests. The real challenge is to determine how successful companies have been in mainstreaming sustainable behaviour. This can be done by evaluating their integrated management practices and better accounting practices concerning CSR (Kotler and Lee, 2005:7; Epstein, Flamholtz and McDonough, 1977:2; Gardberg and Fombrun, 2006:330, 339; Porritt, 2005:240).

An important part of better accounting practice is the social reporting companies produce. Reporting by companies on social responsibility goes through cycles. Ultimately the underlying trend is towards greater transparency which requires more CSR integration and consequently there have been signs of beneficial outcomes when CSR is undertaken. Current corporate reporting indicates a lot of interest in the social angle and environmental reporting (The Corporation Movie, 2005; Elkington, 1998; Savitz, 2006:51). Globally, goods, services and capital flow plentifully across international boundaries, and social and environmental rights should therefore have equal place with property rights (Elkington, 1998:180-181; Reich, 2006:244). Bakan (2004) argues though that the corporation itself cannot refrain from harming others. It is thus the human perception concerning capitalism and business operations that require change before any real shifts towards greater CSR and transparency can be made.

Corporations define their social responsibility in many different ways and it is necessary to examine some of the varying terms linked to CSR. The term “socially responsible business practices” is for some synonymous with corporate social responsibility, corporate citizenship and corporate commitment. CSR is the key term used and all the other terms branch off from this (Kotler and Lee, 2005:47; Blowfield and Frynas, 2005:503). CSR can be defined in many ways, such as: it is the commitment of businesses to contribute to sustainable economic development by working with stakeholders to improve lives in ways that are good for business and for development (International Finance Corporation, 2008a:1). CSR terms have changed and transformed just as CSR has. Different organisations and businesses have also used wording in line with their strategy and policies. Some of the most well-known terms shall now be reviewed.

a. Sustainable development

The Brundtland Report was one of the first UN documents to use the term ‘sustainable development’ to look at issues concerning economic growth, environmental and social development. What this refers to is businesses considering their long term strategy in line with social and environmental factors. This is to ensure that future development is not based on short term exploitations but rather on long term returns. Sustainability is different from sustainable development because sustainability implies operations that are sustainable but in the short term. Sustainable development on the other hand implies long term growth and progression of the business in a sustainable manner (United Nations Foundation, 2003:3).

b. Triple bottom line

Since companies used to be primarily focused on the economic bottom-line, a triple bottom line look at corporate responsibility extends commitment to environmental and social issues. This concept is mentioned by many, in particular the King reports and SRI policy, and organisations are now using it as a benchmark for their actions and operations (SRI, 2007; Porritt, 2005:30).

c. Corporate Social Investment (CSI)

CSI requires a business to go beyond its usual business activities and make committed contributions to society. These can either be monetary or through the investment of

other resources. Charities have always looked to large corporations to fund events or for donations. This usually meant that organisations played more of a philanthropic role. These days CSI is also regarded as 'best practices' referring to not only monetary actions but how the business is run. CSI is now an important part of CSR and sustainability and it should consider a wide range of stakeholders and generate better relations with them. It is also an important part of some Black Economic Empowerment (BEE) charters (Freemantle and Rockey, 2004:124-125).

d. Corporate citizenship

Corporate citizenship implies not simply a commitment to laws and regulations but makes the organisation regard its actions and responsibility within a broader societal context. It encourages corporations to take a more holistic and integrated approach to CSI and sustainable development. Looking at the historical development of CSR, it is obvious that citizenship is an ideal arising in later stages as people start to realize the importance of incorporating a broader business view. This can be seen in line with accountability strategies and as businesses take on a legal persona they also manifest themselves as citizens of the global society. The notion of citizenship does invoke ideas that firms have an obligation to the communities in which they operate. Yet in the absence of binding regulations the range and level of obligation is largely left to a company's own discretion (Naidoo, 2002:126; Newell, 2005:546).

e. Corporate Social Opportunity (CSO)

A more recent addition to the CSR terminology is corporate social opportunity (CSO). Some companies prefer this concept because organisations are trying harder to incorporate CSR into daily business practices rather than have it as a separate entity. This approach to CSR aims at encouraging business to make responsibility work for their business by showing how to integrate environmental and social responsibility so as to maximise the positive impacts for both the business and society. CSR is more frequently now seen as an exciting source of creativity that can lead to innovation in products and services, access to new markets, and building new business models. CSO's are therefore interpreted as commercially attractive activities which also advance environmental and social sustainability. This requires open stakeholder dialogue and engagement that may move away from traditional business operations. CSO also wants businesses to look for new opportunities and therefore find niches so

that their business can excel on all fronts (Fig, 2007a and b; Grayson and Hodges, 2004:11-15). It is now time to briefly look at a theory that examines why CSR has all these different interpretations and it also offers insight on today's business environment.

Maynard and Mehrtens (1993) offer an explanation for the CSR changes occurring and state that CSR develops through four waves that have occurred and are still occurring today. The waves demonstrate the changing perceptions and attitudes towards CSR and also changing management styles. This is important because management is predominantly charged with the task of complying with CSR and has the power to promote social responsibility. The four waves are: the agricultural stage, the industrial age, the information age and global age (Maynard and Mehrtens, 1993:xiii).

The last and most dramatic wave is the global age of CSR or the fourth wave, which the business world should be in currently. People are now starting to look at the bigger picture and integration of all dimensions of life. There is also a realization that corporate actions have consequences which must be responsibly considered. Reports suggest that corporations are realizing the need for more socially responsible activities and do not only see them as a burden but an integrated part of their operations (Reich, 2006:245; Cannon, 1992:2; Maynard and Mehrtens, 1993:6). Unfortunately Maynard and Mehrtens (1993:29) suggest that most corporations are today still in the second wave of CSR. This means they are centralized and hierarchical and predominantly focused on values like profit, efficiency and growth and CSR is not central. It is now necessary to examine the theoretical foundations of these CSR concepts and examine the context in which CSR operates.

2.1.1. Free markets and unfettered accumulation of profits

One of the key reasons why CSR is gaining importance is to counter the depersonalization of capitalist property which has been embellished by the growth of huge corporations. There are two theoretical ideas to explain this depersonalization and the subsequent growth of CSR. The first theory is that huge corporations have

eroded independent entrepreneurship, which has been replaced by a faceless form of managerialism which no longer inspires individual moral commitment. The second theory is linked to the spirit of rational critique. By fostering the growth of a knowledge society, this has created an educated class which has no direct responsibility for practical affairs, such as social issues, but which has a vested interest in criticizing the existing order (Saunders, 1995:116). This to some degree explains the rise of moral capitalism and concepts such as CSR. At the same time it also highlights the lack of proper definition and implementation of such policies.

To understand the different phases that CSR has developed through and is still growing out of, it is necessary to examine some theoretical underpinnings especially focusing on economic developments. This will also further explore reasons for CSR's increasing popularity and global visibility. The starting point for discussions on the balancing of business profits versus welfare demands is the introduction of the capitalist system in the 1700's in Britain. This brought about debates concerning profits, the exploitation of people and also the volatile relationship between business, government and society. The main argument is that capitalists are profit-driven and therefore exploit people. This leads to a social uprising demanding better working conditions. Contrary evidence indicates, though, that when industries are indeed profiting, those corporations do increase welfare and even welcome some government regulation (Fulcher, 2004; Polanyi, 1957).

Trade and economic markets have always existed in some form in society and have influenced how society operates. To distinguish between past and present forms of economic markets, Polanyi (1957) states that markets in ancient times served as more of a reciprocity and redistribution mechanism. This is unlike the economic system of today, capitalism, which is individualized, profit-driven and mainly operated through a market system. The market, sometimes real but usually an invisible entity, is the principle mechanism for the exchange of goods and services. Society plays an important role in the construction of markets but, once established, markets can become very powerful and even destroy society if not controlled (Polanyi, 1957:44; Porritt, 2005:70; Saugstad, 2001; Scott, 2006:16; Wilensky and Lebeaux, 1958:33).

Porritt (2005:81) claims that neo-liberals would have us believe that markets are morally neutral. It is because of competition within the markets that corporations using the markets are said to be exempt from having to make any moral judgments. Schoenberger (1997:17) contributes by stating that businesses need to maintain a competitive advantage. In the economic sense competition is the guarantor of efficiency and brings the promise of equilibrium. The opposing Marxist theory is that competition causes only turbulence and constant change. Competition is therefore cited as a key reason why businesses may be inclined to use techniques which are sometimes illegal or morally incorrect so as to maintain a competitive advantage. This viewpoint that competition is the reason for such corporate behaviour is now slowly changing because of an increased understanding of the balance needed between competition and collaboration with nature and society (Porritt, 2005:81; Schoenberger, 1997:22, 24).

It must be remembered that capitalism in general has raised the overall standard of living for people, even raising the official poverty line. This can be seen by comparing how a poor person was defined at the turn of the century and now. It is stated that people on the official poverty line in the USA now enjoy a level of purchasing power twice as that of people before (Saunders, 1995:14). Yet this does not necessarily mean that people's standard of living has improved.

In conclusion, some liberalists and capitalists do promote solidarity and aid for the poor but they think this should be done through private initiatives (Saugstad, 2001). Smith (in Porritt, 2005:34) warns, though, that if not regulated the 'invisible hand' of self-interest will not work for the public good. Finally, Elkington (1998:35) adds that capitalism can never become sustainable unless CSR is interpreted differently. This means that for CSR to gain true significance within the capitalist framework, capitalism and sustainability must be seen in unison. To gain a further perspective on the development of CSR ideals and businesses' interaction with society, a brief review of Polanyi's theory is required.

Polanyi states that the problems brought about during the industrial revolution were caused by an uncontrolled free market economy. The markets were of course never completely free because they were either controlled by state or business. Polanyi goes

on to say that each new era gives rise to a specific civilization and that self-regulating markets produce a type of profit-focused entrepreneur. The free market also instigated a move towards liberal states because of the growing progression away from regulation (Polanyi, 1975:3, 41).

Once again it is not capitalism that is bad but the values or factors that govern capitalist behaviour. The initial profit drive meant little or no welfare outreach but as companies started thriving welfare did start to play a role. This fluctuated according to social movements, political influences and economic situations. Free markets meant a new type of liberation for industry but this went with a new servitude of society (Polanyi, 1975:x). This means that entrepreneurs found new liberation through access to capital, land and labour whereas workers were restrained in the factories leading to the double movement. To explain the double movement it is necessary to examine the rising labour movement and how it contributed to the growth of CSR (Fulcher, 2004:1-9; Polanyi, 1975; Saunders, 1995:10; Scott, 2006:155).

In the 19th century, particularly in the 1870's in Europe, the double movement became apparent because society needed to protect itself against the exploitive self-regulating market system. The double movement implies that the economic progression was parallel to the social protection movement and this was the starting point of CSR. 'Social protection' was first coined and then 'social responsibility'. The term 'protection' was attached more to people and the state while 'responsibility' was appointed to business (Fulcher, 2004:1-9; Polanyi, 1975; Saunders, 1995:10).

Polanyi (1957:18) goes on to state that the economy to some extent controls social giving and responsibility. This is because all societies are limited by their material conditions and so economic factors govern our existence. However evidence shows that corporate accountability can help stabilize or even improve economic conditions for the corporation.

Polanyi gives examples of how the economy governs life by stating that in peaceful times when the economy is faring well, welfare was in abundance but as markets moved towards self-regulation, this affected how much welfare was distributed. The outcome is a lowering of welfare. Later there is even a shift to capitalist welfare

which would indicate a move towards social responsibility but not to a great extent and still to the benefit of capitalists (Polanyi, 1957).

Finally, Polanyi (1957) believes that a person's economy is submerged in their social relationship. People therefore do not act so as to safe-guard their individual interest but to safeguard their social standing. This implies that social responsibility is always present in the business world yet perhaps to different degrees depending on other factors such as political and economic standing. This idea is further supported by saying that if a person does not follow the accepted code or is not generous that the community will not accept that kind of behaviour.

The issue to raise here is whether everyone has the same code of conduct and to what degree is generosity measured. This is why it is necessary to exert continuous pressure on the individual and business to eliminate too much economic self-interest. It is therefore important for society to have a unified approach as to what CSR is and guidelines of what they expect from business (Polanyi, 1975:18, 46, 146, 162). It is obvious that there is a struggle between unfettered accumulation of profits and the need and benefit of acting responsibly towards labour, the environment and society. It is now necessary to examine the ideological rationale motivating such economic and societal systems.

Capitalism and liberal markets highlight society's progression towards an individualised pursuit of profit and a production process and lifestyle to match. The reasoning behind such actions is explained through the dynamics of rationalization. Weber (cited in Sixel, 1988:22) states that the emergence of capitalism leads to an automatic development towards rationalization. This is because of the way that capitalism has a direct goal, namely profit, and knowing how to achieve it through efficient production and low labour costs. Rationalization is one of the key concepts related to capitalism because it focuses on improving efficiency. Rationalization can be explained as the subordination of production to the calculations of likely profit means (Harvey, 1989:126; Saunders, 1995:6; Sixel, 1988:22; Ritzer, 1993; Weber, 1930:68).

This type of rationalism is applied to all sectors of the business world. For example the Fordist assembly-line was introduced so as to make production more efficient. In

the same way Taylorist ideas of work separation were implemented. CSR might in this case be perceived as a function competing against such rational business practices but in fact it is these 'rational' actions that have lately been deemed irrational. To demonstrate an example of rationalization, Ritzer's (1993) McDonaldization shall be explained.

2.1.2. Fast Food, McDonaldization and the 'throw-away society'

Ritzer (1993) claims that the fast-food restaurant, in particular McDonald's, changed American society and ultimately the world. This is why, according to Ritzer (1993), the McDonald's corporation has become the new model for rationalization and therefore he coined the term McDonaldization. Weber's (1930) problem is that rational systems are often irrational and dehumanizing. When it comes to the fast-food industry, its business operations such as; food preparation, working conditions and customer service can to some degree be interpreted as irrational or dehumanizing.

Ritzer (1993:9) relates four terms to the phenomenon of McDonaldization and describes why their business activities are seen as rational but on closer inspection also irrational; (1) *efficiency*: most efficient way from being hungry to feeling full, (2) *quantified and calculated*: if something is bigger and cheaper it is seen as better and also often quantity is mistaken for quality. Time is also important because the company ensures fast movement of customers through its restaurants, (3) *predictability*: what the McDonald's model illustrates by this is that society prefers a world where there are no surprises, a Big Mac in one city will be same as in the next, and lastly, (4) *control*: this is done through the substitution of humans for non-human technology. Even the customers are controlled by having to queue, being given limited menu choices; uncomfortable chairs and having to clean away their own rubbish when customers are done eating.

There are of course benefits of McDonaldization, such as being able to obtain food quickly, no personal cooking worries and that the standard of the product received should always be the same. The fast-food industry states that they are rationalizing and simplifying the process of food preparation and consumption but the practices

they engage in can also be viewed as quite irrational. This is because the way in which the food is manufactured is often not nutritional, for example deep fried chicken or extra sugary milkshakes. The social setting that fast-food outlets operate in can also simply be seen as a means to achieve higher profits. This is because the outlets designed for customers to eat quickly, clean away their own rubbish and then leave which makes space for more customers (Ritzer, 1993:1; Royle and Towers, 2002:17; Appelbaum and Robinson, 2005:70).

This illustrates the irrational side of rationalization and questions its sustainability. This may be a reason why personalized service industries are gaining more support. Companies are becoming more aware of their responsibility and how to counteract some negative issues attached to their products or services. For example, McDonald's is running a campaign promoting a healthy and balanced life-style (McDonald's South Africa, 2008). This highlights their acknowledgement of their responsibility for society's eating habits but it must be examined whether such promotions are simply a brand conscience decision or an accountability action. It is now time to look at ideological factors that influence such rational and irrational behaviour.

The introduction of fast-food and the concept of rationalization have been established in society along with certain ideological changes that are occurring in social values and living. An important theory to examine is the one that refers to society as a 'throw-away society'. The introduction of liberal markets and rationalization pose the question of how have society and its values changed over the years. There has been a definite move away from the group ideology to individuation stressing profit-seeking. Through these personal endeavours society has managed to turn nature from an enchanted garden into a technical resource. When nature is simply a technical resource it is possible to see why a disposable ideology arises resulting in a society which believes they can create just as easily as they can destroy. It is clear that from this that society has adopted an individualized view of the world focusing on materialism and instant gratification which is summed up in the concept of a 'throw-away society' (Harvey, 1989; Sixel, 1988:22).

Toffler (1970) was one of the first writers to use the phrase, 'a throw-away society', in light of the instantaneity and disposability arising in society as consequences of

individualism and instant gratification. The phrase encapsulates more than just throwing away produced goods but also throwing away values, life-styles, stable relationships, attachments, buildings, people and traditional behaviours (Harvey, 1989:286). The concept envisions a human society strongly influenced by consumerism, over-consumption and the excessive production of disposable items (Wikipedia, 2006:1). Porritt (2005:11) goes on to argue that there is a distinct difference between the pursuits of prosperity versus the pursuits of sustainability. In the 'throw-away society' there is a constant desire to have more and to waste what we already have. This definitely does not forecast a sustainable future.

Saunders (1995:117) also believes that the dominant intellectual culture emphasizes immediate gratification and pursuit of personal desires. This has therefore brought about mass consumption fuelled by an explosion of credit which has displaced the old goodness of morality by individualistic pursuits (Saunders, 1995:117). This idea of morality is particularly important because if individuals and society do not view corporations as doing anything wrong then the damage currently being inflicted on the environment and communities will simply continue. Counter movements, such as Greenpeace, Amnesty international and other NGO's, have proven, though, that there is recognition of wrong doing. Capitalism can also function on a more responsible level but it requires a different approach. One such approach would be voluntary simplicity.

A theory contrary to the notion of a 'throw-away society' is the concept of voluntary simplicity. This requires conscious purposeful living by paying greater attention to our behaviour and social interactions. This warrants a new politics of production and consumption and a shift in values from being a 'global consumer' to a 'world citizen' (Schor and Holt, 2000; Elkington, 1998:151). Porritt (2005:11) expands on this idea by saying that voluntary simplicity involves maximizing one's quality of life while minimizing one's dependence upon a wasteful, energy-intensive standard of living. This can only occur when increased wealth is not seen as the only way to achieve a higher quality of life (Porritt, 2005:11; Barrett, 1998:10).

A change like this would involve the ushering in of self-reliance, compassion and sustainable economies to replace some of today's frantic consumerism or aggressive

self-interest. This is only possible through the reconciliation of sustainability and increased prosperity and this new outlook of business operations requires political support (Porritt, 2005:13). Bentley (2002 in Porritt, 2005:14) is rather less optimistic and states that values of individualism, diversity and open exchange are embodied in the structure of capitalism, fuelled by the progress of consumer capitalism and these values are more deep-rooted than any political project. So there is a need for social change but on a higher level in the form of norms and values. For example, the promotion of self-reliance would convert a constant pursuit of prosperity to a more sustainable approach (Adams and Sydie, 2001:23). The CSR concept therefore wishes to encourage a more sustainable approach.

2.1.3. CSR: The alternative approach to business operations

CSR is increasingly seen as an exciting source of creativity that can lead to innovation in products and services, access to new markets, building new business models and most importantly to help in establishing sustainable business operations. CSO's (corporate social opportunities) are therefore interpreted as commercially attractive activities which also advance environmental and social sustainability. It is vital for a corporation to fully understand sustainability so that it can be more alert to opportunities which then form an integral part of keeping the business operating successfully by striving for social value, sustainability and profits. The seven steps that Grayson and Hodges illustrate in their book, "*Corporate social opportunity! 7 steps to Make Corporate Social Responsibility Work for your Business*", are; identify triggers, scope what matters, make the business case, commit to action, integrate and gather resources, engage stakeholders, and measure and report. The most crucial point to remember is that to exploit such opportunities it is necessary for companies to build CSR into their business strategy and not just add it on to business operations (Grayson and Hodges, 2004). Now that different CSR theory and assumptions have been examined, it is time to briefly investigate the positive aspects and obstacles that CSR faces.

A significant issue is whether corporations can be held liable for their irresponsible business operations, such as polluting the environment with chemicals or using

sweatshop labour, and to what extent they should commit to responsible behaviour. There is a definite increase in pressure on businesses to set campaign goals, measure outcomes and measure their impact on their surroundings (Bird and Smucker, 2007:1). Documentaries such as 'An inconvenient truth' by Al Gore and 'The Corporation' (2005) produced by Mark Achbar and Bart Simpson, which expose issues involving the harm corporations cause to people, the environment and society, claim that corporations need to be more responsible.

Companies are subjected to public pressures of varying strength depending on the corporations' visibility and direct harm on the environment or society. This helps explain why the reactions of companies to calls for greater social engagement have also varied (Frynas, 2005:583). Perhaps CSR's biggest contribution has been to stimulate new thinking about the business-society relationship and even if we are a long way from finding solutions, we are at the least becoming aware of the need for new forms of dialogue (Blowfield, 2005:524). Requests for increased CSR come from different factions such as non-profit organisations, public sector agencies, special interest groups, politicians, even company employees and board members. Savitz (2006:54) suggests that the younger generation of today is more sensitive to issues such as CSR. Companies have to realise that their survival is dependent on a broad range of stakeholders. Stakeholders include shareholders but also the community, employees, suppliers, the public sector and other investors. (Kotler and Lee, 2005:10, 208; Cannon, 1992:44; Maynard and Mehrtens, 1993:101; Anderson, 1998:5; de Jongh, 2004:1; Savitz, 2006:59; Gardberg and Fombrun, 2006).

There is growing evidence that CSR is good for the brand and the economic bottom line as well as for the community. Bottom-line benefits include: increased sales and market share, strengthened brand positioning, enhanced corporate image and clout, increased ability to attract, motivate and retain employees, decreased operating costs and increased appeal to investors and financial analysis (Kotler and Lee, 2005:10-11). It can also strengthen the social bonds between the company, its employees and the local community thereby creating social capital (Gardberg and Fombrun, 2006:331). This draws attention to the importance of stakeholder dialogue. Monitoring should involve stakeholders as well as public authorities, trade unions and NGO's. This can be extremely difficult especially when different stakeholders have opposing interests

and so it is the organisation's task to maintain a balance between the different aspects of the enterprise (Cronje, et al, 2004:389; Henderson, 2001:29, 102, 110).

The social bottom line has furthered ideas on the stakeholder model of capitalism illustrating that shareholders are not the only group that have vested interests in the business and are not solely affected by its actions. On the other hand it is stated that the stakeholder model has added little to the development of CSR and in reality has only pushed for the concept of stakeholder dialogue. This means that large corporations are now identifying and setting up conditions of engagement with stakeholders but this has not lead to more sustainable progress. Despite this the success of CSR is often linked to stakeholder dialogue and stakeholder engagement. For instance, Frynas (2005:591) states that social responsibility initiative problems could be overcome by in-depth consultation and the participation of the local people (see also Porritt, 2005:32; Blowfield and Frynas, 2005:507).

Social responsibility also to a degree implies voluntary actions. Molander (1980:7) prefers the term social responsiveness meaning that business should respond to the needs and desires of various client groups. Voluntary commitment to CSR does raise the problem of regulation and whether a corporation will do anything in favour of CSR. This is because voluntary measures and self-regulation assume both high levels of trust and a responsible company which is serious about regulating the social and environmental impacts of its activities (Newell, 2005:553).

Since CSR is not a concept which can easily be defined and put into practice it therefore encounters some major pit-falls. The first is that corporate accountability strategies often seem to resemble a fire-fighting approach instead of companies proactively ensuring social responsibility techniques are in place (Lund-Thomsen, 2005:633). This means that corporations prefer to operate their businesses without much consideration of CSR until something occurs and then they react to the problem. For example, McDonald's for a long time cooked their french-fries in animal fat. Once vegetarian groups caught on they forcefully demanded for this to change. McDonald's reacted immediately reassuring the protesters that only vegetable oil would be used from then onwards (Evans, 2001:1).

Secondly, a firm's social responsibility spending is often aimed at deflecting criticism away from their unsustainable practices (Fig, 2005:603). For example, McDonald's is one of the biggest sponsors of sporting events internationally which draws attention away from the type of food they sell, which is to a great extent unhealthy. For instance, Mahomedy (2008:7) states that a stop-over at McDonald's can mean calorie devastation for a person especially if one succumbs to super up-sizes in meals. In the same way, companies often try and use social spending to seem as though they are committed to broad accountability or to gain a social license to operate (Fig, 2005:605; Brammer and Pavelin, 2005:42).

A problem that many organisations face in relation to social involvement is how to allocate their limited resources across a large array of competing and equally worthwhile social projects. Corporations are thus in need of systemic decision support tools to assist in the allocation process. This will lead to a clearer understanding of CSR, the modern day corporation's perceptions of CSR and how to manage it (Kotler and Lee, 2005:46; Gardberg and Fombrun, 2006:334; Wegner, 1990:17). Another important mechanism to establish would be a proper reporting system of social involvement. This would create a space where companies can report their involvement and the public could examine company involvement.

It is often not deemed necessary for social reporting to take place and there is very little pressure on companies to produce such documents. It is acknowledged that reports provide transparency on business practices, measurements of performance and offer benchmarks for future reports which would all be necessary assets for improved CSR (Kotler and Lee, 2005:5). Conversely, on occasion reporting is merely seen as a form of advertising more than reviewing business activities, which would not sufficiently satisfy CSR objectives (McWilliams, Siegal and Wright, 2006:5).

There is a need to develop a formal document that establishes written corporate guidelines for social initiative guidelines that will inform and ease decision making regarding many best practices and will reflect the unique history, culture, goals, markets and strategies for the company (Kotler and Lee, 2005:260). Social reporting unfortunately in most companies is incoherent. They report on community relations and charitable giving's but getting comprehensive data on social issues is still very

difficult because it is seen as the corporation's own prerogative (Elkington, 1998:90). This means that each company can select what to focus on or what to ignore.

CSR therefore needs to involve the adoption and development of explicit new commitments but also of new procedure. This is where the distinction between economic philanthropy and actual accountability becomes apparent. There is a clear difference between expected behaviours which refers to issues such as: public reporting, public statements on social and environmental issues, internal process that support policies, monitoring and audit programs. On the other hand, desired behaviours include strategic philanthropy, social investment, public policy dialogue, assistance to disadvantaged groups and creating positive multiples along the company's supply chain (Porrirt, 2005:258). Values thus need to be translated into action which should be included in plans and budgets. The company must then start evaluating corporate performance in areas such as employee relations and environmental impact, create community advisory committees, carry out social and environmental audits and set up continuing education programs. This would be a noted shift to accountability.

Lastly the management system at a corporation can fail to address the big picture and so may not include CSR as a strategic policy. Most standards of CSR that exist operate on a voluntary and self-regulated basis which does not apply pressure to conform (Fig, 2005:603). There are also no standardized ways of measuring giving, and so the social benchmark of CSR is quite elusive. Finally Fig (2005:616) states that voluntary agreements cannot replace the urgent need for standard-setting, adequate monitoring and sanctions for non-compliance (Fig, 2005:604, 616). Such issues can even be frustrating for managers who would prefer a bounded concept similar to quality control or financial accounting. Instead managers find themselves wrestling with issues as diverse as animal rights, corporate governance, environmental management, corporate philanthropy, stakeholder management, labour rights and community development (Blowfield and Frynas, 2005:501). It is now time to review some of the most prevalent managerial perceptions of CSR that exist.

2.2. AN OVERVIEW OF CSR PERCEPTIONS

The following section highlights the types of perceptions that exist concerning CSR. This will contribute to the understanding and interpretation of outlet managers' responses which will be examined in chapter 5. To establish a proper framework it is essential to first define what is meant by a perception.

A perception can be referred to as the process by which organisms interpret and organise sensation to produce a meaningful experience of the world (Lindsay and Norman, 1977:3,283).Gross (1967:104) points out that Western thought is characterised by a dichotomy expressed as the ideal and the real, mind and matter and subjective versus objective reality which demonstrates the difference between perception and reality. Zerubavel (1997:13, 21-23) also highlights the normative constraints that influence social acts and the types of perceptions people can and do make. These constraints are brought about by cultural and societal norms and values that people are socialised into, which influence our social foundations of thinking.

Since a perception is an individual's belief and way of structuring their own reality, it is a very subjective viewpoint. This is why it is important to gain a good understanding of CSR and outline the issues to be focused on. For this research the four principal focal areas are; (1) whether a multi-national corporation such as McDonald's South Africa is focusing on CSR, (2) why it is important for them to do so, (3) whether CSR perceptions are similar amongst different outlet managers and (4) how is CSR being practically implemented. So this discussion of perceptions is particularly relevant to point 3. Frynas (2005:582) notes the following perceptions of CSR as highlighted by three different oil and gas sector insiders⁵:

“CSR is a waste of time”

“CSR is about managing perceptions and making people inside and outside the company feel good about themselves”

“CSR is a red herring in terms of development projects”

⁵ The industry insiders' names were never mentioned in Frynas (2005:582).

These perceptions of CSR, which were published in 2005, are all rather negative but fortunately other perceptions do exist. A fundamental issue concerning CSR is to change such perceptions so that people and corporations realize the underlying necessity for corporate responsibility. CSR perceptions shall now be further analyzed and grouped into relevant categories.

There are usually three chief reactions or perceptions that people have when corporate responsibility is mentioned. The first is an altruistic standpoint which highlights doing good for its own sake, the second is an instrumental standpoint whereby doing good is for the possible financial benefit it might have and lastly the view that CSR is futile and costly. These reinforce the two types of business responses to CSR: defensive and business-focused versus positive and broadly focused (Gardberg and Fombrun, 2006:329; Fig, 2007b:43; Henderson, 2001:11). These perceptions shall now be looked at individually.

The first perception, that offers an altruistic standpoint, states that since a company's primary goal is to make profits investing in issues related to social responsibility, which are often left unchecked, would not be a viable activity. For example Scott (1979:140) supports a drive for more CSR practices but states that businesses find it difficult to plan in the long-term due to commodity and labour markets being very unpredictable. This means that even though a corporation may wish to achieve social responsibility that this is only possible if it does not hinder the organisation's survival and is suited to markets conditions. Furthermore corporations are unlikely to survive if their policy involves a departure from long-term profit seeking which is the main objective of the capitalist rationale (Roszak, 1993 in Porritt, 2005:301; Kotler and Lee, 2005:3; Gardberg and Fombrun, 2006:329; Henderson, 2001:11; Scott, 1979:140).

The second perception focuses on an instrumental standpoint and it states that when corporations do act socially responsible that it is purely for their brand image or to appease interest groups whilst their core business activities remain socially irresponsible. For instance, CSR initiatives are not intended to tackle questions of poverty and social exclusion but they aim at less ambitious goals of performance enhancement and image management (Newell, 2005:556). Kotler and Lee (2005:52)

state that corporate giving can actually strengthen brand positioning, brand preference and customer loyalty. This is because many exercises of corporate citizenship are merely philanthropic gestures for good public relations. Even managerial perceptions of CSR are that the concept's primary function is to enhance profitability and market returns (Newell, 2005:546; Lund-Thomsen, 2005:621; Blowfield, 2005:517; Calvano, 2007:3-4).

Lastly, because social irresponsibility persists and is to a large degree not monitored, CSR is often referred to as an unproductive virtue for business and society. This is for two reasons; firstly because the businesses that are irresponsible do not get punished and so incorporating CSR will simply be a cost and secondly, it is perceived that private interests in the marketplace serve the public interest best (Henderson, 2001:vii,2). This means interference from external parties, such as CSR supporters, is costly and unproductive. These perceptions above focus predominantly on how supporting CSR would benefit or damage the profitability of the corporation. To shift away from this profit interpretation of CSR there must be increased awareness and informed familiarity with the concept.

A driving force for a shift to a positive perception of CSR by corporations lies in the choices made by consumers, investors and employees. For instance consumers are basing their purchase decisions on company reputation for fair and sustainable business practices and commitment to the community's welfare. This, along with a change in business structure, has influenced managers' relationship with CSR (Kotler and Lee, 2005:8, 208).

The reason why consumer attitudes and purchasing influences a corporation's CSR initiatives is due to the fact that if consumers refuse to buy a product because the company is irresponsible then eventually the company will go bankrupt. Second, is that business structures have changed so that the owner of the company very often does not manage or operate the business. Even if these managers do get bonuses linked to profits it is usually never as high as share dividends. This means that managers, who earn a fixed salary but do not get shares of the profits, run the business. Various managerial theories claim that this separation of ownership from control in the modern corporation accounts for the increase in social policy (Mitchell,

1989:42). Mitchell (1989:37) goes further to say that management control is inherently more socially responsible than owner control because managers are not only focused on the company's profitability. Managers in general have devoted greater attention to CSR in recent years which also explains its growing significance (McWilliams, Siegal and Wright, 2006:1). It is now necessary to examine some of the CSR theories and benchmarks that exist today.

2.2.1. CSR approaches and benchmarks in the business community

To briefly examine the types of CSR issues that businesses encounter it is necessary to identify different CSR theories and benchmarks. The theories highlight the different types of CSR-business relationships that can exist whilst benchmarks help to quantify problems and ensure that corporate and societal issues, from the most basic to the most profound, are addressed by all. Obviously different corporations will have varying CSR concerns but benchmarks are a central starting point.

The following theories give a brief overview of how CSR can be or has been interpreted by the business community and gives a contextualization of how some firms may engage with the concept (McWilliams, Siegal and Wright, 2006:3):

- **Agency theory (Friedman, 1970):** CSR is a misuse of corporate resources that would be better spent on value-added internal projects or returned to shareholders. Sometimes managers can use CSR to advance their careers or other agendas but not actually focusing on the good of the community.
- **Stakeholder theory (Freeman, 1984):** asserts that managers must satisfy a variety of constituents (workers, customers, suppliers, local community organisations).
- **Stewardship theory (Donaldson and Davis, 1991):** there is a moral imperative for managers to practice CSR without regard for how decisions affect financial performance.
- **Institutional theory (Jennings and Zandbergen, 1995):** companies which on a continuous basis interact with a range of stakeholders on the basis of trust and cooperation are seen to be more honest, trustworthy and ethical because

the returns to such behaviour are high. This brings true interaction with CSR to the forefront.

- **Strategic leadership theory (Waldman, et al., 2004):** certain aspects of transformational leadership will be positively correlated with the propensity of firms to engage in CSR and that these leaders will employ CSR activities strategically.

Leading on from the theories of CSR it is necessary to examine the most predominant CSR benchmarks that exist.

Savitz (2006) states that businesses used to separate the different issues that impacted on the company. However, CSR can be seen as a bridge connecting the arenas of business and development (Blowfield and Frynas, 2005:499). The three major CSR benchmarks are; economic, environmental and social. The economic bottom line used to be what most companies focused on but modern day enterprises are shifting so as to integrate all three entities. This is because companies realise that without society there will be no-one to produce goods and supply goods to so there will also be no workers for the factories and nowhere to extract raw materials from if the environment is destroyed. This is why all three endeavours are now referred to in unison as the 'triple bottom line'.

It may vary how much attention different businesses dedicate to each category but most will use some sort of benchmark when drawing up a business strategy. A benchmark can be referred to as a standard or point of reference. Benchmarks help the company itself and independent parties monitor a business's activities more closely. Even though internationally and often nationally set benchmarks are still in the primary phase of development concerning CSR it is nonetheless vital for such policies and practices to be advocated. Examples of benchmarks can be found in AICC policies and SRI documentation and can range from ensuring employee satisfaction to environmental protection (Savitz, 2006:43).

The 'triple bottom line' concept is one of the most well-known CSR benchmarks. This is due to the fact that it focuses on three broad issues that encompass the various areas that a corporation comes into contact with and impacts on (Porritt, 2005:30). The focus for this research is on the social bottom line. This is because the economic

and environmental bottom lines already have extensive policies and often regulation and monitoring in place, both internally and externally, whereas the social focus is predominantly left to a company's own devices. This is why it is necessary to have a closer look at how companies perceive this bottom line, how they are approaching and integrating social issues, whether there is opportunity for social issues to feature more clearly in South African business and to suggest appropriate benchmark ideas for this bottom line.

The introduction of the social bottom line accelerated new thinking about corporate responsibility. The social focus is a relatively new area compared to the economic and environmental bottom line. It is also the hardest to measure performance in and to mainstream. This is because every corporation influences society uniquely and so different industries and even smaller firms require, to some extent, tailored policies. Environmental practices are more frequently regulated by governmental laws and companies must report on such factors. However, social expenditure or involvement is rarely included in company accounts or stand-alone CSR reports (Porritt, 2005:31). One of the most well-known ideas for the social benchmark is social giving. Social giving may take many forms, including cash contributions, grants, paid advertising, publicity, promotional sponsorships, technical expertise and in-kind contributions, for example, donations of products or services. Part of social accountability would be the application of proper labour governance in a company (Atkins and Bowler, 2001; Fig, 2007b:48; Ritzer, 1993; Kotler and Lee, 2005:4).

Frynas (2005:583) identifies at least four important factors compelling firms to embark on community development projects: obtaining competitive advantage, maintaining a stable working environment, managing external perceptions and keeping employees happy (Frynas, 2005:583). Unfortunately, social and community development is very often regarded as things that are demanded or expected by local communities and which should be the responsibility of governments rather than firms (Newell, 2005:545).

In the 1990's decisions regarding the selection of social issues tended to be based on themes reflecting emerging pressures for 'doing good to look good' and focused on wishes of senior management to do 'good as easily as possible' (Kotler and Lee,

2005:8, 9). A new approach now is “doing well and doing good”. This is highlighted by the fact that more corporations are selecting initiatives that support business goals, choosing issues related to core products and core markets. This does indicate a shift from economic philanthropy to accountability. Corporate social initiatives rarely form part of larger regional development plans, though (Kotler and Lee, 2005:9). Economic philanthropy refers to economic giving but does not require much internal business change. Accountability, however, obliges companies to take an active role in ensuring internal and external business strategy is dealt with responsibly in line with considering the community and larger environment (Slabbert, et al., 1998:16; Frynas, 2005:592; Bateman and Snell, 1999:166). Now that CSR perceptions have been discussed it is necessary to move on to examining CSR within the global realm focusing on global regulation and CSR initiatives. This is followed by looking at CSR in South Africa.

2.3. CSR AND GLOBAL REGULATION

There is ample global evidence of labour, civil society and consumer groups forcing companies to be responsible. This has been through protests, strengthening trade unions and gaining NGO and governmental support. Porritt (2005:72) states that governments could systematically force companies to internalize issues through proper regulation. This would need to include proper corporate governance guidelines geared towards sustainability, equity and legitimate profitability.

Governments, however, are often under pressure to reduce their social, environmental and worker regulation (Reich, 2006:241). Such pressures are found, for example, in agreements set out by the World Trade Organisation and North American Free Trade Act policies. These policies wish to open trade borders and therefore make it easier for large corporations to operate. Corporations thus seem to have grown so big that they have the same or more power than governments (Jenkins, 2005:526). Yet unlike governments, multi-national corporations are only accountable to their shareholders and not to the broader public (Klein, 2001:xxi). This is in strong contrast to demands to regulate corporations more. To successfully hold corporations responsible there needs to be greater focus on accurate CSR guidelines and quantifiable CSR measures.

Another problem that arises is the difference between developed and developing countries and the enforceability of policies and laws such as international standards put forward by the United Nations (Porritt, 2005:72). It is therefore necessary to examine such policies related to CSR which will highlight the practical side of CSR, associated strengths, challenges and implications.

The World Bank states that CSR is the commitment of business to contribute to sustainable economic development working with society at large to improve their quality of life, in ways that are both good for business and good for development (Blowfield, 2005:515). The World Bank's 'Corporate Social Responsibility Practice' advises developing countries on public policy and instruments they can use to encourage CSR (International Finance Corporation, 2008a). The World Bank states that public sector agencies play an important role in providing an enabling environment for CSR. The World Bank goes on to state that companies should realize the benefits attached to CSR and that some companies are responding to such demands. Yet in practice, implementation of a CSR agenda by many companies is shallow and fragmented. The first 'Corporate Governance' program was introduced by the World Bank in 2001 followed by the 'Sustainability Initiative' launched in 2002. There had been some focus on such issues as early as the 1990's but these more recent projects signaled the start of CSR commitment. This was in response to interest groups demanding proper corporate and government governance so as to include a focus on social and environmental concerns (International Finance Corporation, 2008a, b).

Some of the fundamental issues that the public sector should address are: setting and ensuring compliance with minimum standards, responsible investment, community development, pro-CSR reporting and transparency and CSR production and consumption. The World Bank cites the non-profit government-led NEDLAC initiative of the Proudly South African Campaign Company as a forerunner for CSR matters and encouraging such positive behaviour (Fox, Ward and Howard, 2002:iii, 5; International Finance Corporation, 2008).

Another international organisation is the United Nations (UN) which is central to global efforts in solving problems that challenge humanity. The UN and its affiliates work to promote respect for human rights, protect the environment, fight disease and reduce poverty (United Nations, 2006:1). The UN states that governments all over the world must realise that they can no longer manage social issues alone and thus require the help of the private sector (United Nations Foundation, 2003:1). Yet these partnerships are taking a long time to build up and the UN believes they can only work if they are voluntary, built on respect, optimize allocation of resources, achieve mutually beneficial results and involve documentation and governance (United Nations Foundation, 2003:3). This highlights the question of efficacy of some of the UN's voluntary efforts to promote CSR on a global scale (Porritt, 2005:243). Often objectives can also clash because the public sector is more focused on serving the larger population whilst the private sector is interested in profit-making schemes.

In 1977 the Sullivan Principle was launched. This encouraged USA organisations to treat their African employees the same as they would their American workers. These principles were then re-launched in 1999 at the UN as the global Sullivan Principles for CSR. The principle's main function is to support economic, social and political justice by companies wherever they do business. This includes human rights, racial and gender diversity, employment rights, improve quality of life for employees and community and so on (Fig, 2002:81; King II, 2002:246; Freemantle and Rockey, 2004:5).

There is also the Global Reporting Initiative's Sustainability Reporting Guidelines, which highlights the difference between economic and financial performance. Companies should now be encouraged to generate information on their income, taxes paid, on how different stakeholders benefit from their activities and other economic multipliers. This demonstrates future progressive thinking which all companies should eventually make part of their performance assessment (Porritt, 2005:188).

The ISO, which is the International Organization for Standardization, is responsible for developing internationally applicable management procedures and systems. Examples of such standards are: furthering sustainable business operations, increasing the influence of developing countries and encouraging CSR collaboration between

different organisations and governments. These standards are applicable to business, government and society. The ISO is a non-governmental organisation and its key aim is to develop standards and tools which can be used to further social responsibility on all fronts (White, 2005:92; ISO, 2008).

Another international organisation that tries to ensure international standards and fairness, particularly when it comes to trade, is the World Trade Organisation (WTO). The WTO has been in operation since 1995 and is the successor to GATT (General Agreement on Tariffs). The main goal of the WTO is to ensure fair trading and that the welfare of all countries is considered. It is involved also in dispute resolution and helping developing countries. Unfortunately it can only influence member countries to a certain extent which makes it evident that, even though international standards do exist, conformity and enforceability are difficult to ascertain. Tax laws, environmental laws and labour laws in addition vary cross-nationally, shaping the range of citizenship activities permitted, encouraged and prohibited (Gardberg and Fombrun, 2006:337; Fig, 2007b:13; Cromwell, 2001;1).

There are definite advantages to CSR realization and implementation because it not only improves present day activities but also future sustainable development. Companies are in the process of changing in this direction but again the successfulness of monitoring and measuring CSR is problematic. The nature of the community, the sector in which the company operates, the extent of its global presence and the form of corporate culture that predominates will have a bearing on the type of accountability relationship that is possible between a firm and a community (Newell, 2005:543).

There is, according to Newell (2005:541), a lack of effective international and national regulation of the private sector and an inaccessibility and underdevelopment of mechanisms of redress and company liability (Newell, 2005:541). For example, there are no internationally binding and enforceable labour laws. The International Labour Organisation (ILO) operates on the basis of consensus between labour and business but governments lack enforcement power. The WTO is the only international organisation that is capable of enforcing trade-related rules. But these cannot be used

to enforce labour standards. The WTO also favours the interest of transnational corporations in unfettered trade (Appelbaum and Robinson, 2005:372-373).

Governments and CSR approaches may encourage responsible businesses to go beyond compliance but there are too few checks and balances on the operations of irresponsible business. The key factors pushing irresponsible businesses to change their operations are strategies of regulation, sanction and protest against such companies (Newell, 2005:542). Again there is an assumption that firms are capable of policing themselves in the absence of binding international and national law to regulate corporate behaviour (Blowfield and Frynas, 2005:502). Individual countries can and do have independent regulations, though. It is therefore important to investigate the development of CSR and cited regulations within the country of South Africa.

2.4. CSR IN SOUTH AFRICA

There is a historical legacy of environmental injustice and social segregation inherited from the apartheid period (Lund-Thomsen, 2005:623). Prior to 1994 and before the end of apartheid the South African government and most of the business sector were brutally exploiting resources and labour. Some businesses did operate within the concept of CSR but this often meant withdrawing from the country whilst the apartheid regime existed. A speech given by Meyer Feldberg in 1972 at the University of Cape Town, focused on business profits and incorporating social responsibility, and even the South African government was promoting the Sullivan Principles in the 1970's, but it was not until much later that true CSR awareness would be ushered in (Slabbert, et al., 1998:16-19; Fig, 2002:81; Denton and Vloeberghs, 2003:84; Fig, 2002:81; Fig, 2007b:16).

Companies in South Africa started setting up charitable alliances during the 1970's-1980's but the turning point came in the 1990's. It was the struggle against apartheid in South Africa that showed the growing social and political clout of socially responsible investment (Savitz, 2006:54). An interesting article written by Gay Seidman (2003) examines the behaviour of MNC's during the apartheid era. It

evaluates the efforts of the government to bring in CSR benchmarks, in line with the Sullivan Principles, as a way for these MNC's to reduce the abuse of resources and the labour force and also have them contribute positively to the country. The most noted contradiction is that even though such CSR issues were raised, the MNC's were still encouraged to follow the apartheid regulations which included racial oppression and the overlooking of basic human rights of Black South Africans (Fig, 2007b). Corporate responsibility problems in South Africa must be understood within the context of this extremely uneven distribution of resources between blacks and whites which was institutionalised as part of the apartheid system (Lund-Thomsen, 2005:624).

Fig (2005:601) highlights the fact that the South African business market favours concepts of CSI and corporate citizenship over CSR because they do not ask questions concerning legacy, memory, history, justice or moral and ethical responsibilities. This is related to the apartheid era when businesses often abused this political system and committed human rights violations to benefit their operations. There is still little or no acknowledgement of the legacies of social and environmental injustice perpetuated by business under apartheid (Fig, 2005:601, 2007b:8). People and organisations did rise up against apartheid though and this also influenced CSR development.

Two key factors that were crucial contributors to the push for more CSR were firstly, the rise of black unionism in the 1980's which challenged business operations and improved working conditions. Secondly, once apartheid came to an end many South African companies could re-enter the global capital markets which meant the companies had to adhere to global standards including CSR initiatives and international companies could also re-enter South Africa (Fig, 2005:601; Fig, 2007b:101).

After the 1994 elections the new government established schemes such the Reconstruction and Development Programme (RDP) followed later in 1996 by the Growth, Employment and Redistribution strategy (GEAR). Both these programmes highlight CSR and the need for greater environmental and social governance (Denton and Vloeberghs, 2003:84). The most pronounced Legislation in South Africa, like the Constitution and Bill of Rights, both proclaim the importance of human rights and fair

labour practices which are significant to CSR policies and practices. According to Fig (2005:606) government regulatory functions are relatively well developed. This is with a few exceptions regarding environmental governance and Fig (2005:608) alludes to major state failure or incapacity to address major social issues adequately. Social issues are particularly important in this research and therefore require further discussion.

In 1994 the first King Report on Corporate Governance for South Africa was published followed by the 2002 edition which predominantly focused on corporate citizenship and also brought more attention to the triple-bottom line as an important corporate focus in South Africa (King II, 2002). South Africa is focusing greater attention on social investment because of the realisation that economic success is vital but it has to be linked to broader sustainable growth prospects of the country (Wegner, 1990:17). The 2000 World Summit in Johannesburg on sustainable development is where South Africa's corporate imagination was evoked, allowing for more social and environmental consideration (Freemantle and Rockey, 2004:viii). Research by Trialogue during 2002, publisher of the "corporate social investment handbook", which surveyed 100 large South African companies, found that they spent a total of 2.2 billion Rand on corporate social investment (CSI) that year. It also revealed that 45% of corporate social investment budgets are determined with the active involvement of the CEO (Fig, 2005:604; Theobald, 2002:24).

Corporations that want to be more socially responsible also need to undertake social accounting procedures. This is to aid in their management decisions and to provide relevant information to stakeholders. In general, banks and retail corporations, for example Standard Bank and Woolworths, are most involved in social accounting whilst diversified financial and industrial corporations are least involved. The most common reasons being that there are no strict regulations or heavy pressures for smaller firms (Epstein, Flamholtz and McDonough, 1977:2, 15). A few South African organisations have undertaken quite elaborate CSR projects such as The South African Financial Services Charter (2003); BenchMarks South Africa (2003); the SRI (SRI, 2007) by the JSE (2005) and the African Institute of Corporate Citizenship (AICC) (2007) (Fig, 2005:615).

A useful South African CSR explanatory tool is the three-pillar CSR benchmark by the Socially Responsible Index (SRI) which is linked to the Johannesburg Stock Exchange (JSE) (SRI, 2007). It includes: (a) economic sustainability; (b) social sustainability, and; (c) environmental sustainability (SRI, 2007). The AICC (African Institute of Corporate Citizenship) model categorizes companies either as having limited CSR, active CSR or pro-active integrated corporate citizenship. The model operates by rating organisations along five dimensions: (1) commitment and understanding, (2) establishing a framework, (3) implementation and stakeholder management, (4) accountability and (5) sustainability. It can be difficult to slot a company neatly into one category because no universal performance model exists and businesses often restrict access to CSR information.

In concluding this South African review it must be highlighted that the number of South African firms trying to position themselves globally has boosted a shift from cosmetic, public-relations-type CSR towards making real CSR changes. This includes the integration of environmental and social issues into core businesses activities (Fig, 2005:611). This indicates that CSR is not simply viewed as a misguided virtue. Fig (2005:605) states, though, that CSR practices in South Africa will continue to be informed by global trends and attitudes. Yet this must be balanced with focus on local problems facing the country. It must be noted that corporate voluntarism has not dealt effectively with the problem of redress and that, according to Fig (2005:599), more regulatory mechanisms may be necessary to effect genuine reconciliation. Current trends in South Africa do reveal that CSR is becoming more predominant. For example, fraudulent business practices such as price-fixing, corruption scandals and money embezzlement now receive greater focus by interest groups, who are forcing companies to publicise their CSR commitment (Fig, 2007b:36).

In a final evaluation of the chapter it is clear that CSR is a complex issue requiring proper understanding. This is why it is now time to move onto the findings section of the study and investigate how some of the issues mentioned apply to and play out in a specific MNC. The first section of findings will focus on global McDonald's so as to gain a holistic understanding of the organisation. This is followed by a closer look at McDonald's in South Africa. The discussion shall then lead into the results analysis section which examines the perceptions and social practices of CSR found.

Chapter 3

LORDS OF FOOD: A CASE STUDY OF MCDONALD'S

3.1. MCDONALD'S WORLDWIDE

Royle and Towers (2002:1) state that McDonald's is the best known brand in the world. Interbrand rated McDonald's as the world tops brand beating Coca-Cola into second place in 1997 (Economist, 1997:75). McDonald's is also the largest food service in the world in terms of system-wide sales. In the USA alone, there are 46 McDonald's restaurants for every million residents and McDonald's plans to have 50 000 outlets world-wide by 2010 which is double the number it had in 2000. However, the growth and success of the McDonald's corporation does not exempt the company from operating in a socially responsible way. Rather, due to their global span, higher demands are set and the company is under more scrutiny. McDonald's therefore needs to respond to scrutiny proactively so as to ensure future success (Royle and Towers, 2002: 1-5; Royle, 2000:16; Klein, 2001; Schlosser, 2001).

The following chapter discusses global McDonald's by examining the company's history, global span and the policies it employs. The chapter then explores McDonald's social responsibility initiatives and the company's CSR awards and achievements. This is followed by a critique of the corporation.

3.1.1. History of the Company

The McDonald's brothers in the 1940's established the first McDonald's fast-food outlet in California in the United States of America. The brothers wanted to sell a good but basic burger by using standard procedures that could easily be replicated to produce the same burger everywhere. McDonald's today still operates according to Frederick Taylor's optimized production process which Taylor advocated in his scientific management theory in 1911. This includes the incorporation of the assembly-line system to increase efficiency and therefore profits. Ray Kroc eventually bought the brand from the brothers and built McDonald's into the great empire it is today (Schlosser, 2002; McDonald's Worldwide, 2008; Royle, 2000:21).

In 1955 Kroc opened his first restaurant in Illinois and the McDonald's corporation was established. It was in 1961 that Kroc bought all rights to the McDonald's concept for \$2.7 million. This was followed by the opening of the first Hamburger University where employees are sent to learn how to make the perfect hamburger and manage a McDonald's restaurant. Today managers are usually sent to a specific McDonald's training centre for intensive McDonald's training before they become restaurant managers. South African managers are sent specifically to Dubai, where one of the training centers are, because South Africa falls within the Middle East and Africa constituency (McDonald's Worldwide, 2008; Schlosser, 2002; McSpotlight, 2008:1; Royle, 2000:22, 32).

McDonald's is popular with the working-class people in North America who are attracted by the outlets' low cost, convenience and predictability (Watson, 1997:10). This depends on the country though and sometimes McDonald's is not always the cheapest. McDonald's put a great deal of effort into standardizing its products, given that consistency and predictability are important elements to the company's worldwide appeal (Watson, 1997:20). McDonald's did not invent fast-food but the company is largely responsible for the standardization and automation that exists in the industry today. This includes the devolution of work into a series of tasks that can be performed by any worker with minimum training (Watson, 1997:20, 25).

McDonald's' success can be attributed to this type of predictable product and service. This does not mean, however, that the company has resisted change because evidence shows that part of McDonald's success is due to the company being able to adapt to local demands. For example McDonald's menu options vary in different countries: vegetarian burgers in the Netherlands, 'McSpagetti' in the Philippines and 'McLaks' (grilled salmon sandwiches) in Norway. Unfortunately, South Africa has, as yet, no uniquely South African dish on the menu (Watson, 1997:23-24; Economist, 1997:75).

McDonald's ability to adapt in different countries is also true for the entire company which in 2003 introduced a revitalization plan to modernize McDonald's worldwide. Outlet revamps usually occur every ten years or so. This is to increase its relevance to today's customer and appeal to younger generations. The company in 2003 also introduced the "I'm lovin' it" marketing slogan. This has led to increased customer

awareness of the brand. Klein (2001:17) notes that McDonald's, which is one of the corporate greats, know that they are selling a brand before a product.

3.1.2. Geographic Spread

McDonald's is segmented geographically into the Area of the World (AOW) which consists of North America, Europe and Latin America and there is also the Asia/Pacific, Middle East and Africa (APMEA) segment. These segments help the company control quality and distribution of required resources and products.

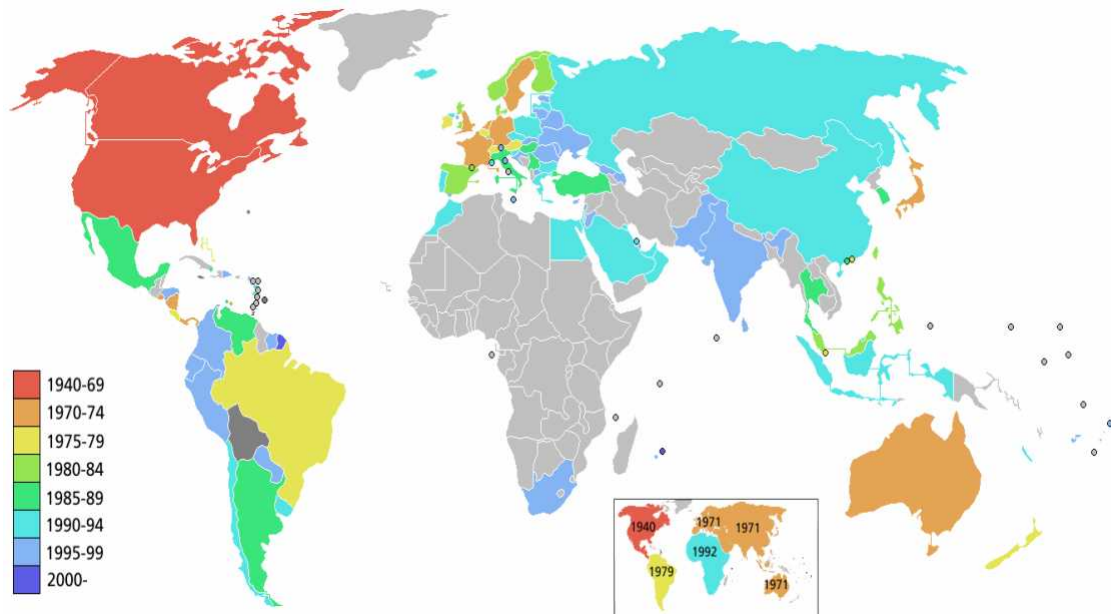
The company states that it has a decentralized system but maintains that everyone follows the same core values, principles and standards. The company balances these in an approach called 'freedom within the framework'. This is why local outlet owners and restaurant managers have the flexibility and responsibility to develop programmes, for example for employee training and local communities, that respond to the diversity of the local market (McDonald's Worldwide CR Report, 2006).

In 1965 the first restaurants was opened outside the USA, in the Caribbean and in parts of South America and in 1967 outlets opened in Canada and Puerto Rico. The number of outlets has since increased exponentially all over the world (Royle, 2000:24).

When considering Africa, Morocco was the first African country to introduce McDonald's in 1992. This was followed by Egypt which opened its first outlet in 1994 and then South Africa in 1995. Mauritius trailed behind and opened its one and only outlet to date in 2001. According to figures from 1999, Morocco has 17 outlets, Egypt is recorded as having 40 outlets and South Africa as operating 89 outlets. These outlet figures have most probably increased, for instance South Africa to date has gone well over 100 outlets. It is just Mauritius which still only has one outlet (Lafontaine and Leibsohn, 2004:23-27). The figure 3.1, on the following page, illustrates the limited number of McDonald's in Africa compared to the rest of the world. A key reason given for this disparity is due to many African countries still experiencing unstable economic and political environments, making McDonald's wary of entry. McDonald's even delayed its entry into South Africa because of the

apartheid regime. Figure 3.1 also demonstrates the year in which McDonald's expanded into a specific continent or region.

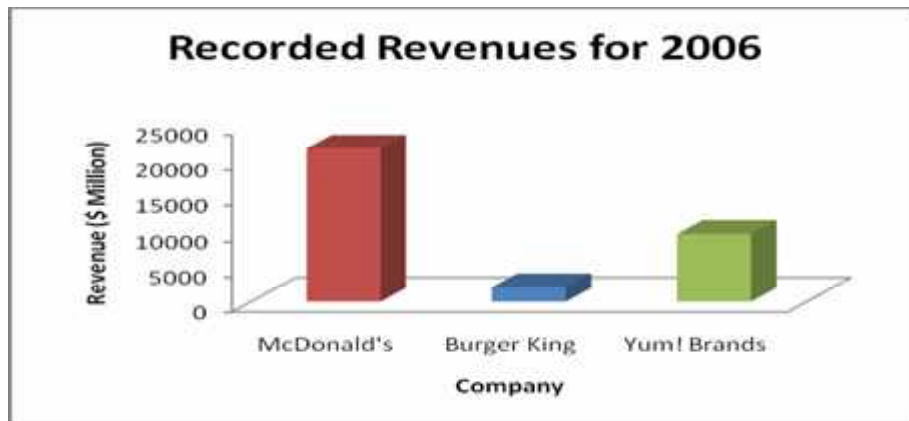
Figure.3.1 Map of location of McDonald's outlets and year of founding outlet



(Source: Wikipedia, 2008)

It is clear from the figure 3.1 that McDonald's has expanded worldwide but that certain regions are more populated with outlets than others. For example, Africa only has three countries with outlets whilst the entire northern America has outlets. To date McDonald's has over 30 000 outlets in about 118 countries and they serve approximately 50 million customers a day making McDonald's the largest fast-food chain globally. In 2006 more than 73% of McDonald's restaurants were owned locally by independent local business people. To compare this with other prominent fast-food chains, Burger King operates just over 11 100 in 65 countries whilst Kentucky-Fried Chicken (KFC) has approximately 11 000 outlets in 80 countries (Royle and Towers, 2002:57; McDonald's Worldwide CR Report, 2006; KFC, 2008).

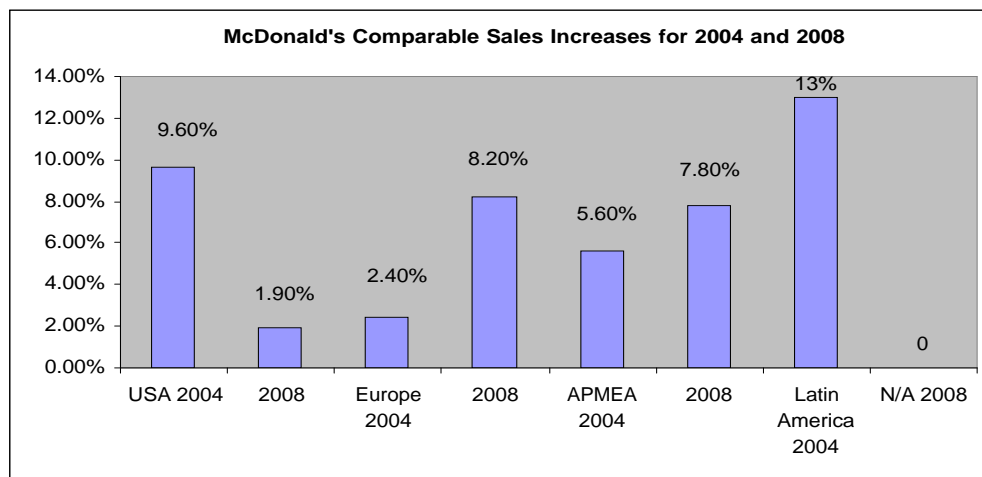
When comparing revenues for 2006 it is clear that McDonald's has by far the greatest revenue at \$21,586 million whilst Burger King has revenue of \$2,048 million. KFC falls under the Yum! Brands Corporation whose revenue for 2006 was \$9,561 million (Worldwide CR Report, 2006; Welgens, 2006:6; Datamonitor, 2008; KFC, 2008; Burger King, 2008). The following graph gives a visual demonstration of these revenues.



(Graph 3.1 Source: Worldwide CR Report, 2006; Welgens, 2006:6; Datamonitor, 2008)

Graph 3.1 above demonstrates McDonald's dominance in the fast-food industry. In South Africa though McDonald's does not dominate the industry with a 2006 report revealing under 100 outlets, whilst KFC had 422, Steers 365 and Nando's 516 outlets in 2006. The reason for South Africa having fewer McDonald's outlets is because the corporation only entered the market quite recently, in 1995, and so therefore they are still establishing themselves nationally. The number of outlets is going to increase dramatically, though, by 2010 due to the Soccer World Cup being hosted in South Africa (Worldwide CR Report, 2006; Welgens, 2006:6; Big Mag Nov, 2007).

Since the global McDonald's revamp, the 2004 global comparable sales for McDonald's restaurants increased by 6.9% which was the best result for 17 years. The graph below illustrates McDonald's comparable sales for the years 2004 and 2008 for its different regions which are: USA, Europe, Latin America and AMPEA. The AOW region has been split up into its various constituencies for graph 3.2.



(Graph 3.2 Source: McDonald's Worldwide, 2008; McDonald's Worldwide CR report, 2006)

Graph 3.2 shows that comparable sales have increased considerably for the APMEA region indicating growth in the Asia/ Pacific, Middle East and Africa regions. Sales are also still increasing quite rapidly in Europe although in the USA the comparable sales have dropped. This signals that McDonald's is focusing greater attention on areas outside its home base (McDonald's Worldwide, 2008; McDonald's Worldwide CR report, 2006).

More recently, the McDonald's Corporation announced strong operating results for the third quarter of 2008, driven by global comparable sales growth of 7.1%. The table 3.1 below illustrates revenues for the global McDonald's corporation, which indicates a positive net income of \$3,327.9 million for 2008 (McDonald's Corporation, 2008). These figures are illustrated in table 3.1.

Table 3.1 McDonald's corporation condensed consolidated statement of income				
Dollars and shares in millions, except per share data (Dec)				
Nine months ended September 30,	2008	2007	\$ (difference)	%
Revenues				
Sales by Company-operated restaurants	\$12,705.9	\$12,507.8	198.1	2
Revenues from franchised and affiliated restaurants	5,251.5	4,525.2	726.3	16
TOTAL REVENUES	17,957.4	17,033.0	924.4	5
TOTAL OPERATING COSTS AND EXPENSES	13,016.7	14,508.6	(1,491.9)	(10)
OPERATING INCOME	4,940.7	2,524.4	2,416.3	96
NET INCOME	\$3,327.9	\$1,121.9	2,206.0	n/m

(Source: McDonald's Corporation, 2008)

These tables and graphs demonstrate the financial strength of the corporation. It is now necessary to briefly review the structure of the organisation.

3.1.3. Structure of organisation

McDonald's may state that it has a decentralised structure but research reveals that the corporation operates within a strict hierarchy that tends to differ very little across the world. For instance, both senior management and operational levels are usually identical internationally. Yet Royle (2000:34) states that the McDonald's system can be flexible in overcoming cultural, political and economic differences and obstacles in differing countries which is an advantage for the corporation. One way of achieving this is through their franchising system which allows for the use of local expertise (Royle and Towers, 2002; Royle, 2000:33).

The main McDonald's head office is in Oak Brook, Illinois, USA. Each region, as highlighted in the geographic spread section, has regional head offices and then each country, in which McDonald's operates, has a head office which acts quite independently of the main head office. Yet the head office in the USA is often involved in major decisions and it monitors overseas operations closely (Royle, 2000:32). The second tier from the main head office is then the regional segments, as mentioned in the geographic spread, which are: AOW and APMEA. These two regions also hold meetings with the various countries that fall under those regions and organise supply chains together. Each specific region, the third tier, will have numerous countries under it. For example, Africa has Morocco, Egypt, South Africa and Mauritius. Each country will then further have multiple outlets to oversee, for instance, South Africa has 107 outlets.

The head office in each country is where the heads of departments for each functional area are situated, for instance: the executive, marketing, finance, personnel, purchasing, real estate, technical appliances and administration departments. There is a high level of central control and operations are normally administered directly from the regional offices. In a specific country, the head office will be in charge of the outlets that exist in that country (Royle, 2000:33). The central training centres are also located at a country's head office. A more in-depth breakdown of the management and employee structures of the South African McDonald's shall be given in chapter 4 (pg. 98, 101), which will function as an example of the structure globally.

3.1.4. Company strategy

The company focuses on specific business strategies that function as reference points that guide all their business operations. One key strategy that McDonald's highlight is their "open door policy". This policy states that all McDonald's work and activities should be transparent and if questions are asked to any McDonald's employees they should be able, within reason, to answer any queries. Yet Royle (2000:216) states that gaining access can be difficult because of McDonald's tendency to be secretive (McDonald's Crew Handbook, 2004; McDonald's Worldwide CR Report, 2006).

In France, in 2001, the company held an “Open Doors Day” because of declining trust levels. This was due to numerous factors, such as the outbreak of mad cow disease and foot-and-mouth disease spreading across Europe. Campaigns against the Americanization of French living and unhealthy menu options all contributed to decreasing trust and sales levels. The “Open Doors Day” allowed the general public access to nearly 400 McDonald’s outlets, main corporate office, three major suppliers and two advertising agencies. The success of this venture has seen an increase in profits at French outlets and the programme has consequently extended into other markets. Corporate McDonald’s emphasizes the fact that responsibility, for how the company operates, is everyone’s job and needs to be taken seriously (McDonald’s Crew Handbook, 2004; McDonald’s Worldwide CR Report, 2006; Braud, 2002:1; Mortished, 2008; Debouzy, 2006:126-127).

Another strategy is the “three-legged stool”. Here the company focuses on employees, owners/operators and suppliers. All three are essential and must be strong so that McDonald’s can succeed. The third strategy is the “Plan to Win” approach and it functions as a global McDonald’s benchmark for its operations. This strategy is designed to ensure long-term sustainability and profit-growth. The strategy includes the central 5 P’s which are; people, products, place, price and promotion and the objective is to enhance the customers’ experience and satisfaction. Each P has its own vision, specific objectives and performance measures (Worldwide CR Report, 2006; McDonald’s Worldwide, 2008; Annual McDonald’s Report, 2006). These are described below:

- People: the focus is predominantly on customers and employees. For employees the key areas are: resources and recognition, values and leadership behaviours, competitive pay and benefits, learning, development and personal growth. When considering the customer the focus is on total satisfaction, quality assurance and loyalty.
- Products: ensuring only the top quality and best delivery of food, which is the company’s main product. Other objectives are: the “balanced life-styles” campaign and responsible purchasing. This includes supplier social accountability, a socially

responsible supply chain, animal welfare, food security, packaging and the elimination of antibiotics in food utilized.

- Place: outlets need to be strategically placed for easy access and public notice. The objectives are also to ensure community giving, research economic impacts on place of operation and monitor and assess impact on the surrounding environment.
- Price: maintaining an affordable product at the highest quality. This means remaining competitive and affordable whilst delivering the best product to the customer.
- Promotion: the need to ensure that McDonald's remains in the public eye and that its services are well advertised but also properly. For instance, not solely targeting children, who are more susceptible to advertising.

The fourth strategy implemented is the "Restaurant Operations Improvement Process" (ROIP) and it was initiated in 2002. This program is structured to help improve performance and accountability as related to the popular "QSC and V" concept which stands for quality, service, cleanliness and value. These standards have been further broken down into specific procedures and are organized into 12 systems that perform at top capacity. Under ROIP both company and franchise outlets are subject to review, which identifies strengths and weaknesses of the outlet. The company also has the "mystery shopper program" where trained personnel review an outlet according to their experience as a customer in the outlet in line with QSC and V. The findings are then published in the Company's local Big Mag magazine which is produced every three months (Worldwide CR Report, 2006; Big Mag, 2007; Royle, 2000:39).

Another key strategic document for the McDonald's organisation and its employees is the McDonald's "Operations Manual", which is seen as a fast-food 'bible'. The manual is a six-hundred page "McWorld" description of everything that takes place at a McDonald's store and all activities are described as having to be uniform, predictable and homogenous (Vidal, 1997:33). This includes standardized procedures in everything from burger assembly to advanced management training at Hamburger University. The manual even has photo layouts to show where the sauces should be placed on the bun and the thickness of pickles. All equipment at McDonald's outlets

must be purchased from approved suppliers, and the interior and exterior design is carefully controlled (Watson, 199:21).

The strategies and programs listed above illustrate and direct how outlets should operate. Yet it can be difficult for McDonald's international to maintain control, regulation and enforceability with so many outlets and different owner/operators. The company does have programs of review in place and these are carried out quarterly or annually. Unfortunately these reviews are not made public and results remain within the company. The company does have a harsh punishment for non-compliance though, which can result ultimately in particular owners not being allowed to operate their outlets.

All these programs and strategies ensure and promote proper corporate governance because they try and ensure standardized operations that uphold proper business operations. This is very important and linked to CSR, which focuses on proper operating techniques to minimize any negative impacts on society and the environment (Noren, 1990:62). The most predominant feature in McDonald's corporate governance documents is the focus on respecting customers and employees and delivering outstanding QSC and V. This emphasizes the importance of operating the business ethically and truthfully and being dependable. McDonald's sees governance as a journey and not a destination, which highlights McDonald's quest for improved accountability rather than basic corporate philanthropy (McDonald's Worldwide, 2008).

To ensure proper governance McDonald's has undertaken some tasks:

- Issuing standards of accountability for all members of the organisation,
- Site visits carried out by directors, allow good communication by encouraging access to management and corporate information,
- Interaction with investors, the press and other interest groups and;
- Ensuring all employees and management know and understand the standards of business conduct that directly affect them or need to be implemented by them (McDonald's Worldwide, 2008). Results will reveal though that certain policies are not properly communicated to the employees at McDonald's South Africa.

McDonald's also states that stakeholder interaction is important. For example: interaction with government should exist and be continual, there should also be awareness of and action on environmental matters. This involves communicating with stakeholders at large. This information is important to this research because the interviews with South African outlet managers include questions concerning such matters. Investigating various stakeholder relationships and social involvements makes it possible to examine the company's interest and commitment to CSR. This is because interaction with external entities usually elicits transparency and commitment from the company which is necessary for good governance. McDonald's CSR shall be further examined in the following segment. For now though it is time to review one last key strategic tool that McDonald's utilizes and that is franchising.

3.1.5. Franchising

Fast-food accounts for more than 50% of the international franchising operations of USA firms and continue to be the most popular form of franchising both in the USA and abroad (Paik and Choi, 2008:540). Franchising is not solely used in the fast-food industry but because it is quite prevalent in the sector and forms part of McDonald's business strategy it shall be discussed briefly.

Franchising is a system whereby a franchisor, which is usually a well established corporation, contracts out the use of the corporation's trademark and business know-how and in return the franchisee can operate as part of the corporation but on an independent level. The franchisee must usually be financially secure and expect to share profits with the main corporation (Fulop and Forward, 1997:613; Mahomed, 2008:4).

There are distinct benefits for both parties of franchising. The company benefits by gaining capital, local knowledge, by outsourcing the day-to-day running of the outlets and franchisees are frequently more efficient and want to make profit unlike wage-earning managers. However, wage-earners do sometimes work very hard because they want to prove themselves and move up at the company, or one day want to open their own outlet (Royle and Towers, 2002:5). The franchisee, on the other hand, obtains

use of the well-known brand and business help. The franchisees also have regulated flexibility, meaning that although they must follow prescribed principles there is leeway for own practices. Unlike the company manager, the franchisees enjoy more independence in running the day-to-day business (Mendelsohn, 1992; Rothenberg, 1967:54; Inma, 2005:31-32)

Franchising can encounter certain problems though, especially for the core organisation if the franchisees are not performing successfully. Conversely, the franchisees can suffer difficulties between having to follow strict dictated rules and local societal demands (Mendelsohn, 1992). Another issue for the franchisor is that of maintaining uniformity across societal cultures which can be difficult (Royle and Towers, 2002:4).

3.1.6. McDonald's franchising

Dispersed production and centralized control would certainly appear to be the norm in the transnational food and beverage industry. However, McDonald's does not necessarily conform to these expectations but rather it resembles a federation of semiautonomous enterprises. These enterprises are the McDonald's outlets which are run by individual and usually local owner/operators, who are referred to as franchisees. This system is utilized because McDonald's goal is to become as much part of the local culture and community as possible. This is why McDonald's prefers to use the term "multi-local" instead of a multinational corporation. In line with this McDonald's ensures that they strive to find excellent local suppliers and local partners. Some 90% of its approximately 9000 American outlets in 1993 were run by franchisees. This is compared to McDonald's South Africa where 65% of outlets in 2007 were franchise operated (Watson, 1997:12; Economist, 1993:71). The reason for this percentage difference can be attributed to the fact that McDonald's as existed in South Africa for a shorter time and therefore franchisees still need to be trained. McDonald's has always been a franchising company and has relied on its franchisees to play a major role in the system's success. McDonald's can be said to have pioneered and refined the franchising process (Royle and Towers, 2002:5; McDonald's Franchisees, 2008; Mawson, 2008:1).

The company sets out very clear guidelines, within which the franchisees must operate, down to the exact placement of the pickles on the bun and design of crew uniforms. Franchisees often own up to 50% of the business and can make decisions about the disposition of profits as long as a percentage of the profits, approximately 12% of gross sales monthly, are received by head office. There is also a 4% of gross sales advertising fee which must also be paid to head office. Franchisees have some control over local advertising, restaurant location and limited menu innovation all within a regulated framework. This means franchisees have freedom as long as they work within the company's mantras of quality, service and cleanliness. Royle (2000:35) therefore challenges the belief that McDonald's franchisees are truly independent operators and hence states that franchisees are much more like subsidiaries of the corporation (Watson, 1997:206; Noren, 1990:61, 64; Economist, 1993:71).

McDonald's at first was a loose federation of independent local retailers who happened to market the same products but these days as the federation has become more global the need to coordinate activities on a regional and even worldwide basis is critical. To ensure such support the company has established regional councils such as the WOA and AMPEA (Economist, 1993:72).

McDonald's success is partly due to its use of franchisee entrepreneurs to promote the McDonald's product but McDonald's is highly selective in choosing its franchisees (Noren, 1990:60). The system that a person who wishes to become a McDonald's franchisee must follow is quite tedious and long. There have been alterations made to the system in the past years but the steps below give an indication what it involves. The potential franchisee must make the following highly specific investments in the McDonald's system before obtaining an outlet (Noren, 1990:60; Royle, 2000:40):

- If the applicant has sufficient financial resources and business experience they are granted a two-hour interview.
- If the interview is successful, the applicant must work for fifty hours at McDonald's in a job experience program.

- There is then another interview and evaluation before beginning the 6-9 month 'Basic Operations' course and the initial part of the registered applicant training program.
- After initial training there is another evaluation by a licensing manager based on tests and recommendations from field consultants.
- Then there is a 12-18 month formal training program. The applicant is trained in operations and management for twenty hours each week in an established McDonald's outlet. There are also formal classroom sessions and some training at the Hamburger University. During this time the applicant is not considered an employee of McDonald's and they are not compensated for any time or expenses involved in the training programme.
- The applicant, once all this is done and the security deposit of up to 10 000 pounds (which includes a returnable amount after the 20-year contract expires and also a non-refundable amount for fixed asset purchases) is paid, can open an outlet within a year but it can take up to three years. The large initial investment in fixed assets is required from the franchisee to bind the applicant to the success of the franchise. A contract is then signed allowing a franchisee to operate for twenty years, unless the applicant does not perform to McDonald's standards. In total the franchisee endures two years of training which equates to 2000 uncompensated hours worked in a McDonald's outlet.

The lengthy process does allow McDonald's to select highly motivated and capable managers and therefore McDonald's has, through its franchise programme created a vast pool of talented entrepreneurs to exploit its brand (Noren, 1990:60; Royle, 2000:41; Economist, 1993:71).

McDonald's supplies managerial advice, its trademark, products, marketing power and reputation (Noren, 1990:61). The franchisee must be an entrepreneur willing to stake everything he owns for a chance to operate an outlet. The franchisee is required to work full time in the daily management of the outlet and is compensated with a large share in the profits (Noren, 1990:61). Franchisees are required, in the contract, to become involved in their community and McDonald's depends on its operators' expertise concerning local demand to enhance sales (Noren, 1990:62). McDonald's,

therefore, efficiently distributes the function of daily decision making to the owner/operator (Noren, 1990:62).

McOpCo managers are stated to lack the incentive and drive of entrepreneurial owner/operators' outlets. Noren (1990:62) states that company-run outlets rarely equal the profit margins of franchise units. Research also indicates that franchise outlets regularly perform more successfully than McOpCo outlets due to the entrepreneurial drive that exists in franchise outlets (Royle, 2000:49). Royle (2000:49) states that franchisees are better at motivating employees but this theory is disputed. It is rather suggested that franchise outlets sometimes have fewer employees and do not always adhere to the minimum pay and conditions, by offering higher than required amounts as set by collective agreements, which then boosts employee performance (Royle, 2000:49).

A reason why a franchisee is not given more freedom, even though they are proven to perform highly, is because if given more autonomy in a free market the value of the McDonald's product would rapidly deteriorate, due to free-riding and loss of uniformity (Noren, 1990:63). It is now necessary to examine McDonald's supply and value chain to evaluate McDonald's operations.

3.1.7. McDonald's Supply and Value Chain

Now that the company has been briefly examined, it is essential to take a more in-depth look at the McDonald's value chain. The value chain describes how the final processed McDonald's product actually reaches the customer. The breakdown of the value chain is important since it reveals the company's day-to-day operations, which should uphold high CSR principles and behaviour. CSR should be exercised not only through cited SR initiatives but in all company activities.

McDonald's do not grow, raise or produce food, crops or animals. It is simply a food retail company. This means that the company purchases everything and so admits to having influence over its suppliers. The company claims to work collaboratively with suppliers so the suppliers can meet McDonald's expectations and advance their

priorities. When you take a look at the impact of the McDonald's systems, with 30 000 stores worldwide, it is clear the impact will be big. Therefore McDonald's has a huge responsibility to use their purchasing power responsibly.

McDonald's states that it has a long-standing commitment to promoting socially responsible practices in their food supply chain. McDonald's food safety standards, animal welfare guidelines, supplier social accountability program and rainforest policy exemplify this commitment. For example, McDonald's in 2002 started collaborating with the Centre for Environmental Leadership in Business with whom they developed scorecards based on guidelines for key natural resources and environmental impacts. In 2003 the strategy was updated so as to further the goal to ensure a continuous supply of high-quality, safe products while creating net social, economic, and environmental benefits (McDonald's Worldwide, 2008). The strategy is based on a socially responsible supply vision and related principles. It also includes guidelines to provide McDonald's and their suppliers with a common framework for understanding the components of socially responsible production (McDonald's Worldwide, 2008).

McDonald's receives the raw produce or partially completed and packaged products, such as buns, which are made and then packed into exact numbers, at one of its distribution points where all the goods are further pre-packaged, expiry date checked and then immediately ready for use. These pre-packaged products are then transported to the delegated outlets. The amount of goods that goes to each outlet is already preplanned and once the outlet receives the goods they have strict instructions as to how long they can keep and use the product before disposing of it.

At the outlets, most products are immediately put into the cold room with regular checks on goods happening every day, usually more than once. For example, buns that have been frozen must be used within the prescribed time once unfrozen or disposed of. Other stringent testing of food is also carried out. For instance, the sugar content in the diet coke syrup must be checked each morning (Cape Road Manager, 06/09/07, Port Elizabeth).

The 'cold chain' method ensures food quality, freshness and nutritional value. The "cold chain" refers to the procurement, warehousing, transportation and retailing of food products under controlled temperatures. As the ingredients move from farms to processing plants to restaurants, McDonald's "Quality Inspection Programme" (QIP) carries out quality checks at over 20 different points in the Cold Chain system. Setting up of the 'cold Chain' has also enabled McDonald's to cut down on operational wastage. McDonald's also uses the Hazard Analysis Critical Control Point (HACCP) which is a systematic approach to food safety that emphasizes prevention within the suppliers' facility and restaurants rather than detection through inspection of illness or presence of microbiological data. An example of this is of McDonald's burger patties production in South Africa (Reynard, 2008:1).

Finlar Foods Factory in Johannesburg is the exclusive supplier of beef patties to McDonald's. McDonald's hamburger patties are made from 100% pure beef, with no additives or preservatives. McDonald's requires up to 40 quality assurance tests per batch of burger patties. Every batch is numbered and McDonald's can trace any product produced for their restaurants from "harvest to consumption". Food safety is a major undertaking, with the plant being broken down to scratch daily for sanitising by a different team to the one on shift that day. It is rebuilt in the morning and swabs sent out for analysis. This procedure is a replication of what happens at restaurant level. Internal records are kept of all checks and external and international audits conducted (Reynard, 2008:1).

In the restaurant, product control procedures are geared towards McDonald's delivering on its 90-second "order to delivery promise", while maintaining strict hygiene standards. Staff wash their hands every hour and sanitise every half-hour (Reynard, 2008:1). There are strict rules about kitchen cleanliness, employee hygiene and controlled checks occur throughout the day.

When the food finally enters the last step in its preparation, there are strict guidelines as to how long burgers must remain on the grill, how much sauce and lettuce goes on each bun and how long the fries may remain in the oil for. Once a particular machine, that is cooking a specific food, beeps then the food must be removed. The whole finished burger is then wrapped up in special paper and everything is then put in a special storage cupboard. This holds the food warm for no more than 10 minutes.

After that time the burger is thrown away. This process was revealed in 1998 and is the company's 'Made for You' preparation food system, which allows it to serve hotter, fresher food (Watson, 1997:26).

Once an order has been placed the cashier then simply takes one of the prepared meals off the heating shelf and places all the goods on a tray for the customer. The customer should then be able to enjoy the exact same McDonald's meal anywhere in the world, due to this stringent method of preparation and pre-preparation that occurs at designated distribution points.

To ensure quality control, company representatives monitor performance by making surprise visits to McDonald's outlets every quarter. In line with this, communication is vital throughout the process and within the entire company. A lack of or inaccurate communication can be extremely detrimental. As noted McDonald's does have quite a hierarchical system especially at management level but at outlet level the company tries to ensure swift communications so that outlets can operate smoothly (Watson, 1997:21; Royle, 2000:122). The study now takes a closer look at CSR at McDonald's.

3.2. CORPORATE SOCIAL RESPONSIBILITY

“Corporate responsibility is very important to any success that we have... we give back to the communities that have given so much to us”

(Jim Skinner, Chief Executive Officer in McDonald's worldwide CR report, 2006).

As described in chapter 2, CSR involves proper corporate governance of internal and external business operations and initiatives. Since this research focuses on social involvement, McDonald's shall be reviewed with this aspect of CSR in mind. It is obvious that outlets in different regions will be confronted with varying social circumstances. This will influence how much money they invest in specific projects and how intensely they sustain their commitment. McDonald's states, though, that with some world-wide social responsibility (SR) initiatives they are consistent with the programs over time and across countries. This focus at a corporate level indicates integration and convergence across institutional environments. Yet whether these

sentiments filter down to the individual outlets is important to examine and will be done so in chapter 5. Now it is necessary to review corporate responsibility (CSR) reports issued by McDonald's in certain countries. This will incorporate a discussion on the different types of SR initiatives that McDonald's undertakes at the corporate and outlet level.

3.2.1. CSR policy and reports

Movements and activists against globalisation and irresponsible corporate behaviour started to become prominent in the early 1990's. This required quick responses from corporations so as to maintain a positive corporate image. This is why there is no surprise that in 1994 the McDonald's Board of Directors decided to include a summary of their governance principles, highlighting social responsibility, at the shareholders meeting. These principles and standards of business conduct have changed over the years to fit in with best practices and shareholder expectations. These principles lay the foundation for CSR as an important part of business strategy. McDonald's have, in addition, started to include stakeholder views and interests (McDonald's Worldwide CR Report, 2006).

Corporate McDonald's worldwide produces a CSR report and some independent countries have issued individual CSR reports. For instance, countries such as Canada, UK, Brazil, Australia, New Zealand and Japan have all produced such reports (McDonald's Worldwide, 2008).

In 2002 McDonald's issued its first social responsibility (SR) report. The CEO wrote;

“McDonald's has the honour of serving more customers around the world than anyone else. With this privilege comes a responsibility to be a good neighbour, employer and steward of the environment and a unique opportunity to be a leader and catalyst for positive change. We recognize the challenges and obstacles but believe strongly in the importance of social responsibility”

(Then CEO of McDonald's Jim Cantalupo in Kotler and Lee, 2005:37).

This quote illustrates the importance that CSR is perceived to have in the company. It also recognises the many forms of CSR including; the economic, worker, environmental and social aspects. It is clear that McDonald's obviously feels pressure from interest groups to publish such a report. Since the 21st century has publicised fraudulent business practices and gross environmental and social activities, through increased media, communications and transportation it is not surprising that McDonald's tries to create a positive company image especially when it comes to CSR.

The 2002 CSR report also suggests a renewed and more accountable commitment. Noted themes are of the well-being of families and children and giving back to local communities. For example: (1) cause promotions, e.g.: International Youth Camp, (2) cause-related marketing, e.g.: World Children's Day, (3) social marketing, e.g.: Immunise for Healthy Lives, (3) corporate philanthropy, e.g. McDonald House Charities, (4) community volunteering, e.g.: Disaster Relief and (5) socially responsible business practices, e.g. recycling (Kotler and Lee, 2005:38, 39, 41; McDonald's Worldwide, 2008).

The follow up CSR report was published in 2006 and this is the latest edition available. This report highlights the increased focus on nutrition and publicizing nutritional information and ensuring suppliers also follow sustainability guidelines. The main countries focused on for specific examples and performance measures are: Australia, Canada, China, France, Germany, Japan, the United Kingdom and the United States. All the countries chosen are quite developed nations with the resources and infrastructure to implement proper social investment. This, along with pressure groups being prevalent in these countries and therefore demanding such reports, helps to explain why these countries are reported on.

In the 2006 CSR report, compared to the 2002 report, there is a greater focus on explaining the sources utilized to identify certain SR initiatives and proper corporate governance. For example, listed sources are: consumer research groups, owners and operators of outlets, suppliers, expert advisory councils, non-profit organisations, the Ceres Stakeholder group and McDonald's also took into account the Global Reporting

Initiatives on Sustainability Reporting Guidelines (McDonald's Worldwide CR Report, 2006).

The report also mentions factors such as increased consumer awareness of company actions and insistence on companies to take a more responsible business approach. There is also the balanced, active lifestyles promotion that McDonald's has adopted to emphasize the need for people to eat and exercise correctly. McDonald's does, however, feel they are not responsible for an individual's personal choice since the company believes they offer enough choice and opportunity. The company has indeed increased menu choices and driven promotions for a healthy lifestyles.

When comparing the two CSR reports it is obvious that the tone of the reports has changed. For instance, the follow-up document is more focused and concise. This is because exact examples of SR initiatives and country programs are noted. The sources used in the report to obtain the information are also mentioned in the second report which highlights the company's realization that society demands factual and reliable data not only company feedback. There is a distinct increase in nutritional information and awareness in the 2006 report in conjunction with new healthy living and exercise campaigns. There is still only positive feedback, though, with no limitations or shortcomings openly mentioned. There are only a few countries that list examples of their SR initiatives whilst no mention is made of the other countries that also have McDonald's outlets. It is now time to review the SR initiatives which are mentioned by some countries in the CSR reports.

3.3. GLOBAL MCDONALD'S SR INITIATIVES

McDonald's promotes global SR initiatives which all countries and outlets participate in or contribute to. These shall be referred to as mandatory initiatives. There are also country-specific initiatives which are operated by an individual country's head office. In addition there is a third level of involvement which is the individual outlet's initiatives. Such initiatives are taken on by individual outlet owners and managers over and above the global initiatives which they must participate in. This means that any additional SR initiatives are voluntary commitments and funded by the individual.

There are a number of such initiatives, usually involving sponsorship of local sport teams or donating to local schools and hospitals. Such initiatives shall be further looked at when discussing McDonald's South Africa. First though, it is necessary to examine global initiatives.

3.3.1. Children's Initiatives

McDonald's has developed a unique position in the fast-food sector by focusing their resources on children's wellbeing, in particular through the Ronald McDonald Charity Houses. The first Ronald McDonald Charity Home was opened in 1974 in the United States and helps to raise funds and support child welfare.

The 2006 CSR report highlights that the company has started tracking the total funds local business units, franchisees and suppliers raise annually for Ronald Charity Houses. The "World Children's Day" celebration on the 20th November each year is utilized as a day for global fundraising by McDonald's in line with this. The "World Children's Day" fundraising collected \$25 million worldwide in 2006. This kind of tracking is referred to as system philanthropy. System philanthropy ensures the commitment and generosity of franchisees, suppliers and employees worldwide. This system does not apply to individual outlet initiatives, though (Kotler and Lee, 2005:41-43).

McDonald's is also a founding member of the "concerned children's advertisers" in Canada while in the USA they are a member of the Supporter's Council of the Children's Advertising Review Unit (McDonald's Worldwide, 2008; McDonald's Worldwide CR Report, 2006). In other countries, such as in Australia, there is the national puppet programme to educate children about cancer. McDonald's Brazil sponsors the annual country-wide fundraiser called the "McHappy Day" to help provide care for children with cancer and McDonald's Canada helps fundraise for Lou Gehrig's disease. McDonald's has, in addition, set up educational programmes for the youth, varying from a hygiene programme in Taiwan to sports programmes in the Netherlands (McDonald's Worldwide CR Report, 2006).

3.3.2. Balanced and Active Lifestyles Campaign

The “Balanced and Active Lifestyles” promotion, currently running at McDonald’s worldwide, is an effort to communicate the importance of a healthy lifestyle, but also to counter negative media reporting of the health implications of McDonald’s products. This SR initiative includes promoting information on their products, advice on healthy living and sponsoring sports activities. The global website now even includes personal fitness assessment tools, a resource library o healthy living, interactive virtual trainer and tips for parents and families to lead healthier lives. The company also supports local grassroots sports (Donald’s Worldwide, 2008; McDonald’s Worldwide CR Report, 2006).

An example of McDonald’s increased health and care approach can be found in the USA CSR report which focuses on the well-being of customers and communities, the environment, menu choices, nutritional information, and food quality. The McDonald’s UK report also emphasizes: food, quality, menu changes, people, environmental practices, children’s charities and football games. Their motto being that, ‘it’s what I eat and what I do’. This again emphasizes the “Balanced and Active Lifestyles” campaign.

A representative of McDonald’s which helps promote SR initiatives and put such programs into practice is Ronald McDonald. The role of Ronald has changed and expanded to reflect the McDonald’s mascot as being socially aware, fit and involved in the community. Ronald now advocates and acts as a role model for the “Balanced and Active Lifestyles” campaign (McDonald’s Worldwide, 2008; McDonald’s Worldwide CR Report, 2006; Royle, 2000:17).

3.3.3. Sport initiatives

The section above speaks of the balanced and active lifestyles campaign which is a promotion by McDonald’s aimed at giving customers healthy living tips and reminding customers to stay fit. Sport sponsorship is different, though, because this is when McDonald’s gets involved in actual sporting events. The most important initiatives McDonald’s supports, by being the official food sponsors, are the Olympic Games, the FIFA World Cup and the UEFA championship games. Being the sponsors of such large sporting events, forms part of their balanced and active lifestyles

campaign. It also includes children's wellbeing since at each event McDonald's sponsors a certain number of children to attend the event for free. For instance, McDonald's sponsored 1400 children from 52 countries to attend the 2006 FIFA World Cup (McDonald's Worldwide, 2008; McDonald's Worldwide CR Report, 2006; Royle, 2000:18).

Watson (1997:23) states, though, that it was not only the power of corporate sponsorship that made McDonald's the official food service partner during the 1996 Olympic Games in Atlanta. It was also because athletes from all over the world know the brand and the predictability of the product and therefore rather avoided unfamiliar foods and opted for McDonald's (Watson, 1997:23).

Examples of country-specific contributions to sport are: in Canada a Go Active! Fitness programme, in Korea there is support for local Korean soccer teams and in France there are Ronald's Gym clubs (McDonald's Worldwide, 2008; McDonald's Worldwide CR Report, 2006). Once again, individual outlets often contribute and get involved in local sport activities, which are often not publicized except occasionally on an outlet level.

3.3.4. Disaster relief

Lastly, McDonald's is renowned for disaster relief. For example, during the September 11 attacks McDonald's provided food to fire fighters and volunteer helpers. Hurricane Katrina victims were given McDonald's contributions and the company was also involved in aid relief when the recent Tsunami struck Asia (McDonald's Worldwide CR Report, 2006).

3.3.5. Critique of McDonald's social responsibility involvement

To sum up, by examining the type of SR involvement that McDonald's is engaging in and portraying, it is clear that most initiatives and projects are for public approval and display. For instance supporting children's initiatives gains the company approval yet the bulk of their marketing often targets children in unsavory ways. The company is also spear-heading the healthy lifestyles campaign publicly but still serving the same

high sugar and fat content burgers and meals at their outlets. McDonald's may also support huge international sporting events to ensure its image is publicized and that they are associated with good societal behaviour. These actions all seem rather contradictory and to some extent they are.

McDonald's has very strict principles and guidelines in the form of their organisational strategies and activities. Yet such strict regulations and guidelines do not exist completely on the individual outlet level. Outlets do have strict guidelines as to the type of social initiatives they can engage in but there is no control or monitoring of whether individual outlets do engage in additional activities and there is also no clear reporting structure. The 2006 report confirms this by only having a limited number of countries reporting on their SR initiatives and only a few countries issue independent CSR reports at all.

The company should therefore align its principles and strict regulatory system for internal business operations to social practices and not only report on impressive accolades of sponsorship given. It is now necessary to review some external reporting on the company in the form of awards and achievements received so as to acquire a sense of whether McDonald's is receiving societal support for its operations. This shall be followed by a critique of McDonald's.

3.4. MCDONALD'S CSR AWARDS AND ACHIEVEMENTS

McDonald's is recognized in the developed world as a company of high social standing and repute. For example, internationally McDonald's has clinched awards for good corporate citizenship in the form of: employment recognition, environmental protection, animal welfare, toy safety and responsible purchasing awards (Gardberg and Fombrun, 2006:336; McDonald's Worldwide, 2008).

In 2005 McDonald's was added to the Dow Jones worldwide Sustainability Index (DJSI), which is a highly acclaimed accolade for socially responsible investors. The key areas that the company was seen to excel in are: improving environmental and social performance, responsiveness to stakeholders and CSR reporting. McDonald's is

also among Fortune's "most Admired Companies" for social responsibility (2000-2002, 2004) and in 2001 was ranked in the Wall Street Journal as number 5 in reputation for CSR. McDonald's was also ranked 9th, the only food brand to be in the top 20, for globally highly valued brands according to Business Week/Interbrand Annual Ranking of the 2006 Best Global Brands (McDonald's Worldwide CR Report, 2006; Kotler and Lee, 2005:37; McDonald's, 2006; Marketingweb, 2006).

In 2006 the 'Great Place to Work For' Institute ranked McDonald's number 1 in Latin America. This honour has also been received in Australia, Canada, Germany, Hong Kong and the UK. In South Africa in 2006 they were ranked 13th and in 2007 they were ranked as the 6th 'Best Company to Work For' in a survey done by Deloitte. No other fast-food chain was ranked in the top twenty in this survey and McDonald's was ranked 3rd for the medium business category in the same survey. In addition, in the 2008 Deloitte survey the company has just been ranked 2nd in the medium business category as the 'Best Company to Work For' (McDonald's annual report, 2006, McDonald's South Africa, 2008).

All these rankings and accolades do tend to steer one's belief towards McDonald's being a socially responsible company. This may be true to a large extent when looking at the huge initiatives it is involved in but the issue that this research wishes to uncover is whether such international commitment is being transferred to the individual outlet level. In other words, the research does not wish to argue that McDonald's international is not sufficiently socially involved but rather, considering the company's success, are they also doing as much at the outlet level as they could be.

3.5. CRITIQUES OF MCDONALD'S

A primary reason why MNC's in general are under more scrutiny is because public interest and media reporting are becoming more apparent. This means greater attention is being focused on such global entities and certain catastrophes further highlight MNC's practices. Movements such as: human rights, Greenpeace and animal welfare campaigners in conjunction with anti-globalisation protests, for

example the Seattle protest against the WTO and rallies against the G-8, are all counter movements pressuring MNC's to be more responsible in their business affairs. These movements critique MNC's as being too powerful and influential on societal lives and argue that their practices are damaging society, the environment and people (Klein, 2001; Veltmeyer, 2004:155; Held and McGrew, 2002; 121). This has driven MNC's to first of all clean up their brand image but also ensure that they portray a proactive stance on issues raised by the campaigners.

McDonald's achievements and noble statements are too often tarnished by reports of, for example, gross environmental and animal abuse allegations and subsequent legal cases. There is even a website, called the McSpotlight website, which is dedicated to publishing the company's wrong-doings (Klein, 2001:249). The most recognised campaign that highlighted McDonald's wrong-doings is found in a pamphlet. The pamphlet was first issued in 1986 by London Greenpeace and later in 1994 it led to the McLibel trial. The pamphlet illustrated the following wrong-doings by the company: rain forest depletion (to raise the cattle), third world poverty (using land to produce goods instead of using it for people), animal cruelty, waste production, poor health due to high sugar and fats in the food, poor labour conditions and exploitative advertising. This pamphlet was graphic and straight to the point and was distributed globally (Klein, 2001:288-390; Vidal, 1997). The pamphlet and its information were also used in the McLibel trial.

The McLibel trial was a British court case between McDonald's and Helen Steele and David Morris, who were both environmental and labour activists at the time (Vidal, 1997). During the trial the issues raised in the pamphlet were argued in court. Steele and Morris wanted to make a statement and ensure that McDonald's was exposed, which they hoped would bring about change. The judgement, which occurred in June 1997, ruled that McDonald's exploitation of children through advertising is wrong and that the cruel treatment of animals to be slaughtered occurs. The court recognized that low wages are paid and this should change, management can be autocratic and most unfair and that a consistent diet of McDonald's food contributes to the risk of heart disease. The judgment did not rule in favour of McDonald's being responsible for third world poverty though. The judge stated, however, that there was insufficient proof of any of these points and so the judge ruled that Steele and Morris had libelled

McDonald's. Even though Steele and Morris were instructed to pay 60, 000 pounds damages to McDonald's, which McDonald's never claimed, damage had been done to the brand, which was the ultimate goal (Klein, 2001:288-390).

At the same time in 1994 there was a mass demonstration of "healthists", green activists and "animalists" outside 3000 McDonald's outlets in Canada, the USA and Mexico and 400 rioting youths ransacked an outlet in Copenhagen and set fire to its furniture in the street. In France, more recently farmers attacked an outlet under construction which appeared to galvanize French opinion which sees McDonald's as exemplifying the inexorable march of globalisation and the multinationals (Royle, 2000:17).

It is now time to review some of these major issues McDonald's has been accused of:

Health and nutrition: The nutritional value of fast-food is continuously under scrutiny due to the high levels of sugar and fats it contains. This has in turn lead to the speculation about the role of fast-food in increasing the rate of obesity in countries, especially Western countries. McDonald's has responded by diversifying their menu by including salads and cups of corn for children. The children's Happy Meal has also been altered to include fruit and milk instead of cool drink. McDonald's has also been questioned on what goes into some of their products. For example their chicken nuggets were reported to include a variety of products and not only the best chicken meat.

Animal abuse: Animal abuse refers to how animals are reared and then also slaughtered. McDonald's has come under scrutiny as to how cows are reared for the pure purpose of being used for retail and slaughtered in inhumane ways (Schlosser, 2002).

Environment: McDonald's produces on a mass scale and their food does not contain preservatives, which means it has a short shelf-life, which results in McDonald's producing a lot of waste. There is even more waste created by the packaging in which the food comes, which is simply thrown away after a person is done eating. Since each item of food is usually packaged separately, this increases the amount of waste produced (Schlosser, 2002).

Labour practices: Another issue raised is the labelling of McDonald's work as a "McJob" which has negative connotations. This term is used because the McDonald's work procedure is very rigid, allowing for little worker freedom and creativity (Royle, 2000; Royle and Towers, 2002).

McDonald's is constantly trying to correct this image through further commitment to CSR projects. For example McDonald's joined with Greenpeace to stop the destruction of the Amazon Forest. Such behaviour is commendable but, as noted, proper CSR integrations requires day-to-day operations to be more responsible. These negative aspects give another justification for researching perceptions and incorporation of CSR in South Africa (Fig, 2007b:174; Savitz, 2006: xv, 154; Sauven, 2006).

3.6. CONCLUDING REMARKS

McDonald's firmly believes that social responsibility is not a programme that begins and ends but management and employees should always act responsibly. The company states that acting responsibly has been a part of who they are and McDonald's will continue to do business that way (Kotler and Lee, 2005:7). This research thus wishes to investigate whether such perceptions are also held and incorporated by the South African McDonald's and, more specifically by outlet managers. It is not enough for a company to simply list principles as described in the paragraphs above, but the managers of South African outlets should know of these existing principles, be practicing CSR and also ensuring social responsibility initiatives are modeled to suit the South African context. It is now necessary to discuss the local dynamics of the South African business and fast-food sector, which will then lead into the review of McDonald's South Africa.

Chapter 4

MCDONALD'S SOUTH AFRICA

4.1. INTRODUCTION

This chapter is one of the key chapters analysing the research question. It examines McDonald's in South Africa, and is followed by chapter 5 which investigates managerial perceptions and social practices present at outlets. The purpose of this chapter is to contextualize McDonald's within South Africa and gain an understanding of how the South African branch of the global company operates. This will facilitate the investigation of perceptions and social practices. This framework will aid in emphasizing whether the company is ready and willing to accept CSR, which shall then be analysed by looking at their social practices. A key finding to highlight briefly is that the company's 'open door policy' definitely does exist in South Africa but to a lesser extent when it comes to distributing information on their CSR policies and reporting. The lack of consensus between outlet managers concerning the company's CSR strategy shall also be investigated during the next two chapters.

This chapter begins with a discussion of the regulatory environment in which McDonald's South Africa operates. This section shall examine the business environment, including laws and regulations and CSR policies that exist. Following on from this is the profiling of McDonald's SA which shall lead into discussing the outlet managers more closely.

4.2. THE SOUTH AFRICAN BUSINESS SECTOR

A country's economic standing can, according to the World Trade Organisation (WTO), be ranked in relation to its exports and imports. WTO in 2004 ranked South Africa 38th out of 211 countries in relation to its exports and 33rd in relation to its imports (The Trade and Industry Department, 2008). This indicates that South Africa is doing well, compared to the other 211 countries, when it comes to exports. It is now time to review the institutional environment of the South African business sector with specific focus on corporate governance initiatives.

The Trade and Industry Department of South Africa sets the tone for the regulatory environment of South Africa's business sector. Some of the key regulatory focuses are on: taxation, the competition policy, intellectual property rights, environmental regulation, labour regulations and financial regulations (The Trade and Industry Department, 2008). The chief regulatory policy for businesses in South Africa is the Companies Bill of 2007. This Bill has been modernized from its 1973 predecessor, the Companies Act, and is now more aligned with international jurisdictions and post-1994 South Africa. A few key adjustments that have been made include greater emphasis on increasing corporate governance, transparency and accountability of large firms.

The main purpose of the revised Bill is to ensure simplification and predictable regulation so that regulations are easy to understand and follow, creating a balanced environment between adequate disclosure in the interests of transparency and over-regulation. Increased transparency means that regulatory bodies should have access to how companies carry out their operations, from the materials and suppliers they use to how the consumer eventually receives the good or service (The Trade and Industry Department, 2008; Companies Bill, 2007),

Another key regulatory policy, which was updated in 1998, is the Competition Act and the revision includes the following key points (The Trade and Industry Department, 2008):

- to promote efficiency, adaptability and development of the economy
- to provide consumers with competitive prices and product choices

- to expand opportunities for South African participation in world markets and recognize the role of foreign competition in South Africa
- To promote a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged persons.

These amendments signify that the South African business environment is trying to encourage growth and investment yet at the same time integrate a platform of responsible behaviour.

These changes, in addition, indicate a shift away from prior business and labour practices so as to rectify the previous government's discrimination. What all this means for business in South Africa is that the environment is encouraging investment, which means fostering entrepreneurship, within a regulated framework of guidelines and laws ensuring responsible business practices. The enforcement of these laws, though, can be difficult at times and in response the Competition Commission has been established to monitor business practices.

The Competition Commission was set up in conjunction with the Competition Act and along with the Competition Tribunal and the Competition Appeal Court. The Competition Commission is responsible for the investigation, control and evaluation of prohibited practices, exemption applications, mergers and acquisitions. The overriding goal is to achieve a more effective economy, which requires a better definition of what is meant by the term "public interest" with respect to a firm's behaviour. There has been speculation, though, about how successful the Commission can be in a neo-liberal economic framework. Large corporations obviously try to conceal any fraudulent behaviour and do not wish to have their operations publicized. This means that the Commission is under pressure to reveal such behaviour but large corporations would probably prefer investigations to discontinue.

Currently, the Commission is focusing investigations on suppliers and big retail chains in relation to price-fixing on food items such as bread and supposed collusion in the milk industry. The other query is into bank charges which are deemed to be too high. The Commission is referred to as a 'watchdog' over corporations and has so far been quite active and verbal in its investigations (Motsoeneng, 2008:1; Fisher-French, 2008:1; Gedye, 2008:1; Competition Commission, 2008).

There are many more regulations and laws for the business sector, and some of them are industry or sector specific. For instance, there is the Consumer Protection Bill which is a policy focusing on the consumer, so as to ensure that consumers' rights are not undermined by companies. There is also the Labour Relations Act which aims to protect the rights of employees, and policies concerning the protection of the environment also exist (The Trade and Industry Department, 2008; Parliament South Africa, 2008).

All these regulatory laws and bodies illustrate a change in the South African business environment. The shift is to comply with international standards and there is a definite increased focus on corporate governance, ensuring continuous monitoring of businesses and taking action against businesses which are not complying with regulations. It is now time to move onto looking at one specific industry which is the fast-food industry in which McDonald's operates in.

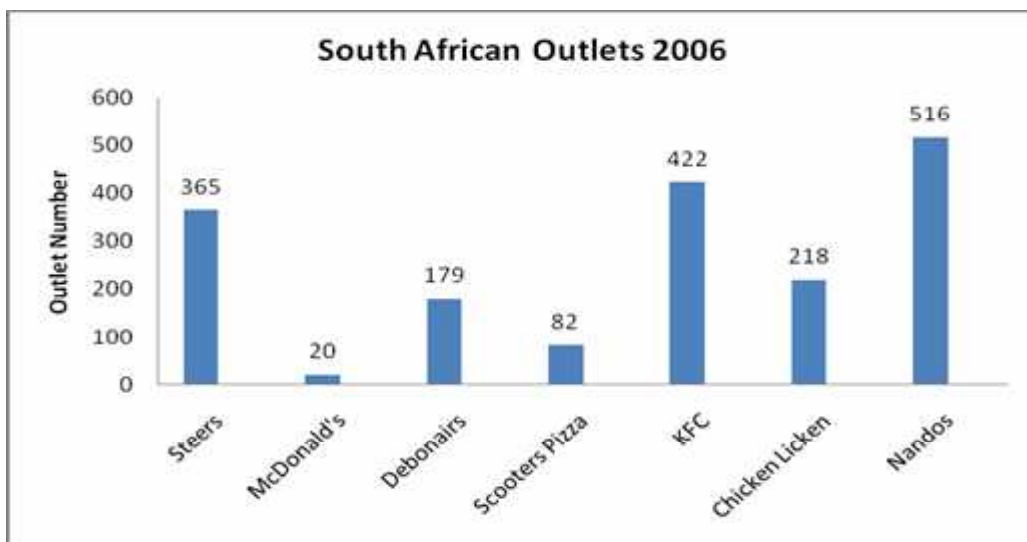
4.2.1. The South African fast-food sector

Growth in the South African fast-food franchise market has increased during the 2005/2006 time period by over 50% and the revenue generated by large companies amounted to an increase of around 60% (Welgens, 2006:4, 10). The Who Owns Whom Research Organisation attributes these developments to the increase in consumer demand for convenience food alternatives and the availability of disposable consumer income. The Who Owns Whom Organisation's survey on 'restaurant and take-away franchises' also revealed elevated consumer service satisfaction in the fast-food sector, which supports its emerging popularity. The number of people frequenting such outlets, though, is still low compared to other countries. For example, in the USA 70% of people chose fast-food as home replacement meals in 2004/05 compared with 20% of South Africans, signifying development potential (Welgens, 2006:6; Mahomed, 2008:22).

Welgens (2006:4,10) goes on to say that the growing black middle-class is contributing to the increased fast-food sales, as is the influx of foreign tourists who

look for the convenience of fast-food services. The Sandton Manager (14/01/08, Gauteng) and Adderley Street Manager (08/01/08, Cape Town) also noted the growth of the black middle-class and that the outlets must focus more attention on this class and their needs and wants.

Fast-food outlets in South Africa range from burgers to pizza takeaways. The following graph 4.1 illustrates a few of the most well-known outlets in South Africa, with the number of outlets as recorded in 2006. Graph 4.1 focuses on defined fast-food outlets which offer over-the-counter and takeaway meals as their primary good and service (Welgens, 2006).

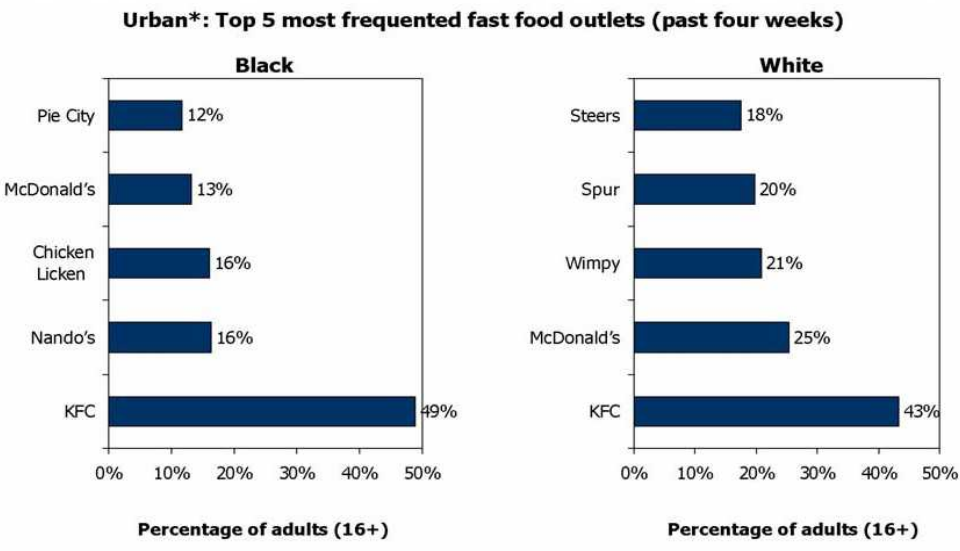


(Graph 4.1: Source: Welgens, 2006)

Graph 4.1 illustrates clearly that McDonald's has the smallest number of outlets with Nando's leading the outlet numbers with 516. Most of the outlet numbers have increased, though, since 2006 especially McDonald's which now in 2008 have increased to over a 100 outlets nation-wide and this number is increasing almost every month. Steers has also just celebrated their 500th outlet opening in 2008 (Welgens, 2006; McDonald's, 2008; Steers, 2008).

The graph 4.2 below is an illustration of which top five fast-food outlets are frequented the most and what the racial composition of outlet visitors are. This is quite a broad evaluation of race and class since only urban black and white people are investigated.

Fast foods: Urban black vs. white



Source: AMPS 2007
 * Large urban areas – community size of 250 000 or more

(Graph 4.2: Source: Mahomedy, 2008:19)

The graphs show that KFC is by far the most preferred fast-food option, for both groups with only a 6% difference between black and white people. McDonald's has a greater proportion of white people frequenting its outlets than black people. There is a discrepancy of 12% (Mahomedy, 2008:19). This could be due to dietary preference or the locations of the outlets.

The franchising industry in South Africa still has a disproportionate level of representation in terms of black owners and managers with only 23% of black franchise ownership recorded in 2006 (Welgens, 2006:7). The fast-food industry would be a great place to implement BEE strategies because of its growth potential and business risk being lower than in other industries (Welgens, 2006:7). It is now time to move onto discussing McDonald's, which operates within this business environment.

4.3. MCDONALD'S IN SOUTH AFRICA

McDonald's does supply a public need in South Africa. McDonald's in the Western World is one of the cheaper eateries, but in South Africa their outlets are predominantly found in affluent white suburbs. Moleah (2004:89) states that, in 2004, approximately 90% of all McDonald's clientele were white. This is slowly changing though as more outlets open, for example, in Soweto in Johannesburg and Mitchell's Plain in Cape Town which are black townships. The growth of the black middle-class frequenting outlets has also been mentioned by outlet managers (McDonald's South Africa, 2008).

McDonald's is definitely gaining ground in South Africa with its ever increasing number of outlets nationally. Since McDonald's is becoming so wide-spread and influencing the South African consumer market, it is essential for the organisation to consider and incorporate local social responsibility projects. There are numerous CSR challenges facing the company but for this research socially responsible (SR) initiatives are the focus. Before examining the CSR perceptions and initiatives found at McDonald's SA outlets it is important to discuss McDonald's SA as a whole.

4.3.1 Company Background

McDonald's only entered South Africa in November 1995 because of opposition to the apartheid regime and trademark problems. The first outlet was opened in Blackheath, Johannesburg. The McDonald's trademark had already been registered in South Africa in 1968, long before they launched their first outlet. There was a problem though when they missed the renewal deadline and another person used the name McDonald's for their fast-food outlets. Local traders had applied to register the "McDonald's" trademark for their own use and to have the American company's rights to the trademark withdrawn. McDonald's went to court and finally won the appeal and now own sole rights to the trademark (McDonald's Worldwide, 2008; Economist, 1997:75).

Today, there are over a 100 operating outlets countrywide with more opening every few months. McDonald's has to work hard, though, to establish itself in a country

where a competitive fast-food sector already exists (McDonald's South Africa, 2008; Economist, 1997:75). The number of outlets is set to increase exponentially due to the 2010 FIFA World Cup. This is because McDonald's is one of the key sponsors of the event which South Africa is hosting.

The official McDonald's South Africa website states that to date the corporation has contributed more than R750 million to the South African economy and that more than 97% of all food served is produced by local SA suppliers (McDonald's, 2008). Research revealed, though, that many of the resources and raw materials used at the outlets are imported from other countries. For example, the cheese is from New Zealand and the muffins from Singapore. Local outlets support this system because they believe McDonald's must uphold international standards and that McDonald's sources the cheapest products internationally so as to keep final cost down. All goods that are received and used by outlets, are coordinated by head office McDonald's. This means that head office makes the final decision on where the products are sourced from and the quantity that is sent to each outlet. The website states that the majority of suppliers are local but this can change according to food prices and supply demand. When the goods arrive at the outlets most of them are pre-packaged or pre-made and so very little production of goods happens at the outlets (Cape Road Manager, 06/09/07, Port Elizabeth).

Demonstrating its success in South Africa, a survey carried out by Generation Next in 2005, of young people, revealed that McDonald's was rated 2nd only to Spur in the 'best eat out place' category and was applauded for its cheap meals and friendly atmosphere. In 2008 the follow-up survey ranked McDonald's as the 3rd 'coolest fast-food outlet' and the McDonald's "I'm Lovin' it" won 3rd 'coolest brand slogan' (Generation Next, 2008a). Furthermore, in 2006 they were ranked 13th and in 2007 they were ranked as the 6th "Best Company to Work For" in a survey done by Deloitte. No other fast-food chain was ranked in the top twenty in this survey and McDonald's was ranked 3rd for the medium business category in the same survey. In October 2008 the same survey, ranked McDonald's 2nd in the medium business category (McDonald's annual report, 2006; Deloitte, 2007:1). It is now necessary to examine the South African company's policies.

4.3.2. McDonald's SA policies

Head Office South Africa will direct a person to their website before answering questions, stating that all relevant information concerning McDonald's SA is published there. It is now necessary to review some McDonald's SA policies found on the website and in other publications so as to contextualize their business operations.

Firstly, the website focuses on policy and values concerning McDonald's employees. The website highlights McDonald's employee commitment and dedication to training. There is also the employee benefits program which promises competitive pay and health and protection. There are five people principles mentioned: respect and recognition, values and leadership behaviours, competitive pay and benefits, learning, development and personal growth and resources to get job done.

Head Office states that the company has a strong 'people promise' program and it incorporates the principles listed above with other schemes such as career development and ensuring employee satisfaction. Head Office also stated that since it operates in a small market with a small corporate structure, in comparison with McDonald's in other countries, that such schemes are not publicly reported on. They did disclose, though, that the South African branch focuses on the following (Mr. Robinson, May 2007):

- The best wage and benefits program in the industry
- Free and compulsory training
- Unlimited opportunities, for example, a significant number of corporate staff and restaurant managers started as part-time McDonald's crew⁶
- Everyone is treated with a high degree of dignity and respect

Moving onto other policies, the official McDonald's "Operations Manual" is the international reference guide for all McDonald's outlets. This manual is therefore pivotal for each outlet, and as noted, describes all standard outlet procedures from how much cheese to put on burgers to specific employee lunch choices. A condensed

⁶ McDonald's crew refers to McDonald's employees. These employees are usually part-time or shift workers but the term can include all employees of McDonald's.

version of the manual is the “crew handbook”⁷ which is given to each new employee so that they can familiarize themselves with the company. The 2004 McDonald’s Crew handbook was obtained from one of the outlets. This booklet gives guidelines on McDonald’s activities, values and principles of the company and the regulations present within the outlet. Key points are summarized in table 4.1 below.

	Topic	Handbook reference
1	Values and principals	“People promise”. Vision: to be the best employer for our people. Promise: we will value you, your growth and your contribution”.
2	CSR	“McDonald’s prides itself on good community relations. This includes participation in community affairs and support of local charities” ⁸ .
3	Employee guidelines	Involves guidelines on how to behave in the outlet, clothing and outlet operations. Includes a performance review list so that employees can track their own performance.
4	Other	Codes of conduct, anti-harassment policy and summary of dismissal

(Source: McDonald’s Crew handbook 2004)

The overall impression that the handbook delivers is that McDonald’s follows a rigid operations plan with little focus on issues such as CSR, because the booklet only mentions CSR in a few lines as illustrated in the table above.

Another booklet available that describes McDonald’s values and principles is the “Formula for Success” booklet⁹. The booklet highlights top line and bottom line issues. Top line issues are rated as important and necessary for the company whilst bottom line issues are undesired. The principles are illustrated through pictures, and outlets often have such pictures up so as to remind employees what is and what is not acceptable. A few examples of top line principles are: accountability and responsibility, cleanliness, dignity and respect, effective communication, following procedures, friendly crew, fun, ongoing training and development, quality, service and teamwork. Bottom line issues include: bad planning/scheduling, complacency, damaging the brand, dishonesty, lack of respect for time, lack of safety and security, negative attitudes, poor appearance, unhappy customers and unprofitability. These

⁷ Please refer to Appendix 3.1, page 169, for an example of the handbook.

⁸ This is the only reference made to CSR in the booklet.

⁹ Please refer to Appendix 3.2, page 172, for an example of the booklet.

principles demonstrate McDonald's rigid business operations. There is no principle referring to CSR or community involvement directly.

This is why it is now important to examine Head Office's policy on CSR. Head Office is very adamant that CSR is extremely important and being strategically implemented. This is because McDonald's SA has a specific CSR focus. Head Office states that they have a strategy referred to as **corporate social opportunity** (CSO) which they affirm is an integrated part of all business functions. The reason why they refer to it as CSO is because Head Office is aware that opportunities exist for the company to be more socially responsible and that these opportunities should be proactively sought after (Mrs. Eales, Head Office, 16/01/08, Gauteng).

Head Office reassures one that CSO forms part of the base initiative of the company's "Plan To Win" Strategy. This means that it should be a fully integrated part of all business operations and CSO is a strategic player when the company makes decisions. Fig (2007b:182) states, though, that it is common for companies to integrate CSR into strategic planning but reports show that this does not consistently filter down into day-to-day operations. This research's findings suggest, though, that such information does not filter down because outlet managers could not accurately report on this CSR policy that McDonald's SA has.

All this information up until now, gives an overview of McDonald's SA and the policies that are important to the company. To expand on this overview of McDonald's SA the following sections examine the organisational structure of the company followed by a look at local outlets. This will then lead into the discussion on the outlet managers.

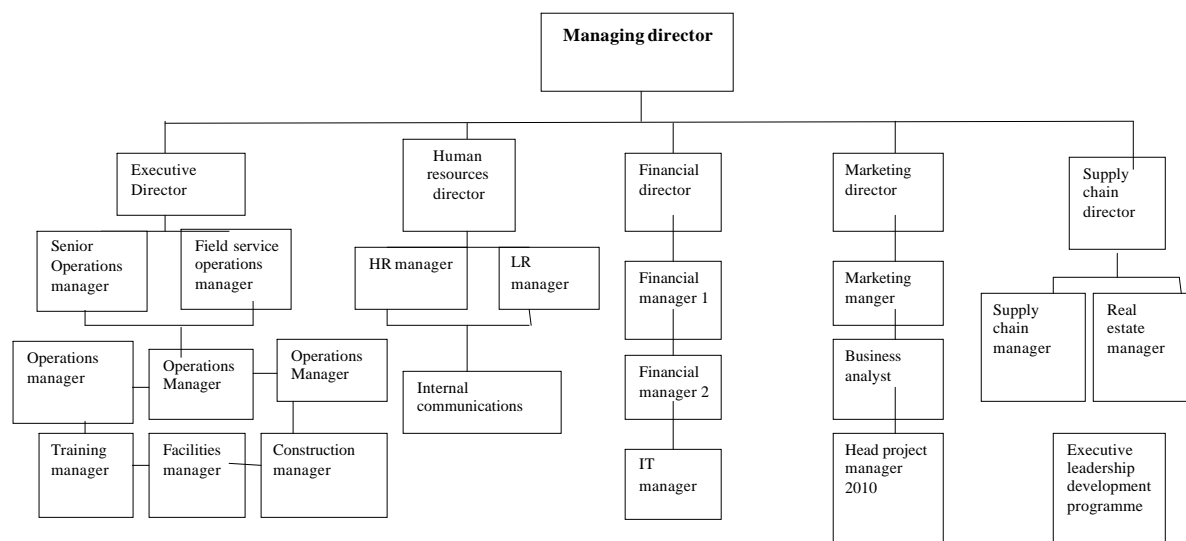
4.3.3. Organisational structures

McDonald's has been described in Chapter 3 as having a rigid and hierarchical structure. This is also true for McDonald's SA. The following diagram illustrates the head management structure of McDonald's SA. This diagram is a representation of global McDonald's head management structure because internationally the structure

only varies slightly. This is because McDonald’s wants to maintain uniformity (Royle, 2000; Big Mag, January 2007).

The Managing Director (MD) in South Africa is the only American in the South African company. Human Resources team is the branch that most frequently interacts with the outlets, dealing with issues such as labour relations, social involvement and overall regulation and guideline monitoring.

Figure 4.1 Head Management Structure



(Source: Big Mag, January 2007)

Figure 4.1 demonstrates that there is one MD and five crucial divisions under him which are the: executive director, human resources director, financial director, marketing director and supply chain director. The hierarchy then moves downwards and these levels include managers and people in charge of specialist areas.

Darren Hall is the MD of McDonald’s SA and is the only American working directly within the branch. There was no direct interview with Mr. Hall but his ideas have been gathered from the Big Mag publications wherein he personally addresses the McDonald’s employees. Hall’s most noted motto is that, “it’s not real until it’s real in the restaurants”. The MD’s statements are targeted at promoting the company and reporting on major holistic strategies. For example, he talks of: the Deloitte’s survey

that McDonald's is the 6th "best employer to work for", serving an average of 8000 customers a day, striving for sustained profitable growth and that all employees should be world-class brand ambassadors.

Hall does also refer to more tangible strategies, such as the "3-legged stool" approach, the image revamp, the "balanced and active lifestyles" campaign and the upcoming FIFA World Cup, but not in much detail. In relation to CSR, the MD recognizes the importance of social responsibility and makes reference to it. The MD highlights some of the following social practices: Cotlands fundraising, take a child to work day, 702 Walk the Talk, Twice-as-Nice, World Children's Day activities like the World Children's Day golf charity event. He also briefly discusses local outlet marketing activities and community involvement.

The Executive Director, Greg Solomon, is a South African and his key ideas in the Big Mag focus on day-to-day running of the organisation. For example he focuses on: employee training, supporting restaurant and management systems, improving QSC (quality, service and cleanliness) at outlets and GROIP (global restaurant operations improvement process). Solomon's most noted statement is the company's "plan to win" strategy: "more customers, more often, more brand loyal, more profitable". The focus of his statement is therefore geared towards employees, outlets and serving customers within the outlets, with no direct mention of external CSR initiatives.

The statements made by the MD and the executive director focus more broadly on the company's strategic outlook with reference to a few initiatives and activities that occur throughout South Africa. The function of their statements is to motivate employees and demonstrate the key ideals that McDonald's wishes to follow so as to ensure high standards of outlet performance. Predominantly outlet managers interviewed did comment on the high level of motivation within the company for the managers themselves to perform well and progress, along with high outlet success.

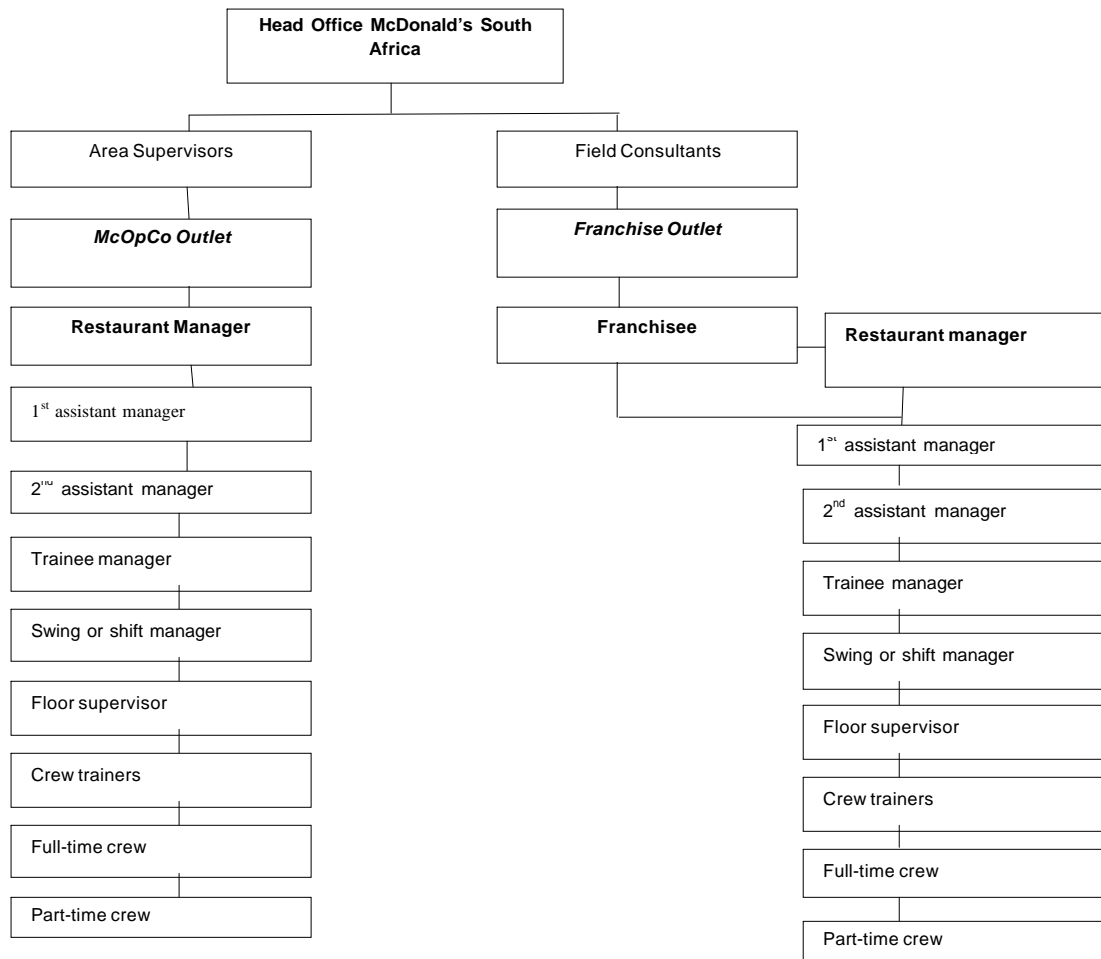
Approximately 25 outlet managers out of the 33 interviewed demonstrated personal motivation to want to move up the career ladder at McDonald's, a few mentioning owning their own outlets or owning multiple stores, which indicates that they see career development as possible. The managers who abstained from this perception did

not necessarily agree or disagree on the topic of McDonald's motivating tactics but some felt overstrained from heavy work-loads and lack of support. Others also did not see themselves as remaining that long with the company and so were not interested in career development. Another interesting point raised by managers is that training and development were seen as more feasible at McOpCo outlets instead of franchise outlets. A reason given for this was that McOpCo outlets are often training managers to progress, especially when new outlets are about to open and that Head Office has more funds to spend on training than franchisees (Rivonia Manager, 15/01/08, Gauteng). On the other hand, the Cavendish Manager (06/01/08, Cape Town), who works at a McOpCo outlet, perceived workloads to be heavier at Head Office outlets and was therefore despondent about career development. The perceived heavier workload can be attributed to the fact that at Head Office owned branches there are usually fewer managers and therefore one manager has a greater workload.

It is necessary to now examine the employee structures that are present at the outlets. First of all, as demonstrated in the following figure 4.2 and described in chapter 1¹⁰, there are two different types of outlets which exist and they are: Head Office owned (McOpCo) outlets or franchise outlets. This organogram on the following page is a general model that sometimes varies from outlet to outlet. The majority of interviewees noted that employees are predominantly full-time (Head Office McDonald's, 2008; Royle and Towers, 2002:59; Royle, 2000:34).

¹⁰ The distinction between McOpCo and franchise outlets is explained in chapter 1, page 14.

Figure 4.2 Outlet Reporting and Employee Structure¹¹



(Source: Head Office, 16/01/08, Gauteng)

The above organogram illustrates that there is at least a 4-level employment structure and power dynamics at McDonald's. This means there is a balance of power between the key owner (Head Office) and management (franchisees and restaurant managers), on one side, and employees on the other with less power (Royle and Towers, 2002:8).

The employee structure is similar for both McOpCo and franchise outlets yet there may be some variations. For example a franchisee outlet may not have as many assistant managers as a McOpCo outlet. The biggest difference noted during the research between the different outlets is that often the franchisee has more direct involvement in their outlet than Head Office. This is because the franchisee is one person who may own an individual outlet, although sometimes up to five outlets, who

¹¹ For the franchise outlets there are predominantly fewer assistant managers than at McOpCo outlets. This employee structure can vary at different outlets but this is a prototype.

is therefore only concerned with his or her outlets and not with the running of all the outlets nation-wide as Head Office has to be. Head office owns 37 outlets but also supervises all 107 outlets country-wide. This means that Head Office needs to divide its attention amongst more outlets. Now there shall be a brief look at franchising at McDonald's SA which shall further investigate the communication relationship within the organisation.

4.3.4. Franchising at McDonald's SA

McDonald's SA franchisees are under constant guidance from Head Office and are required to follow similar operation techniques as other international outlets. The outlets also use the same suppliers and products as dictated by Head Office. So even though a franchisee owns an outlet independently and is in charge of running that outlet successfully, he or she none-the-less needs to follow strict McDonald's guidelines. Franchisees report directly to Head Office usually through the field consultants or the Human Resources branch. Only Head Office reports to international McDonald's.

The franchisees are allowed some freedom within the regulated framework. For instance, there is a variety of McDonald's clothing that can be selected or a franchisee may have fewer assistant managers. Franchisees must support international and nationally sponsored events such as World Children's Day, but leeway is then given through allowing franchisees to support their independent social initiatives. Head Office states that its McOpCo outlets have to follow stricter guidelines than franchisees. This is because franchisees are given strict rules and regulations but are allowed to personalise their outlets as long as the changes remain within regulations, whereas McOpCo outlets must all look and operate the same (Mrs. Eales, Head Office, 16/01/08, Gauteng).

The McDonald's SA website states that there is equal opportunity for anyone wanting to become a franchisee. McDonald's does expect a high level of commitment though and two franchisees stated that they had worked for McDonald's for over twenty years before opening outlets. The cost of opening an outlet in South Africa is in the

region of four million Rand which means a huge financial commitment as well. Due to South Africa's previous apartheid system one could expect franchisees to be predominantly white. Evidence found in the Big Mag and from interviews indicates, though, that more and more black franchisees are entering the market. The most recognized way to obtain the finances needed is through bank loans and work experience at the company. One franchisee also noted that he had worked overseas in the UK to make up the money he needed to open an outlet in South Africa. Many restaurant managers saw the financial aspect as a barrier to owning an outlet but stated that McDonald's expects such a financial commitment to maintain a high standard of operations (McDonald's Franchisees, 2008; McDonald's, 2008; Big Mag, Jan-Nov 2007).

Interviewees spoke about the growth potential of McDonald's in the fast-food sector and that the company offers an opportunity for new entrepreneurs to be part of a successful business. This is very important in South Africa as more people wish to open businesses and it can bring more capital into the country. There are 70 franchise outlets compared to 37 McOpCo owned outlets which demonstrates that McDonald's prefers franchise owned outlets. Since new outlets are being opened on a regular basis, growth potential definitely exists.

The way that communication is transferred within the organisation is that the franchisee interacts predominantly with the field consultants and Human Resources usually in conjunction with regional meetings. Managers report that these meetings are most often of a casual and interactive nature, although if outlets are underperforming there are harsh consequences. Franchisees note that there can be conflict arising between them and Head Office on certain matters, for instance mandatory social involvement which is not agreed upon or other regulatory discrepancies. The outlet managers were clear, though, that all big decisions like choosing suppliers, pricing to a large degree, social contribution and even advertising choices, are taken at Head Office and so this limits managerial power. Communication at outlet level is rather flatter with employees encouraged to air concerns and interact positively with management. There is still a very formal approach to business, in line with operation guidelines, but employees at outlets are

expected to create a friendly and fun environment (Cape Road Manager, 06/09/07; Sandton Manager, 14/01/08). It is now necessary to examine the South African outlet.

4.3.5. The South African Outlet

When entering a McDonald's outlet a person is struck with the smell of food, usually the noise of employees bustling around the kitchen and children scurrying around the play area. The set-up inside the outlet, although quite bright, illustrates quite a sterile environment with simple tables and chairs highlighting the self-service and self-clean up atmosphere. The most obvious features are; the children's play area, the pictures of food everywhere, advertisement of the "balanced and active lifestyles campaign" (including pictures of people doing exercise) and finally there is also usually a notice board highlighting employee awards and prizes. Occasionally an outlet, like the Sun Valley outlet in the Western Cape, will have photos up of their social involvement initiatives. These outlets form the hub of all McDonald's activities and so are very important. The outlets obviously wish to portray the best image they can of McDonald's because they are the first impressions people receive of the company. Physically going to each outlet to conduct interviews was vital to observe outlet activities.

All the outlet managers noted the uniqueness of McDonald's SA outlets. This is due to the fact that each country has its own culture and preferences. It is important to tailor outlets to suit the people of that specific country. For instance the menu here has the basic Big Mac and other favourites but it is slightly different to other countries' menus. The Adderley Street Manager (08/01/08, Cape Town) commented that the menu is not yet perfectly suited to South Africa but stated that this will hopefully change by adding South African flavour like, for instance, introducing boerewors rolls. McDonald's did not judge the market in South Africa as different enough to merit introducing changes to its menu from the start but chose to rather wait and see how the standard menu is received (Economist, 1997:76).

Outlets in South Africa are currently going through a process of image revamp. This involves changing the technologies and design of the outlet and the exterior, with

even the McDonald's sign changing font. This is a common occurrence with McDonald's world-wide typically revamping its style approximately every ten years. Revamping can cost up to 2 million Rand per outlet with most of the materials being imported. The revamp in South Africa is also taking place in preparation of the Soccer World Cup happening in 2010 (Cape Road Manager, 06/09/07, Port Elizabeth; Adderley Street Manager, 08/01/08, Cape Town).

Along with the revamp, McDonald's SA has also incorporated a new sales and operational reporting system. This now allows all the 100 plus outlets to accurately view sales for every given week. The system also provides Head Office with current and historical weekly sales and operational information for all stores nationwide. This therefore gives the franchise-chain the capacity to support the expansion of its footprint in South Africa. The outlets also utilize the "Made for You" technology which is a food preparation system installed in the kitchens. It allows for the tracking of food from the time it gets taken out the freezer to when it reaches the customer (BizCommunity, 2007; IT-Online, 2007; McDonald's Worldwide, 2008, Mawson, 2008:1).

To focus briefly on employee initiatives observed at the outlets, the most predominant at all outlets was the employee of the month award. Even though only about half of the outlets kept the employee board up to date. Interviews and observation also revealed that there is very little or no employee training concerning social responsibility and the Crew handbook as previously mentioned only has a couple of lines referring to McDonald's commitment to the community. The following table 4.2 illustrates these findings, which were gathered from observations at outlets and through interviews with outlet managers.

Table 4.2 EMPLOYEE INITIATIVES THAT EXIST AT MCDONALD'S SA			
Initiative	Frequency	Out of 33 total outlets	Further findings
Employee of the month	Monthly	32	Each outlet had a board up with the board was not always up to date.
Best improved employee	Yearly	17	Some outlets did have boards up for this initiative
Employee training on company values and conduct	Induction	17	Only 17 outlets replied to this question even though all outlets should have gone through this in the induction period
Employee training concerning social responsibility	Induction ¹²	12	Only 12 outlet managers stated having training on CSR although again this should be in the induction
Best employee of the year	Annually	8	The Beach Road Manager stated that his outlet offers gift vouchers to the best and improved employees. The company is also noted as giving holidays for best employees
Other: Employee support is offered to employees and their families. This is done through an employee call-centre where if an employee as a work-related or personal problem they can simply call the centre at any time.			

(Source: Research observations and outlet managers)

Table 4.2 illustrates that the majority of outlets confirm that the employee of the month exists, although observations at outlets revealed that this is not always kept up to date. Very few outlets, only 17 and 12 outlets could state that there is training for employees concerning company values, conduct and CSR respectively. All these factors should be covered during the indication of the employees, which Head Office says occurs.

There were a few other employee initiatives mentioned such as the employee call centre, “fun days” and sporting events that happen during the year. The call centre is available to all employees at anytime to get help, legal advice or lay a complaint about fellow employees or management. Even family members of the employee are entitled to use the service. The service is more reactive than proactive on the part of the company though. The “fun days” and sporting events usually involve a few outlets or a particular region that come together, sometimes with their families, to enjoy a day out. Some outlets also offer prizes to their employees for good performance in the form of gift vouchers and even holidays. This again is dependent on the outlet and outlet owner (Big Mag, Jan-Nov 2007).

¹² The crew handbook that employees receive serves as part of the induction to McDonald's when they first join the McDonald's team. The booklet has a four line description of social responsibility and how important the matter is to McDonald's.

The last factor mentioned about the outlets is the long and strenuous working hours that exist there. This issue is not necessarily eased by revamping the building or awarding employee of the month. The somewhat harsh working conditions can be attributed to the fast-food industry that McDonald's operates in. Outlet opening hours over weekends can be until 1am, opening again at 7:30am the same morning. Crew members were not the focus of the research and were thus not interviewed. Yet speaking to one crew member, whose job was food preparation at a Port Elizabeth outlet, about what he thought of working at McDonald's he simply responded with, "It's work". This response signifies the circumstances under which employees work, yet at the same time they must always portray a smiling and happy appearance.

All managers stated that long working hours and a long week is the norm, with managers usually only getting one day a week off. Most managers, approximately 28 out of 33, were quite used to or understood the need for such harsh conditions. This is in line with the motivation that most managers talked of. The managers often perceive their hard work as a chance for future career development. It is now time to move onto the description of outlet managers.

4.4. MCDONALD'S OUTLET MANAGERS

The methodology section stated that all managers interviewed shall be referred to as 'outlet managers'. This is mainly because the responsibilities given to all managers are mostly similar, especially concerning business operations and social practices. There are two different types of outlet managers though, franchisee and restaurant manager, which shall now be briefly looked at separately. The major difference between the two is that franchisees are owner/operators whilst restaurant managers are operators. Both franchisees and restaurant managers are still employees of McDonald's even though franchisees own their outlet. According to 2007 data there are 37 McOpCo outlets and 70 franchisee outlets nation-wide¹³. This does not mean

¹³ The number of outlets is constantly increasing due to McDonald's South Africa expansion initiative but these figures from November 2007 are the most accurate published figures.

that there are 70 franchisees though, since each franchisee on average owns about 2 outlets and this number can go up to 5 outlets.

4.4.1. The Franchisee Profile

The franchisee is the owner of his or her outlets and is therefore in charge of making sure it is a successful and maintains the highest McDonald's standards. The franchisees meet at least once a month with Head Office representatives, usually Human Resources representatives, and there are communal franchisee meetings during the year. These meetings are solely for Head Office and Franchisees with no external party present. Responses from franchisees indicated that at these meetings Head Office issues guidelines and instructions to franchisees and franchisees are allowed to air their concerns and issues. Franchisees on occasion do disagree with Head Office. For instance, the Sandton Manager (14/01/08, Gauteng) stated that there can be conflict concerning the giving policy within the company. This is because there are mandatory events and monetary donations that must be made by all outlets to certain charities and events. The franchisee expressed discontent since those charities are not always those he would necessarily want to support yet he has to (Sandton Manager, 14/01/08, Gauteng).

Even though the meetings were seen as productive and informative by both parties, some franchisees did respond that communication is not always as clear as they would like it to be. This is also apparent when examining managers' responses concerning CSR since some perceptions are quite varied. This and other research reveals that the company has two prevalent issues influencing communication and they are bureaucracy and individual outlet focus (Royle, 2000). The company is highly bureaucratic, which is noticed from the management and employee structures. The second matter pertains to outlets that are individually owned by different franchisees. Often separate franchisees focus predominantly on their own outlets without taking into consideration that they form part of the global McDonald's corporation. For instance, a franchisee referred to himself as an "entrepreneur" for his businesses and dealing with his own outlets and therefore feels independent rather than being part of a larger corporation (Sandton Manager, 14/01/08, Gauteng).

The franchisee is expected to operate a profitable outlet, otherwise, according to one of the franchisees, the Cape Road Manager (06/09/07, Port Elizabeth), McDonald's will prohibit operation by that franchisee. This puts the franchisee under great pressure to succeed. The franchisees themselves are profit-driven, referring to themselves as, "capitalists" and "business people", giving an indication as to how the business is run (Cape Road Manager, 06/09/07, Port Elizabeth; Sandton Manager, 14/01/08, Gauteng; Milnerton Manager, 05/01/08, Cape Town). Yet in the same interviews, the franchisees stated that one cannot run a good business by exploiting workers or by merely wanting to make a "quick buck" (Cape Road Manager, 06/09/07, Port Elizabeth).

Most franchisees interviewed did not like answering questions pertaining to Head Office or would simply refer the researcher to Head Office. The questions asked were not confidential since a fair amount of information could be found on McDonald's websites. The reason for posing such questions was to establish whether Head Office ideals and initiatives, concerning CSR specifically, are filtering down to the franchisees. The franchisees, it must be remembered, are representatives of McDonald's international and therefore should uphold the international McDonald's standard.

Before examining the profile of the restaurant manager the table below illustrates the exact outlet responsibilities and level of control given to franchisees and restaurant managers. This table demonstrates that there are only slight differences between McOpCo and franchise outlet managers in terms of responsibility. Franchisees have slightly more control over certain issues. The other matter is that most frequently the franchisee will have a restaurant manager who handles a vast amount of the responsibilities, whereas the restaurant manager at McOpCo outlets is responsible for all of the matters.

Table 4.3 Differences and similarities in franchise outlets and McOpCo owned restaurant manager autonomy			
Level of control	Restaurant managers	Franchisees	Restaurant manager at franchise outlet
No control	Suppliers Basic operating system Product mix Pricing New expenditure Capital purchase Appointment of salaried management	Suppliers Basic operating system Product mix Pricing New expenditure Capital purchase Appointment of salaried management	Suppliers Basic operating system Product mix Pricing New expenditure Capital purchase Appointment of salaried management
Some control	Promotions, marketing, small contracts Planning and staffing levels for part-time and hourly paid employees Crew training Pay and conditions	Promotions, marketing, Planning and staffing levels for part-time and hourly paid employees Crew training Recommendation for promotion of salaried management, but not training or appointment Pay and conditions	Promotions, marketing, Planning and staffing levels for part-time and hourly paid employees Crew training Pay and conditions
Total control	Part-time and hourly paid employees (floor/swing manager and below) Recruitment Promotions Small pay increased based on performance	Part-time and hourly paid employees (floor/swing manager and below) Recruitment Promotions Pay based on performance	Part-time and hourly paid employees (floor/swing manager and below) Recruitment recommend Promotions recommend Pay based on performance

(Source: Table adapted from: Royle, 2000:45)

Table 4.3 indicates that the major difference between franchisees and restaurant managers is the fact that franchisees are allowed to give recommendation on the promotion of salaried management. The other important issue raised in the table is that there is very little or no control by franchisees or managers over suppliers, products, capital purchases and other major operational functions. This implies therefore that head office controls most of the key operational activities and this limits the ability of the outlet managers to strongly influence the company’s CSR practices. It is now necessary to briefly review the profile of a restaurant manager.

4.4.2. The Restaurant Manager Profile

At McOpCo and at franchise outlets the restaurant manager is usually the highest management available at all times. The job description for the restaurant manager can vary but predominantly it involves managing the outlet overall, making sure shift lists are correct, dealing with any problems that may arise from production of food to stock-taking and customer service or complaint issues. It can happen that an outlet

will have a number of managers handling different aspects of the outlet's functions but this varies according to outlet and whether the outlet is McOpCo or franchise owned. Findings show that franchise outlets often have greater delegation of individual tasks. McOpCo's have area supervisors, who usually oversee about three or four outlets in a region, with only one senior manager constantly at the outlet who performs most of the day-to-day running tasks (Cavendish Manager, 08/01/08, Cape Town; TygerValley Manager, 24/09/07, Cape Town).

Royle and Towers (2002:63-64) reckon that McDonald's pursue a management approach that focuses on isolated individuals and concentrates on their needs and wants, which makes job satisfaction possible. This approach requires proper communication though and employees need to think of themselves as part of a team. Management therefore needs to motivate such thoughts (Royle and Towers, 2002:63-64). This illustrates the importance of McDonald's managers since they play a pivotal role in making the outlets operate successfully by motivating employees.

Most managers work their way up the career ladder and this can take years depending on the dedication of the manager. Yet in some instances the jump from assistant manager to restaurant manager can be quick, sometimes within a year, depending on the skills and attitude of the manager. Whether managers do get promoted often depends on performance appraisals and also whether new outlets are being opened which require experienced managers to help with the new store (Royle and Towers, 2002:167; Beach Road Manager, 06/09/07, Port Elizabeth; TygerValley Manager, 24/09/07, Cape Town). Managers at McDonald's have been recorded to work up to 12 hour shifts due to the environment of the fast-food industry. Due to this, managers are always very busy and during the interviews a high level of stress was noted. This is because the outlets never rest and customers, food and stock are constantly moving in and out of the outlet and it is the managers' responsibility to ensure that everything runs smoothly.

Briefly, when it comes to the racial demographics of restaurant managers the overwhelming majority are non-white with coloured managers dominating the Western Cape and black males representing the majority in Gauteng. The results gathered in the following chapter will show that the racial composition of the group of

managers did not influence the findings significantly. Independent determination and drive to implement issues of CSR and promote social practices are more individually significant than being attached to racial differences. It is none-the-less important to take note of such issues because of South Africa's history of racial discriminations. Findings do indicate that more non-whites are holding managerial positions with only 3 out of the 27 restaurant managers interviewed being white.

It is now time to move on to the key fieldwork findings concerning managerial perceptions and social practices of CSR present at McDonald's SA. The findings shall be presented so as to ascertain patterns and trends that exist country-wide at McDonald's outlets. Managerial perceptions of CSR shall be analyzed first, followed by the social practices that exist.

Chapter 5

MANAGERIAL PERCEPTIONS OF CSR AND SOCIAL PRACTICES

5.1. INTRODUCTION

In this chapter the fieldwork findings are presented and discussed. The previous chapters facilitate the contextualization and understanding of these findings. The types of perceptions that outlet managers have of CSR and SR involvement shall be investigated first. This is done so as to bring the managerial perceptions to the foreground of the study. Then the actual social practices that occur at McDonald's SA, with particular focus on individual outlets, are examined. Following on is a discussion of whether practices and perceptions correlate. This exploration of McDonald's outlets' yields interesting data since there are always compounding factors influencing and affecting perceptions and social involvement.

One of the key findings that must be highlighted now is that there is no independent CSR report available at McDonald's SA. Such a report is not available at Head Office or at individual outlets. Some individual outlets may advertise on their notice board the type of community engagement they participate in but there is no regulated format. This means there is hardly any reporting or formal documentation on social practices. This is why the following information is very important because it draws attention to the type of perceptions and social practices that exist, whilst simultaneously examining: the level of understanding and involvement, amount of social practices that exist, whether involvement is mandatory or voluntary and if perceptions and social practices are prevalent nation-wide. It is now time to examine the McDonald's outlet managers' perceptions.

5.2. MANAGERIAL PERCEPTIONS OF CSR

Perceptions of outlet managers are one of the key factors in this research. This section looks at perceptions that managers have of the company and CSR policies. This will then lead into the examination of social practices. This process shall allow for the comparison of perceived ideas to actual social practices that exist. It must be remembered that perceptions are subjective ideas and therefore can vary quite dramatically amongst managers. Key policies, values and practices are supposed to be aligned, though, within one organisation. Previous chapters have illustrated McDonald's push for operations to be similar all over the world. The purpose of this segment of research is to determine the trends and belief systems present in South Africa. This is important because it is the perceived ideas that will influence whether any social involvement occurs.

5.2.1. Managerial perceptions of McDonald's

Examining managerial perceptions of McDonald's allows for a broad understanding of how the company is viewed by its managers. The first few paragraphs examine managerial perceptions of the McDonald's image and business operations. This is important because it illustrates the type of value system and atmosphere that is present within the company.

The following questions were asked: (1) How do the outlets describe McDonald's, (2) What terms best describe the image that McDonald's portrays and (3) How do the outlets rank perceived business initiatives. The business initiatives are derived from the 5 P's that McDonald's promotes in its policies and documents which are: people, product, place, price and promotion. The sixth initiative, profit, has been added since it forms a vital part of business. All the terms are therefore derived from McDonald's policies. This is done so as to determine whether outlets country-wide have similar ideas of McDonald's.

Table 5.1 shows the terms used most frequently to describe McDonald's by ranking them according to the number of outlet managers who had the same responses. When

outlet managers were asked which term best describes McDonald’s, the majority of outlets, 29 out of 33, favoured the word ‘quality’ to best describe McDonald’s. When questioned as to why this term had been chosen, the responses were that McDonald’s products and services are superior, fast and efficient and that the company always ensures quality first.

	Description of McDonald’s	No. of Outlets	Comment
1	Quality	29	Majority of outlets ranked quality as the top term to describe McDonald’s as.
2	People-focused	26	
3	Forerunners in fast-food	21	
4	Energetic	9	
5	Profit-driven	7	
6	Caring	7	
	McDonald’s Image	No. Of Outlets	Comment
1	Trustworthy	20	20 outlets stated that McDonald’s is trustworthy yet at the same time competitive. When asked for clarification, managers stated that the product, service and price are trustworthy but McDonald’s is very competitive with other fast-food outlets.
2	Competitive	20	
3	Influential	17	
4	American	6	
	Rating of business initiatives	Rank (1 is highest and most important)	Comment
	People	1	A few managers did rank all the initiatives as being top priority but even in those cases People was still the forerunner initiative. Profit was rated last because without the other factors being successful profits would not be made.
	Product	2	
	Place	3	
	Price	4	
	Profit	5	

The interviewees did make a strong argument that the company is very people-focused and this is reinforced by having the majority of outlets ranking ‘People’ as McDonald’s primary business initiative. The ‘People’ initiative includes employees and customers. Several of the outlet managers spoke about employees and some of the issues raised shall now be looked at.

Just over half of all the outlet managers stated that there is a definite focus on employees with regards to career development and that there are opportunities for employees to progress. Career prospects of outlet managers vary though. For example, franchisees may aspire to open multiple outlets whilst restaurant managers want to perhaps open their own outlets in the future, although financial barriers can hinder this.

All the franchisees acknowledged the futility of exploiting their employees. This shows that the profit bottom-line is not the only focus. This is a welcome advance in corporate thinking (Porritt, 2005:258). Yet the shift is not great since the six franchisees did still focus on the monetary value of the employees rather than their career development. Restaurant managers on the other hand, spoke more about employee career development. Some interviewees were sceptical though about employees and their career development and cited the lack of education of crew members as being a significant problem (Cavendish Manager, 06/01/08, Cape Town).

Some managers refuted the notion that an abundance of cheap labour is available in South Africa. Factors such as the minimum wage standards, the Labour Relations Act and other legislation existing in South Africa were brought up to defend this point of view. It must be noted, however, that the minimum wage is still quite low and that often part-time or shift workers receive very little income (Cape Road Manager, 06/09/07, Port Elizabeth; Pinelands Manager, 02/01/08, Cape Town; Eastgate Manager, 15/01/08, Gauteng; Mrs. Eales¹⁴ Head Office, 16/01/08, Gauteng).

Lastly, table 5.1 also demonstrates that 20 outlet managers stated that McDonald's is both trustworthy whilst at the same time competitive. Competition can often lead businesses to undertake unsavoury operations, yet outlet managers describe McDonald's as both competitive and trustworthy. When managers were asked for an explanation, the outcome was that McDonald's products, service and prices are trustworthy, yet the corporation is very competitive with other fast-food outlets and therefore, for example, their prices are also competitive (Porritt, 2005:81; Schoenberger, 1997:22, 24). Outlet managers stated that McDonald's and the fast-food sector as a whole operate under very competitive and strenuous working conditions. For instance, long working hours and constant interaction with customers are factors which contribute to harsh working conditions. Managers noted, though, that if you join the sector you know what is expected of you and therefore the majority are still happy to work under such circumstances. Some managers did air their grievances concerning the harsh environment though (Cavendish Manager, 06/01/08, Cape Town). Two outlet managers were also only staying and working for

¹⁴ Mrs. Eales is the human resources representative from Head Office McDonald's (SA).

McDonald's while they finished studying (Edenvale Manager, 15/01/08, Gauteng; Midrand Manager, 16/01/08, Gauteng).

5.2.2. McDonald's 'open door policy'

Outlet managers were posed questions concerning McDonald's renowned 'open door policy'. This policy, on which McDonald's prides itself, is a guideline which all the outlets concurred about. All agreed that an open door policy does exist and is practiced, so the organisation should always be open to inspection and information should be publicly available. This was observed during the research to a great extent, except when it came to information concerning CSR and social practices.

Alongside the 'open door policy', which should include stakeholder dialogue and reflect transparent interaction, the interviewees perceived the following company engagements with its various stakeholders:

- Government: occasional interaction, on the level of consultation and information gathering, for example on issues of legislation. A franchisee made the statement that, his outlets "only cook burgers and fries and not deal with government" (Sandton Manager, 14/01/08, Gauteng). Head Office states, however, that interaction is quite high. Head Office gave the example of legislation dealing with children and advertising and that McDonald's supports the initiative that children should not be targets of advertising.
- Local communities: regular perceived interaction, on the level of gathering and giving of information on issues such as charities. Findings reveal, though, that interaction is not as proactive at the individual outlet level as it could be. There is also limited reporting on social practices to the local community.
- Customers: regular interaction, on level of consultation, gathering and giving information concerning issues such as food quality, service, prices and promotions. Information is available for customers at the outlets on a leaflet but not on the main menu off which one orders and social practices are often not publicised.

- Media: regular interaction, on level of giving information such as advertising and upcoming promotions. Hardly any reporting on social involvement is found, though, except for large monetary donations made.
- Suppliers: regular interaction, on the level of consultation, gathering and giving of information on issues like commodity prices, quality of product received, standards and relationship building. This relationship was continuously mentioned especially by Head Office which deals with the majority of the suppliers.
- Trade unions: Engagement with trade unions is rated as rare and level of engagement is perceived to be on a consultative level. This is because interaction is only with Head Office or higher managerial levels and it is infrequent. McDonald's employees are also not unionized. When outlet managers were asked why this so, approximately half of the 33 managers gave the following reasons: no need because McDonald's takes care of its own and employees are discouraged from joining unions. Other responses were that there would not be enough support because outlets would need to join together to create a large enough force and along with this comes other problems such as transport and communication. Head Office added that unionization is not necessary because issues are dealt with internally. This gives the impression that employees have very little say in the matter. This is a very serious issue when considering CSR, since employees should be treated fairly and trade unions offer such a support system.

Royle and Towers (2002:10) state that in general there is a lack of lack of unionization in the fast-food sector. Two reasons given why McDonald's employees are not unionized is because McDonald's is strongly antipathetic to unionization and also the geographic spread of outlets and part-time workers makes it harder for collaboration to occur (Royle and Towers, 2002:66-67). This is an important finding for the research since it illustrates a lack of stakeholder dialogue.

When SACCAWU, the South African Commercial, Catering and Allied Workers Union, was questioned about their relationship with the company they stated that it is correct that McDonald's employees are not unionized (Mr. Lee, 20/06/08, Cape Town). The union only holds consultative meetings with Head Office but not with individual outlets. Difficulties faced by the union are issues such as outlets being spread-out nationwide and McDonald's being against unionization.

A good ‘open door policy’ would also include transparent reporting to the stakeholders. Feedback reveals a variety of responses with hardly any unanimity as to what McDonald’s (SA) stance on reporting policy is. For instance when asked whether the local company publicly reports on sustainability issues two franchisees stated yes whilst two others referred the issue to Head Office demonstrating a lack of knowledge or understanding of the topic. This can be due to inappropriate filtering down of information from Head Office to lower management. This is also a cited communications problem in hierarchical systems (Maynard and Mehrtens, 1993). As it stands now, McDonald’s SA does not formally report on sustainability issues and there is no official report available. This is not the case for international McDonald’s and some other countries that do produce their own. The only form of reporting in relation to SR projects is through the Big Mag publication, but this is not openly available to the public.

In conclusion, the overall interpretation of outlet responses reflects that managers perceive McDonald’s positively. This is shown by managers using terms such as trustworthy and caring to describe the organisation. The managers also perceive the company as hard-working and therefore competitive and profit-driven. This position is held by most managers, except a few who felt overworked and therefore found the company to be rigid. The company as a whole projects an image of corporate responsibility with Head Office stating that corporate social opportunity is fully integrated into all of the company’s operations. Yet the analysis of McDonald’s engagement with stakeholders and its reporting practices do not necessarily project a sense of nation-wide correspondence between outlets. It is now necessary to move onto the discussion of managerial perceptions concerning CSR.

5.2.3. Perceptions of CSR

This section is pivotal because perceptions of CSR often influence the type of social practices that exist. The findings here will reveal a lack of overall understanding of the CSR policy within the organisation. This can be directly linked to the lack of

enforcement on outlets to get involved in social engagement and the resulting insufficient reporting on social practices.

All but one outlet agreed with the following statement made by Ray Kroc, who is hailed as the McDonald's corporation founder,

“Be a good citizen...be involved in the life and spirit of the community you serve”.

This quote epitomizes the essence of CSR and since every outlet, except one, agreed that McDonald's behaves in accordance with such values it is necessary to compare this statement to actual social practices. The Sun Valley Manager (09/01/08, Cape Town), who disagreed with the quote did explain why, stating that,

“McDonald's still has a long way to go before it is integrated and fully involved in the life and spirit of the community in which it operates”.

This sentiment is reflected in the findings. Firstly because reactive instead of proactive involvement was noted more frequently and secondly, there is still a rather limited involvement demonstrated by individual outlets.

Outlets and Head Office then gave personal ideas of what CSR means:

“Employee and community based initiatives. Focus on South African identity”

(Head Office, 16/01/08, Gauteng)

“It involves putting customer and employees first”

(Tableview Manager, 05/01/08, Cape Town)

“To give back to community/ communities in form of charities”

(Adderley Street Manager, 08/01/08, Cape Town)

All these perceptions of CSR include reference to people and community engagement. When asked, though, what behaviour would constitute a business as acting socially responsibly, “community contribution” was only ranked third by the outlets. Environmental sustainability was ranked first and second was job creation. This still means that community engagement is deemed as forming an important part of CSR but not necessarily the most significant. This contradicts to some degree with of the

quotes given above concerning CSR because environmental sustainability did not feature.

In reference to environmental sustainability, even though it was ranked as the highest criterion of CSR, the Sandton Manager (14/01/08, Gauteng) stated that materials utilized in outlets are not environmentally friendly. For example, the packaging used for the food products is not all environmentally friendly and it creates a substantial amount of waste. This is interesting since environmental sustainability is perceived as vital for being socially responsible, yet materials used everyday at the outlets are not all sustainable. A reason for the large accrual of waste is that items at McDonald's have strict expiry dates and therefore may not be kept longer than stated. For example, hamburger rolls which are unfrozen need to be used within 24 hours or thrown away. McDonald's does not give any of its left over or unused food to charity for a good reason. The interviewees stated that since McDonald's food contains no preservatives it goes off very quickly and so it would be unsafe to donate unused goods to the poor.

A reason why outlets may have ranked environmental sustainability as crucial to CSR is because 10 of the 33 outlets also rated *global trends* to be the most influential in pressurizing corporations to integrate more CSR behaviour. What this means is that outlets see *global trends* as the reason for more CSR initiatives to be taking shape. This is supported by Fig (2005:605) who states that CSR practices in South Africa will continue to be informed by global trends and attitudes. In relation to environmental sustainability, the global trends are, for example, reducing people's carbon footprint, more regulation by governments and international protests to guard against environmental destruction. The least influential pressure, as noted by the outlets, to conform to CSR initiatives is *peer pressure*. This means that there is no real push within the South Africa fast-food sector to necessarily commit to stringent CSR projects.

Outlet managers were then asked whether they perceived McDonald's SA to have a personalized CSR policy. Out of the 33 outlet managers a total of 25 answered that McDonald's SA does have such a policy, 3 outlet managers abstained and 5 were unsure. All outlets agreed that there is someone at Head Office level who is responsible for dealing with social initiative issues whilst 1 outlet manager stated that

he has someone at the outlet level handling such matters. Interestingly though, interviewees could not state the exact details of the CSR policy. In fact none of the outlet managers mentioned either the exact CSO policy or that it is referred to as CSO but they simply knew that some policy exists. This shows, that even though managers undergo a long training period, as illustrated in chapter 3 under franchising, CSR obviously does not feature as predominantly as other aspects.

This illustrates a lack of understanding or knowledge of such Head Office orchestrated policies at outlet level. A lack of communication and filtering down of information can be to blame here since none of the 33 outlets could describe the policy even though the Head Office response was clear and precise, even stating that all managers have knowledge of the policy. It is taken into consideration that managers may have heard about the topic but did not think to bring it up in the interview but that merely confirms the fact that the CSR policy does not hold much importance for the managers. Another problem is that most outlet managers view themselves as a separate entity from the company and are only concerned with their individual outlet.

This is a rather narrow-minded approach which benefits McDonald's profit margin because each outlet is focused on themselves but it can have negative effects on broader SR initiatives. Even individually driven social practices have seemed to suffer since not all outlets participate in social practices (Sandton Manager, 14/01/08, Gauteng; Cape Road Manager, 06/09/07, Port Elizabeth). Overall therefore the outlets had a very narrowly perceived understanding of CSR and the factors that make up corporate responsibility. The outlets are quite uninformed about Head Office strategy concerning CSR, which is problematic since Head Office seems to believe all the outlets do have this knowledge. It is very difficult to integrate CSR initiatives if a clear understanding of the issue does not exist. It is even more difficult to translate such policies into actual practices if key information is unknown. It is now time to review managerial perceptions concerning social practices.

5.2.4. Perceptions of CSR involvement and social practices

This section now examines perceptions surrounding SR involvement. These perceptions are then compared to the social practices findings. This is a key discussion point of the study since it will reveal whether ideas and actions actually correlate and whether there are clear trends for the South African organisation as a whole.

An owner/operator of three outlets, who is very involved in children's welfare¹⁵, stated his reason why social involvement is necessary:

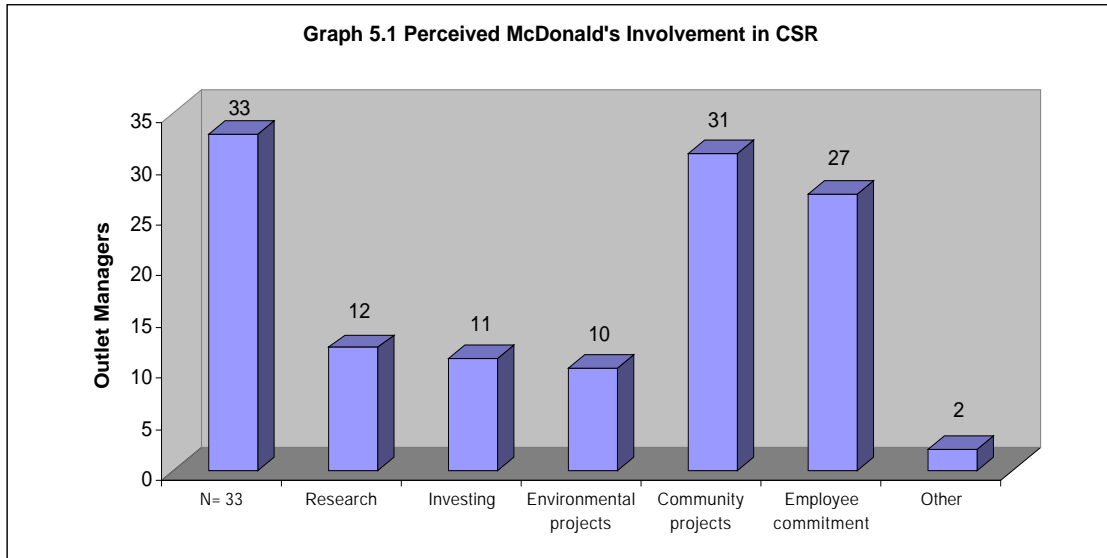
..." (McDonald's) makes money off the community so has to put something back".

(Tableview Manager, 05/01/08, Cape Town).

This quote describes the link that business must become aware of between itself and the community in which it operates. Only when corporations start appreciating or acknowledging broader society's direct influence on the success of a business will CSR truly become a strategic part of business operations. This study will now investigate whether managers perceive McDonald's to have made this strategic link by examining perceived involvement and expenditure on CSR initiatives.

The following two graphs, graph 5.1 and graph 5.2, illustrate the perceived key involvements that outlets believe McDonald's participates in. These graphs do not demonstrate certified practices but merely perceptions of outlet managers. The first graph 5.1 examines the perceptions of McDonald's involvement in CSR. The six categories presented to managers were: research in CSR, investing CSR projects, environmental projects, community projects, employee commitment and other. These categories have been selected from previous CSR surveys; such as one issued by the Social Responsibility Index (SRI) division of the Johannesburg Stock Exchange and therefore are credible CSR categories.

¹⁵ This particular owner/operator is a key benefactor to the Tygerberg Children's Hospital in the Western Cape.

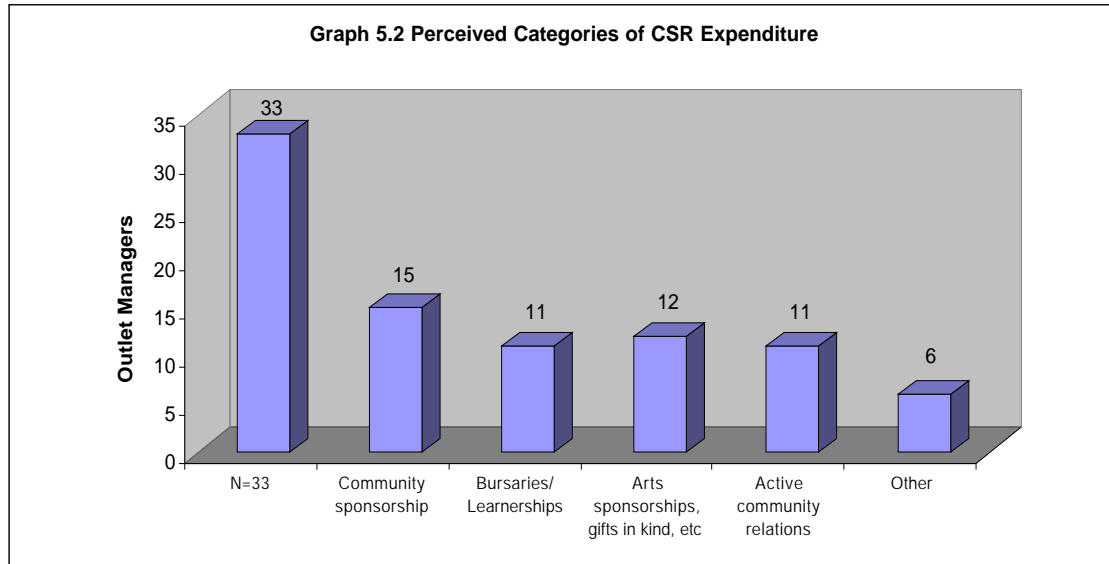


Graph 5.1 shows that 31 out of a total of 33 outlet managers believe that McDonald’s does get involved in community projects and this is closely followed by employee commitment initiatives. Employee commitment initiatives were stated by managers to include issues such as: career development, promotions, recognition and ensuring a safe and productive working environment. This is a similar pattern displayed when discussing perceptions of McDonald’s at which time the ‘people’ business initiatives, which focus on employees and costumers, were mentioned repeatedly.

Only 10 outlet managers perceive McDonald’s to have environmental projects in place. This is interesting since, as noted in the previous section, environmental sustainability is ranked high as a CSR initiative yet few outlet managers perceive McDonald’s to be committing to environmental projects. Two outlet managers clearly stipulated that no such environmental projects are being followed. Environmental projects were not the key focus of the research and so no actual practices were investigated. Environmental projects were merely included in the survey so as to determine whether managers perceived it to be an important aspect of CSR. Less than half of the 33 outlet managers perceive McDonald’s to be involved with CSR research and investing. This again is contrary to Head Office statements which affirm that CSR, or CSO, is very much part of their strategic planning and projects.

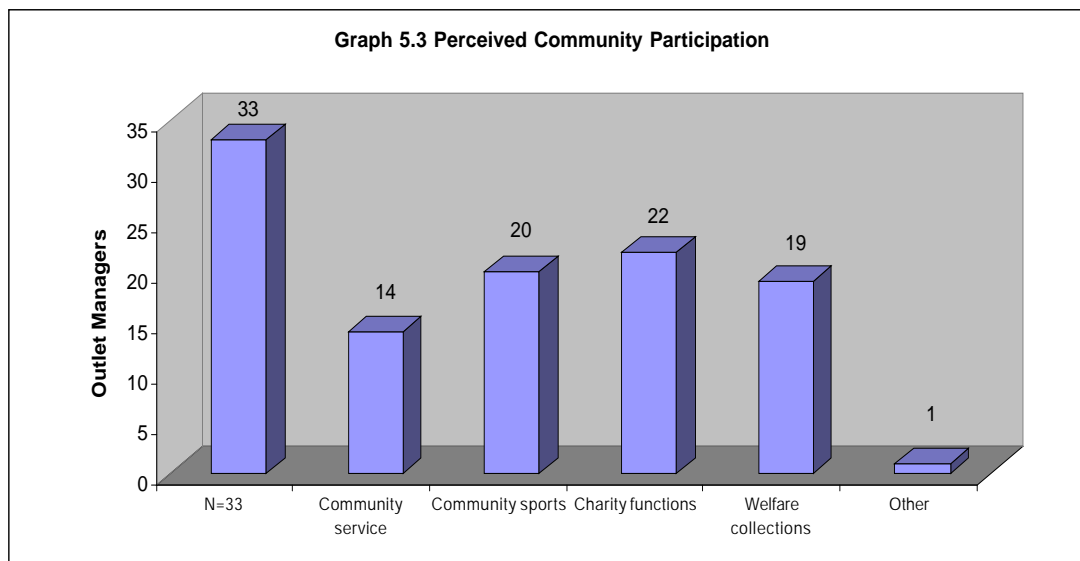
The next graph 5.2 demonstrates the perceived categories of expenditure on CSR. This graph 5.2 is different from the previous one because it focuses on perceived

monetary expenditure. The categories looked at here are: community sponsorship, bursaries/ learnerships, arts sponsorships, gifts in-kind, active community relations and other (SRI, 2005).



Graph 5.2 demonstrates that expenditure on community sponsorship is the major perceived category of expenditure. This category, to mention a few examples, includes; student work placement, church sponsorships and building programs, sponsoring of the FIFA World Cup, charity workshops and Cotlands. Some of the stated examples are also mentioned in the social practices section. The reason why outlets mentioned the Soccer World Cup and Cotlands here is because all the outlets must contribute financially to both these projects either quarterly or annually. The other major expenditures listed by the interviewees are: Ronald shows, store tours and advertising. Overall graph 5.2 illustrates that only 15 outlet managers mentioned expenditure via community sponsorship which correlates with the limited social practices listed.

Since the community sponsorship category was the highest ranked, outlet managers were further questioned on this involvement. The graph 5.3 below demonstrates the different types of community participation that are perceived to be occurring. The results illustrate that ‘charity functions’ were dominant with 22 outlet managers concurring. This is followed by ‘community sports’ involvement and ‘welfare collections’.



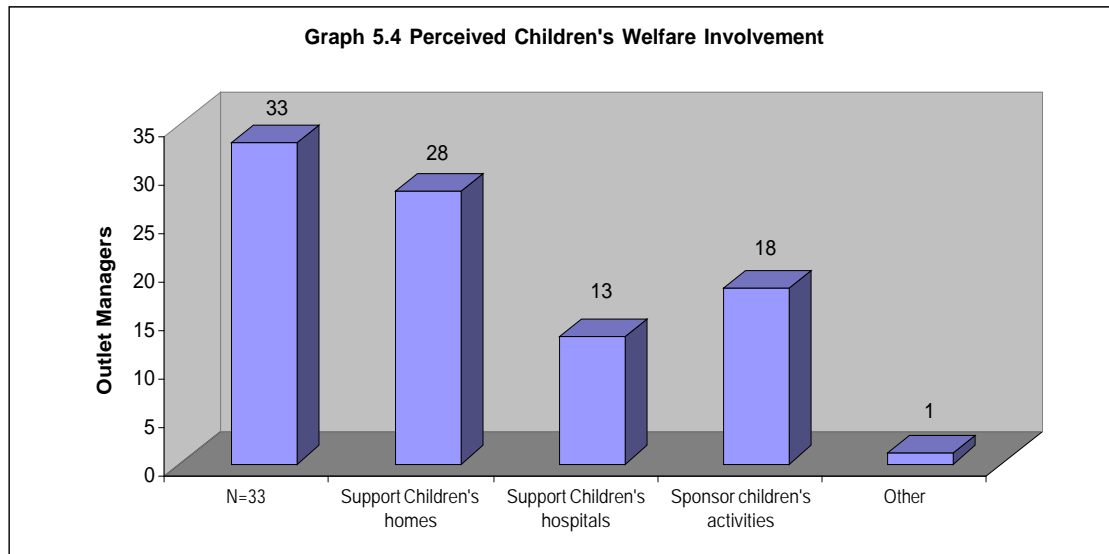
Graph 5.3 shows that 20 outlets agreed that ‘community sports’ is important to McDonald’s but this does not necessarily correlate with graph 5.5 below on perceived sports where fewer outlets ranked sport affiliations to be that important. It also does not correlate with the social practices findings, which found limited sports involvement projects. It is now time to focus attention on the two prominent social initiatives found at McDonald’s SA and they are children’s welfare involvement and sport affiliations.

5.2.5. Perceived Children’s welfare involvement and sport affiliations

Now that a very broad evaluation of SR involvement has been looked at it is necessary to evaluate children’s welfare involvement and sport affiliations. The reason why these two social categories are being focused on is because these are the main initiatives mentioned by McDonald’s internationally and locally and are therefore deemed as receiving the majority of McDonald’s social contribution. Even though the social practices findings did not yield large involvement numbers for sport affiliation it is important to see whether perceptions of sports involvement will yield similar results

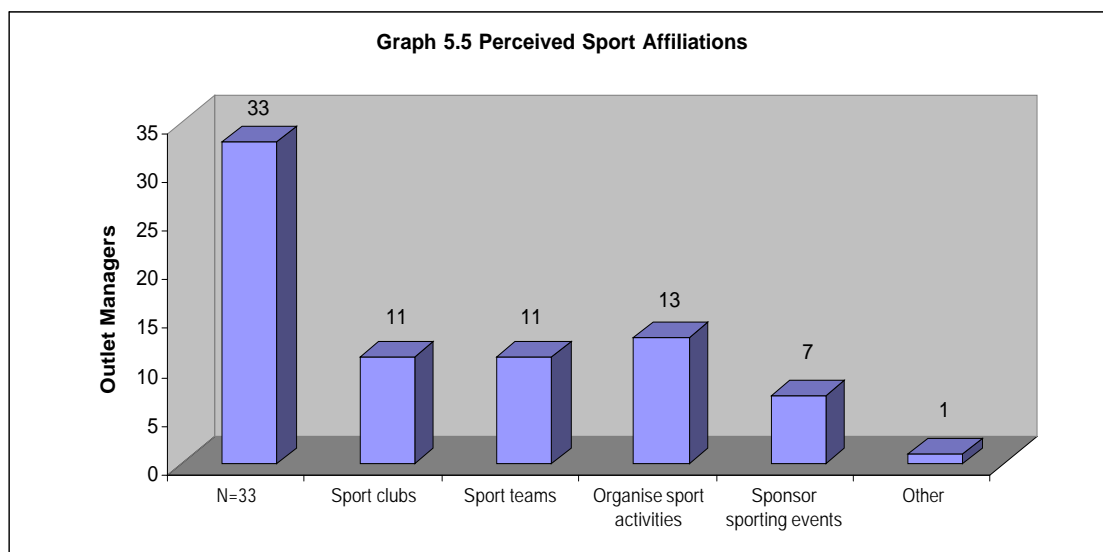
Children have always been a top priority for McDonald’s when it comes to social involvement. Even most of their sport affiliations involve children. For instance,

McDonald's is one of the main sponsors of the FIFA World Cup but for the actual event they also sponsor children from all over the world to attend the function. The following graph 5.4 illustrates managerial responses concerning perceptions of involvement in children's welfare. The four groups of involvement are: support of children's home, support of children's hospitals, sponsorship of children's activities and 'other' where the outlet managers could list other involvements.



Graph 5.4 above demonstrates that the majority of outlet managers, 28 of them, perceived McDonald's to be principally involved with children's homes. The most popular beneficiary being Cotlands but others such as Home of Hope and the 'Twice-as-Nice' foundation were mentioned. Support for children's hospitals is perceived as lower with only 13 outlet managers indicating this response. In the Western Cape, the Parklands, Milnerton and Tableview outlets, which all belong to one franchisee, dedicate a lot of support to the Tygerberg Children's Hospital. The Red Cross was also mentioned whereby Ronald will visit and entertain the children. A reason why few outlet managers could have rated hospitals is because these represent individual social engagements and so independent outlets could choose not to focus on hospitals. The only other involvement mentioned by outlets is the role of Ronald McDonald, who often hosts or participates in children's functions. For example, Ronald, sometimes in conjunction with the South African Police Service, gives talks at schools concerning drugs, healthy eating and exercise and the outlets deemed this part of children involvement.

The last social category to be investigated is sport affiliations. Children’s welfare and sport affiliation are by no means the only categories that exist but research has found that these are the most popular and relevant to McDonald’s as the social practices segment also demonstrates. Graph 5.5 below displays a broad overview of sport affiliations which are perceived to be prevalent at McDonald’s. The different categories focused on are: support of sport clubs, support of sport teams, organisation of sport activities by McDonald’s, sponsorship of sporting events and other.



Graph 5.5 highlights that, compared to all the previous graphs, not many of the outlets responded to this question. The largest number of outlet managers, which is only 13, agreed that McDonald’s does organise sporting activities. When outlets were asked to expand on their responses, a small number referred to internal sporting events such as soccer matches that are organised between outlets or regions. There was even less mention of McDonald’s organising sporting events with the local community, although the ‘orange bowl’ initiative was talked about.

The big sponsorships of the Olympic Games and FIFA World Cup are mentioned continuously by outlet managers. This does not correlate with graph 5.5, though. The reason why only 7 outlet managers perceived that McDonald’s sponsor’s sporting events is because they were thinking of their own outlets instead of the company as a whole. It is clear from the evaluation of the social practices segment that there are

indeed fewer sport affiliations at outlets. It is now time to review the findings on perceived children's welfare involvement and sport affiliations.

Overall there is less mention of sport affiliations than children's welfare involvement. The graphs and perceptions seem to demonstrate involvement which is mandatory by McDonald's Head Office. For example, giving money to the FIFA World Cup organising committee and the donations given to Cotlands are consistently mentioned by all outlet managers. This is also why the children's welfare involvement graph may have had more outlet managers responding because sport affiliations in general are not mandatory and therefore not all outlets perceive it to form a significant part of McDonald's social involvement.

A key reason for the distinction between social practices can be due to the fact that sports involvement is largely voluntary and this could explain why less such engagement is present. The other reason is that sports involvement would require a proactive approach by the outlets but a more reactive approach is utilized by managers and Head Office. The last section of this chapter discusses factors that outlet managers and Head Office raised during the interviews which they state are important in relation to CSR and social practices. The following segment therefore focuses on South Africa and key influential issues that affect McDonald's and managerial perceptions.

5.2.6. Perceptions of South Africa and CSR

All the outlet managers agreed that problems like price inflation, petrol price hikes, power shortages and also price-fixing directly affect McDonald's. These factors were also cited as influencing how much social involvement is practiced. This is because such issues can affect profits negatively, which therefore means there will be less expenditure on SR initiatives. None of the outlets mentioned monetary constraints to be a problem but this does highlight that the profit-initiative is still the most important. The following key issues were cited by managers to also influence perceptions of CSR and business operations within South Africa:

- **The large-scale poverty problem and HIV/Aids epidemic** were noted as crucial issues. These affect the business sector and in particular social involvement because businesses can feel overwhelmed as to how to handle SR involvement. The work force is also negatively affected by high absenteeism and staff turnover due to HIV/Aids related-illnesses.
- **The low education level in the country** is another major problem. Some managers stated that the only way to develop issues such as CSR would be to educate the people first. The Cavendish Manager (06/01/08, Cape Town) stated that education, general education and then more focused education on CSR, should first happen internally at McDonald's and then CSR could be handled more productively externally.
- **The rising security concern at outlets** is another problem highlighted. Armed robberies for example are increasing at outlets which in turn affects operations. Examples of a few outlets experiencing this are: Tokai, Kenilworth, Somerset West and Observatory outlets in the Western Cape. A manager indicated that it has occurred that some members of the robbery gang will be ex-McDonald's employees or people from the surrounding area. This therefore conjures questions as to why should the outlet get involved in social initiatives since they are targeted by members of society. Outlets also become more wary of transparency and allowing people into the outlet. This is case for the Somerset West Outlet in Cape Town which refused an interview because they had recently had multiple armed robberies.
- **Finally, the role of the South African government** is frequently highlighted by outlet managers. The discussions ranged from the government needing to be more involved in educating people to the issue of the government being perceived as engaging in corrupt practices. Up to five outlet managers were quite adamant that government corruption was a huge factor in the country. The issues raised were that since the government is known for corruption, the outlets often are not willing to give money or sponsor certain events because it is unclear whether the money will reach it proposed destination. The Sun Valley Manager (09/01/08, Cape Town) states that because corruption exists, it affects the types of role models available to

the people in the country and if leaders cannot be socially responsible how can society be (Adderley Street Manager, 08/01/08, Cape Town).

Outlet managers were then asked whether they perceive the country to be committing itself to social responsibility projects. All 33 outlets perceived South Africa not to be engaging fully with CSR. The managers also stated that there is a lack of proper government guidelines, definition of CSR and regulation. When outlet managers were posed with the question of whether 'there is a role for social responsibility in promoting social change', 25 outlet managers concurred whilst 2 stated a definite no. One of the outlet manager's said that no indicated that South Africa needs more development, in areas such as such education and society, before social responsibility can be effective. When asked whether the business sector is responding to CSR pressures the outlets predominantly indicated that the business market is not sufficiently ready for greater CSR focus. Yet at the same time the majority did believe that there is definitely more focus needed on CSR (Adderley Street Manager, 08/01/08, Cape Town; Pinelands Manager, 02/01/08, Cape Town; Ottery Manager, 08/01/08, Cape Town; Midrand Manager, 16/01/08, Gauteng).

Outlet managers stated that more clarity is needed on CSR benchmarks and principles especially when it comes to having a clear definition of social responsibility, standardized criteria and principles, and national guidelines. Some of the interviewees, like the Cape Road Manager (06/09/07, Port Elizabeth), affirmed, though, that they are against more legislation claiming that legislation can sometimes hinder instead of support the running of business. Managers therefore want more clarity and guidelines, but not in the form of legislation. This can be problematic since a lack of proper monitoring and structure can mean that companies are still left to their own devices and involvement remains voluntary. This has been seen in the social practices findings which show that some outlets do not participate at all.

Lastly, the analysis of responses concerning South Africa demonstrates that outlet managers are not entirely satisfied with some of the current state of affairs within the country. All issues either directly or indirectly influence perceptions and practices of social responsibility since especially if the leaders of the country are not seen as acting in a socially responsible way it is clear that CSR perceptions will be skewed.

The evaluation of responses therefore indicates that the problem is greater than only McDonald's and that South Africa as a country needs to develop more, especially in terms of education, if CSR is to gain more significance. This does not excuse the lack of involvement in CSR initiatives by the outlets, but this, and the lack of national regulation and enforcement, does hinder the progress of CSR integration. It is now time to examine the social initiatives and practices observed at McDonald's SA outlets.

5.3. SOCIAL INITIATIVES AND PRACTICES

The first part of this section investigates the social responsibility (SR) initiatives and practices that exist at McDonald's SA Head Office. CSR is often spoken about and even included in a company's strategic talks but whether strategic action is a consequence needs to be evaluated. The overriding outcome of this section will show that McDonald's does indeed at both Head Office and outlet level engage in some social initiatives but the consistency and level of engagement are key factors to be analysed.

5.3.1. SR initiatives and practices: Head Office and nation-wide campaigns

The following data has been collected from Head Office McDonald's and the McDonald's SA website. The initiatives described by these two sources predominantly focus on nation-wide projects, with no individual outlet schemes being mentioned. This is due to two factors: firstly because only the country-wide initiatives, which are usually international projects, must be adhered to by all outlets. This brings us to the second reason, which is that individual outlets are not forced to participate in or establish other social practices outside the mandatory framework. Furthermore individual outlets are not forced to report on additional involvement but have an option to do so through the Big Mag publication, in an informal manner. McDonald's does to some degree encourage independent involvement from its different outlets but within a preferred framework that states what type of

involvement falls in line with McDonald's standards. For instance sports sponsorship and children's welfare projects are favoured.

The key categories of social involvement that McDonald's highlights are: community and children's well-being, nutritional information and sport affiliations. Why nutritional information is included here is because McDonald's main product is food and so therefore properly and accurately informing the customers of its products is part of being socially responsible. The three main categories shall now be discussed briefly remembering that these are Head Office initiatives and all the initiatives mentioned must be adhered to by outlets country-wide (McDonald's 2008; Head Office, 2008):

i. Community and Children's well-being

Local community contributions listed include the 'Orange Bowl' and 'McPrincipal Nights' initiatives. The 'Orange Bowl' scheme is often utilized at sporting events where McDonald's sponsors the orange juice for the sports teams at the events. The 'McPrincipal Nights', on the other, hand is a community involvement initiative which requires a group of people to work at an outlet for a certain number of hours and they then receive a percentage of however many products they were able to sell. This is often done by a particular school when the teachers come and work behind the till and then inform the rest of the school to come eat at the outlet.

The third community initiative is Ronald McDonald's¹⁶ community activities which involve an array of events. Ronald is an actual person dressed as a clown and is illustrated as a happy figure. There is only one Ronald McDonald for the whole of South Africa and he must be properly trained to do the job. The job involves travelling around the country to all the outlets. Ronald is present at most major functions and often hosts children's parties at different outlets. Ronald also goes and makes occasional visits to schools, children's homes and at outlets when an event is on. An example of a few functions are as follows: Ronald visits Parow Valley Preparatory School to spread the "Balanced and Active Lifestyles Campaign", Ronald hosts a Fun Day at the Wonderland Nursery School, Ronald entertains children at St.

¹⁶ Please refer to Appendix 3, page 169, for an example of how Ronald McDonald activities are illustrated in the Big Mag magazine.

Vincent's School for the deaf and Ronald participates in schools' fun run events (Big Mag, January- December 2007).

The only constant type of community involvement at the individual outlets is collection tins which customers can throw their loose change in. This money is then collected after some time nation-wide and donated to a certain charity or children's home. The outlets also offer the community a place to relax and allow children to play within a safe area. This is because all the outlets have special children's play areas. The condition usually is that something will be bought at the outlet when using the play area.

Other events mentioned on the McDonald's SA website are: World Children's Day and Player Escorts. In South Africa the campaign called 'Give a Hand' occurs on World Children's' Day. All the proceeds made on that day country-wide are contributed to the national charity of McDonald's SA which is Cotlands Children's Home. Cotlands is a home that looks after orphaned, terminally ill, abused and abandoned children throughout five provinces in South Africa. The Home also offers services to unwed mothers and has out-reach community programs to help vulnerable children with HIV/Aids and other issues. Other initiatives include food and garden initiatives, income-generating projects and education components (Cotlands, 2008:1). The other initiative that McDonald's supports is Player Escorts and this refers to children being chosen from all over the world to attend the major sporting events that McDonald's sponsors, for example the Olympic Games and the Soccer World Cup.

Unlike in some other countries, McDonald's SA does not have a Ronald's Children's home or hospital. Head Office and outlets stated that this is because McDonald's (SA) is still relatively small, with only just over a hundred outlets, compared to thousands of outlets in the USA. Some stated that McDonald's SA needs to develop more before this type of commitment can happen and the issue of McDonald's still being relatively new in South Africa was raised.

In the place of a Ronald House, Cotlands Children Home is the major beneficiary of McDonald's monetary fundraising and donations. Nationally McDonald's also

supports the 'Twice-as-Nice' foundation¹⁷, sporting and social events and certain organisations that ask for donations or sponsorship, but again Head Office states that most of these initiatives are supported once the company has been approached for help. This highlights quite a reactive approach to social involvement rather than a proactive strategic initiative. Lund-Thomsen (2005:633) refers to this as a fire-fighting approach to CSR.

ii. Nutritional information

McDonald's SA focuses on the global 'balanced and active lifestyles campaign' initiative. This highlights the importance of nutritional information, healthy eating and exercise. This approach by McDonald's is a strategic move to project an image of social responsibility especially in relation to food and healthy lifestyles. Since the corporation sells fast-food which is renowned for high sugar and fat content, McDonald's is constantly under pressure from social activists to ensure consumer information is available and to use the best techniques and products possible. McDonald's may therefore be producing such information so as to gain a social license to operate (Fig, 2005:605). The South African website therefore offers nutritional advice and balanced lifestyle tips. This is less than appears on the websites of some other countries. For example, the American website even offers private exercise schedules and consultations.

iii. Sport affiliates

The major sport affiliations mentioned are the Olympic Games and FIFA World Cup sponsorships. The 2010 FIFA World Cup is to be hosted in South Africa which in turn directly affects McDonald's SA who will be representing McDonald's international as the host food supplier. This is also why the number of outlets in South Africa is increasing exponentially with more outlets opening every month.

Unfortunately only the large sponsorship affiliations are mentioned by McDonald's Head Office. This research has found that individual outlets do sponsor some local sport initiatives. This is why it is now necessary to examine individual outlet practices

¹⁷ The 'Twice-as-Nice' foundation shall be further described in section 5.3.3, pg. 141 under the heading of 'major beneficiaries'.

since the information gained from corporate McDonald's predominately focuses on larger nation-wide campaigns.

5.3.2. SR initiatives and practices: Individual outlet practices

Individual outlets must participate in all the national initiatives spear-headed by Head Office. This is mostly through monetary donations. The outlets are allowed and even encouraged to engage in additional community initiatives. All such engagement needs to remain within McDonald's standards, though. The reporting of such involvement is not compulsory.

Overall findings reveal that all 33 outlets engage in at least one additional social practice, which is predominantly involvement with children's events and functions. Examples range from children's parties and children's hospital visits to special needs schools functions. There are cited sport affiliations, from a few outlets interviewed, such as sponsoring soccer and netball gear and equipment. To highlight the leading social involvements tables have been drawn up.

Table 5.2 looks at the initiatives mentioned by Head Office and how these are incorporated at the different outlets whilst Table 5.3 will then look at more outlet-specific social practices. Table 5.2 focuses on Head Office initiatives, so as to firstly distinguish between nation-wide and individual practices and to secondly quantify at what level of involvement nation-wide practices are dealt with at the outlets. Table 5.2 displays: the types of social practices that outlets engage in, the frequency of engagement, if there is financial contribution involved and whether the involvement is mandatory or voluntary.

Table 5.2 SOCIAL INVOLVEMENT AND PRACTICES OF OUTLETS							
Events	Frequency of activity	Financial Contribution (Rand)	Other contribution	Length of total involvement	Level of involvement	Mandatory	Outlets
Soccer World Cup 2010 and Olympic Games	Annually ¹⁸	Set contribution	n/a	10 years +	National	Yes	33
Cotlands fundraising	Once or twice yearly	Over 50 000	n/a	5 years+	National	Yes	33
Twice-As-Nice fundraising	Once or twice a year	Over 50 000	Meals/entertainment	3 years	National	No	Dependent on how many outlets required to help at the event
Collection Tins at outlets	Daily	Dependent on money collected	n/a	n/a	National	Yes	33
Overall charitable donations - Annually* : Over 50 000							
Ronald McDonald children's functions	Each month at different outlets	n/a	Meals	10 years+	National and regional	No	33
McPrincipal Nights	Infrequently	1000- 2000+	Meals	5 years +	National and regional	No	10
Orange bowl	Infrequently	n/a	Juice	5 years +	National and regional	No	15
Sports events sponsorship	Once or twice yearly	20 000 – 50 000	Meals/ orange bowl	10 years+	Independent outlets	No	22
Overall Sponsorship - Annually*: 5000 - 20 000							

Table 5.2 shows that charitable donations do come to over R 50 000 annually. This is variable due to the fact that outlets very often operate on a reactive basis. This means that varying donations are made during the year but perhaps not every year. The exact amount raised for Cotlands countrywide on World Children’s Day 2006 amounted to R 5000 000. This amount of money can take care of 170 children everyday for a whole year, which means it is a major contribution to the Cotlands organisation. The figure is also way above the R 50 000 amount but it must be noted that such nation-wide donations occur on a limited basis.

Franchise outlets are not required to participate in any other social initiatives but are encouraged to do so. There is no real control by Head Office over the spending or actual involvement of individual outlets in social practices except for the major events which are mentioned above. In other words there is no or very little alignment of social involvement between different outlets and no obligation concerning reporting on social involvement. Since there is no regulation for individual outlet involvement, there are also no set budgetary guidelines dedicated to initiatives. Outlet managers do

¹⁸ The actual events only take place every four years but outlet owners contribute annually to the events for preparation and so forth.

note that budgets are sometimes set up to be used for sponsorship purposes. This is very dependent on profit margins and varies between outlets. What this means for the research is that there is limited control or monitoring of social initiatives and practices at outlet level. Theorists state, though, that there needs to be systemic decision support tools available to assist in the CSR involvement process (Kotler and Lee, 2005:46; Gardberg and Fombrun, 2006:334; Wegner, 1990:17).

The only real reporting system available is the Big Mag Magazine. The function of the Big Mag is not solely for the reporting of social initiatives and practices but it is the only means that outlets have to do such reporting. Again, reporting is not enforced but encouraged and a review of a year's publication of the magazine indicated that the same outlets usually do all the reporting, with other outlets not reporting anything during the whole year. The magazine is also not available for public viewing and so therefore these practices remain undisclosed.

A year-long review of Big Mag publications from January to November 2007 reveals children's welfare is supported by approximately 38 children's events that were reported over the year. This includes birthday celebrations for outlets that include outlet-sponsored children's parties. It also involves school visits and events hosted by Ronald. The publications reveal only 8 sporting events at outlet level and these include internal sporting functions. There is no data available for outlets who did not report their activities in the Big Mag but even interviews yielded limited evidence of such practices. The Big Mag is, to some extent, a more reliable source of information because there are photos to confirm the involvement or event. There is limited community involvement and no community development projects¹⁹ were mentioned by either source.

The next table 5.3 examines individual social initiatives and practices that some outlets undertake. The outlets in the table 5.3 demonstrate regular commitment to the stated social initiatives and also report on such initiatives publicly either in the Big Mag or at their outlets. Not each and every individual social practice could be

¹⁹ Community development projects involve initiatives that help communities either to become more educated or more sustainable. For example, showing people how to grow vegetable gardens.

mentioned but table 5.3 illustrates an overview of the most common social practices present at the outlets researched.

Table 5.3 INDEPENDENT OUTLETS SOCIAL PRACTICES						
Outlet	McOpCo or franchise	Event/ activity	Frequency of activity	Financial / other contribution	Length of involvement	Ronald
Western Cape (Sun Valley)	Franchise	Clothing drive	Twice a year	Donations	2 years+	Yes
Various (Midrand)	Franchise	Charity drives	Once or twice a year	Fund-raising	Since operational	Yes
Various (Melrose, Sun Valley)	Franchise	Fun runs	Once or twice a year	Fund-raising	5 years+	Yes
Various (Parklands, Milnerton and Tableview, Paarl)	Franchise	Soccer sponsorship	Throughout year	Sponsor soccer kits and tracksuits	2 years	No
Western Cape (Milnerton, Tableview, Parklands)	Franchise	Tygerberg Hospital and Home of Hope visits	Throughout year	Donations and parties hosted at the outlets	2 years +	Yes
Various (Worcester)	McOpCo and Franchise	Casual Day	Once a year	Entertainment and food	Since operational	Yes
Gauteng (Rosebank)	Franchise	Marang Children’s House	Throughout year	Donations	1 year +	No
Various (Pinelands, Zambezi, Parklands)	McOpCo and franchise	Birthday celebrations and store openings	Once a year	Children’s party. Entertainment and food	Since operational	Yes
Western Cape (Ottery, Sun Valley)	McOpCo and franchise	Habitat for humanity	Once off	Building materials	n/a	No
Gauteng (Woodmead)	McOpCo	Take a girl child to work day	Once a year	Allowing students access to outlets	1 year+	No
Various	McOpCo	World Aids day	Once a year	Event held at specific Aids related venue	Unknown	Yes
Various (Majority of outlets)	McOpCo	Ronald out and about at orphanages and hospitals Red Cross	Every few months – dependent on event/request	Entertainment and food	Since operational	Yes

(Source: outlet managers and Big Mag, Jan-Nov, 2007)

Table 5.3 demonstrates that children’s events are definitely more prevalent, such as noted in chapter 3 and chapter 4, and that overall social involvement is not particularly vast. On closer inspection of practices it can be seen that some outlets participate more frequently than others. For example Milnerton, Tableview and Parklands have a more consistent level of involvement than other outlets.

The over-riding majority of the initiatives reported in the two tables above (table 5.2 and 5.3) had Ronald involved in some or other way. It is no wonder that when outlets were asked about social practices that Ronald was immediately thought of. Table 5.3

does reveal, though, that events are usually hosted by a few individual outlets and therefore the events are hard to track and monitor since they may keep changing. Monitoring is also difficult because there is no nationalised data capturing mechanism present at McDonald's. It is now necessary to note differences between McOpCo and franchise outlets when considering social practices.

McOpCo outlets must participate in Head Office assigned social practices but individual McOpCo's to a great extent do not participate in individual social practices except when Head Office states there is an event occurring. This is contrary to franchise outlets that have to participate in the mandatory activities but then also have individual social practices. This is because McOpCo outlets receive direct instructions from Head Office and work under strict Head Office operations, whereas franchisees are more independent and therefore can do with their share of the profits as they please. The only requirement is that the practices remain within Head Office standards. This draws attention to the fact that McOpCo restaurant managers are simply operators of the outlets whereas franchisees are owner/operators of outlets. In addition, restaurant managers at franchise outlets are frequently given more leeway to engage and organise social initiatives than McOpCo managers.

The issue of being an owner or simply an operator is important since owners seem distinctly more concerned with the success of outlets than operators. This is mainly due to the fact that the outlet's success determines whether the owner is allowed to continue operations. McDonald's built its system on franchising so as to ensure this success. Restaurant managers at McOpCo do not have the same capacity to institute social practices, which usually need to be approved by Head Office. Again it must be remembered that the franchisee may only have 1 to 5 outlets, whereas Head Office operates all 37 McOpCo outlets countrywide. It therefore would not be feasible to let each McOpCo outlet run too many independent social practices since they must all be sponsored by Head Office. Surely though, each individual McOpCo outlet could be given a budget for individual local community involvement.

Lastly, social practices are to a great extent not aligned between different outlets, unless the outlets are owned by the same franchisee or if McOpCo outlets hold an event. This means that social practices are mainly carried out on smaller scales. There

is no real correlation of children's welfare practices among outlets (except for Cotlands which is supported nation-wide) and therefore different outlets support various children's organisations and schools. For sport affiliations, the most popular practices are outlets supporting netball, hockey or soccer through sponsorship, usually by supplying equipment or holding orange bowls. Soccer is especially focused on because of the eminent Soccer World Cup. The involvement in sport is more limited than children's welfare. The main reason for this is that greater sports involvement would require more proactive involvement by an outlet which is currently not the trend at outlets. It is now time to review some of the major beneficiaries of McDonald's. This is done so as to establish what level of social involvement McDonald's has with its beneficiaries. It is now necessary to review some of McDonald's SA major beneficiaries.

5.3.3. Major beneficiaries

The contribution that McDonald's made to Cotlands at the beginning of 2007 from fundraising, which occurred on World Children's Day the previous year, is R 5000 000. This is the amount collected nation-wide from the 107 outlets. There are occasionally smaller amounts donated to the organisation, for example through the tin collection scheme or other events, but this amount is the biggest and demonstrates a huge social giving by the company.

When Cotlands was contacted, the response was that McDonald's deals with Cotlands in Johannesburg and it has been doing so for many years. McDonald's does definitely support Cotlands but mostly on a financial basis by donating large sums of money. The organisation noted that the donations are extremely welcome and needed but did not make reference to other involvement except for the occasional party thrown for the children, but this does not occur on a regular basis (Mr. Russell, January 2008, Cape Town).

The Cotlands website mentions McDonald's as one of its many contributors but does not make other special mention of the organisation. This is unlike other organisations such as De Beers and Spar who each have individual projects running with Cotlands.

This again highlights McDonald's predominantly monetary involvement with the organisation (Cotlands website, 2008).

'Twice-as-Nice' is a foundation that does fundraising for children affected by poverty, HIV/Aids and other social issues. McDonald's is a partner of the foundation and sponsors events by donating meals and having Ronald entertain groups of children. This is McDonald's SA most interactive initiative. This is because staff volunteers get involved in handing out the meal packages and head management are usually present at the events. The Foundation reports that the events are always a great success and in 2007 collected over R200 000 to donate to various beneficiaries but this was not only money contributed by McDonald's (Big Mag, 2007).

Tygerberg Hospital and the Red Cross Children's hospital were two places frequently noted as key beneficiaries of McDonald's, particularly in the Western Cape. Findings reveal that sponsorship of equipment is high for the hospitals but there are also visits by Ronald and parties for the children. Again though, only a few outlets participate in this type of involvement. This type of social practice does indicate a more interactive relationship than with other noted beneficiaries. Tygerberg Children's Hospital (Hospital Representative, 08/01/08, Cape Town) in particular mentioned the dedicated involvement of the Tableview, Parklands and Milnerton franchise outlets. These outlets host children's parties, supplying children with food and entertainment by Ronald, and make contributions to the institutions.

5.3.4. Concluding remarks

The findings show that there certainly is involvement on some level with the community. The extent of the involvement is unfortunately limited or to a great extent on a monetary basis. This kind of involvement often reveals a more image-conscious approach to social practices where the organisation is seen as making large donations to appease interest groups. Actual proactive individual outlet participation in the community is restricted though. An outlet manager even noted that since the surrounding community is quite rich, the outlet staff would need to travel too far to help poorer communities (Sandton Manager, 14/01/08, Gauteng). This kind of attitude

to social practices is of course undesirable but still common. It is therefore time to review the perceptions of CSR and social practices that exist amongst McDonald's outlet managers so as to further discuss the social practices findings.

5.4. KEY FINDINGS

It is now time to discuss an evaluation of the key findings in relation to perceptions and social practices. These key findings have been analysed and grouped together for easy interpretation. They reflect the type of social practices and perceptions of CSR that exist and also what they mean in terms of McDonald's outlet managers' understanding of CSR and their level of engagement with the concept.

i. Monetary donations and community engagement

The results show that there is definitely less active engagement or hands-on behaviour taking place than monetary donations. Major expenditure is consequently noted to be on community sponsorship and not community engagement. Outlet managers stated that for social responsibility to be successful and have long-term benefits, people in the broader community need to be educated and not only given, for instance, financial aid. In other words, it is not good enough to only sponsor hamburgers but it would be necessary to educate people so as to develop society. This would in turn raise awareness of social responsibility in all of society. Unfortunately, this perception is not carried through into social practices because there is a severe lack of community development initiatives.

Some limited community engagements were mentioned, such as building houses for McDonald's employees who had lost their houses during severe storms. The other examples involved clothing drives for the community and on certain occasions staff actually helped prepare and sell food products at events at a reduced cost or free of charge. These events are usually held at schools, sport events or fundraisers and the majority of such events involve children (Sun Valley Manager, 09/01/08, Cape Town; Ottery Manager, 08/01/08, Cape Town).

Out of 33 outlets only 8 demonstrated a consistent level of involvement in social practices whilst some of the other outlet managers noted occasional involvement and 4 outlet managers indicated that, aside from mandatory activities, little or no involvement is the norm. These results only focus on individual community engagement. All outlet managers noted high levels of monetary donations, in particular to Cotlands, which is the national beneficiary, yet again not on a constant but rather a once-off basis. The overriding perception and result therefore indicate a stronger monetary approach to social involvement. Outlet managers stated that even though this might be the case they do not necessarily hand-out actual monetary gifts.

This means that when societies or organisations approach outlets or Head Office asking for sponsorship or donations the company is rather inclined to contribute through sponsorship, for example of sports equipment, or initiatives such as the 'Orange Bowl' or 'McPrincipal Nights' which involve sponsoring food and drink. This to some degree illustrates community engagement but on a small scale again and sponsoring equipment can merely be a form of donating money rather than having managers actually going into communities or getting involved in community projects. This leads on to the next issue of McDonald's adopting a reactive approach to social involvement.

ii. McDonald's reactive versus proactive approach

Predominantly outlets, and to a certain extent even Head Office, refer to themselves as being reactive instead of proactive when it comes to social involvement. Obviously mandatory or set-out events are treated proactively but other involvement is usually dependent on people or organisations approaching the outlets or Head Office. Only at this point will the company decide whether or not to get involved.

This means that very often only when McDonald's is approached will it then decide to get involved or donate something. One of the main CSR issues is that companies should become more proactive in community involvement and therefore incorporate social responsibility more fully into the operation of the business. Lund-Thomsen (2005:633) regards reactive behaviour, such as that seen at McDonald's, to be quite the norm though. This is because corporate accountability strategies often seem to

resemble a fire-fighting approach instead of companies proactively ensuring social responsibility techniques are in place.

iii. Outlet cooperation

Another important point raised is that 15 out of the 33 outlet managers reported that they often work in conjunction with other outlets on social initiatives. Research reveals, though, that this is done perhaps one to three times annually on a national level for larger events such as World Children's Day and World Aids Day, but not on a regular basis. The outlet managers who did mention high cooperation were mainly franchisees who own multiple outlets which are located in the same area. This highlights that cooperation is the exception rather than the norm.

Head Office states that if they hold a function, which is not nationally driven but when Head Office has been approached to participate in an event, that they will get various McOpCo outlets to get involved but not necessarily franchise outlets. This is because franchise outlets are independently run and Head Office cannot make demanding additional requests on them, but they can on McOpCo outlets because they are operated directly by Head Office. This is just another difference noted between McOpCo and franchise outlets. What this means for McOpCo outlets is that some McOpCo outlets may be called upon to participate in more events than others, simply depending on the location of the events. For example, McOpCo outlets are situated country-wide but if the McDonald's Head Office in Gauteng is approached more McOpCo outlets in the Gauteng region will be asked to get involved instead of those in other regions.

Approximately half of all the outlet managers noted greater involvement in local communities by franchise outlets. The reason is that a franchisee usually owns between 1 and 5 outlets whilst Head Office owns 37 and supervises all 107 outlets. This means that a franchisee is in a better on condition to commit his/her outlet to social involvements whilst Head Office by default may support more social involvement because it operates more outlets. This can affect individual McOpCo outlets differently though, as noted above.

This heightened involvement is not true for all franchise outlets since a franchise outlet manager in Gauteng stated that the outlet had sponsored events such as McPrincipal nights in the past but that those had stopped. Even sponsorship of sports clubs had ceased. When asked why these involvements have been discontinued, no real explanation could be given and there was a sense of ambivalence. This can be related back to the issue of franchisees not being forced to engage in additional involvements unless they choose to (Edenvale Manager, 15/01/08, Gauteng).

A second dynamic raised between Head Office and franchise outlets is the occasional social involvement policy disagreement. Two Gauteng outlet managers (January 2008) stated that there can be conflict between the mandatory requirement to support national selected causes versus initiatives individual outlets may want to support. For instance, a franchisee claimed that he would prefer to support the SPCA instead of the current charity. This is not the view of all the outlets but at least 5 outlet managers made mention of having to align with national initiatives, but on an exclusively monetary level of engagement.

Another factor noted by 2 outlets, one being in Gauteng and the other in the Western Cape, is the location of the outlet. The majority of all outlets nation-wide are located in affluent areas, although this is slowly changing to include township areas as well. The Tableview Manager (05/01/08, Cape Town) therefore noted that since the surrounding area is very rich, the outlet must travel further outwards to the townships for community engagement. This is reportedly happening with the three linked outlets, Tableview, Parklands and Milnerton which are all owned by the same franchisee, and which are sponsoring the Bothasig soccer club in the Bothasig community which is in a very different location from the outlet (Big Mag, Jul-Aug, 2007).

Unfortunately not all outlet managers take this initiative to support communities outside the outlet location. A franchisee from Gauteng stated that since his outlets are situated in the rich Sandton area the outlets would need to travel far to engage in social involvement and so therefore he rather focuses social initiatives more internally on employees. The outlet does have employee initiatives in place such as a transport system that picks up and drops off employees everyday for work. This is not common

practice for other outlets in country. The Cavendish Manager (06/01/08, Cape Town) agrees with such an approach, that more attention should first be focused on McDonald's employees, and states that before embarking on external social initiatives more internal focus should occur.

Finally, a key issue that comes into play here is whether outlets would get involved at all if there were no mandatory initiatives, since there is currently no reporting obligation. This could be the case particularly for outlets that already have very few social initiatives. In contrast though other outlets, just over half of the 33 outlets, have taken on personal initiatives to further community involvement but this is dependent on outlet manager motivation and commitment.

iv. Ronald McDonald

One of the last but definitely most frequently cited images perceived by all 33 outlet managers as relevant to CSR and social initiatives is Ronald McDonald. Ronald is always mentioned and seen as symbol or promoter of CSR ideals. This is because Ronald is the key figure for most of McDonald's general advertising, social and sport involvement. Ronald McDonald's involvement is strongly noted as a tool used nationally by McDonald's SA to further their balanced and active lifestyles campaign. Some of the other events and activities of Ronald are: sports functions, charity events like World Children's day celebration, hospital and orphanage visits and partnering with, for example, the South African Police Service (SAPS) for informative seminars.

Ronald McDonald is a key representative of McDonald's along with the company's golden arches. Bojie and Rhodes (2005) describe Ronald McDonald to be a social movement figure or transformational figure. Ronald forms part of all the major initiatives that McDonald's is involved in or try to promote. The majority of all McDonald's events will have Ronald present, actually participating or hosting the event.

Ronald has even been revamped to make him healthier and fitter. This new image forms part of McDonald's balanced and active lifestyles campaign. Since McDonald's supports international events such as the FIFA World Cup and the Olympic Games, this new healthier and fitter image of Ronald is more appealing and appealing. It must

be questioned whether Ronald, as a transformational leader, is actually changing behaviour or simply changing the public's perceptions and image of McDonald's.

This is why it is important to contemplate whether Ronald can actually be seen as a representative or mascot of CSR and what it means for CSR to have a clown portraying social responsibility. It can be seen as fun and comical but this image could be concealing the seriousness of CSR. On the other hand, Ronald can be a useful tool for McDonald's image and an efficient way to display their corporate responsibility while keeping to the image that McDonald's has created for itself. Finally it is clear that Ronald is a, perhaps unintended, representative of CSR and forms a very big part in shaping managerial perception of CSR. Ronald also participates in actual social practices, which brings the character to life and therefore he forms part of both perception and social practices.

5.5. CONCLUDING REMARKS

The aim of the research was to explore McDonald's SA in relation to how the company interprets CSR and practices SR involvement. Another key purpose was to ascertain whether the company is truly following stated policies, by examining social practices.

Overall, the managers seem to have positive perceptions of the company, yet results did show varying perceptions on some McDonald's issues. For example, no manager referred to the CSO policy that Head Office state exists. In line with working at McDonald's, only 2 managers out of 33 were definitely not happy with the working conditions. Other managers did mention that the working environment is harsh but were happy to accept this fact, either because they understood the competitive nature of the industry or because they wanted to work hard and climb up the career ladder. Yet the ambition held by quite a few managers to own their own outlets seem very long-term because of the funds required. Franchisees on the other hand seem more confident about opening and running more outlets even though the pressure to maintain continuously high returns is enormous.

An issue that all outlet managers agree on is that McDonald's is people-focused and the majority of outlet managers perceived McDonald's to be a fair yet strict employer. This means that career development and training is available although differences were noted in responses from McOpCo and franchise outlets. The most pronounced divergence is the perceived personal and more in-depth attention at franchise outlets versus the McOpCo outlets, where restaurant managers felt over-worked. It is clear that managers have been well trained to follow and portray McDonald's desired image. None-the-less managers were not particularly reserved when they felt strongly on a topic. For instance, the Cavendish Manager (06/01/08, Cape Town) stated that increased education of employees would be vital and two managers, like the Sun Valley (09/01/08, Cape Town) and Bruma Manager (15/01/08, Gauteng), both felt strongly that there should be more social involvement at McDonald's.

There are fewer discrepancies between perceptions and practices than were expected. This is because outlet managers did not overly promote McDonald's social involvement but quite a few managers actually stated that there is a distinct lack of focus on social involvement. This was then illustrated when social practices were investigated. The issue surrounding social practices is also more to do with the level and intensity of the involvement rather than the nature of the involvement itself. This is because from the outside McDonald's may be seen as being very active on a social level due to the huge monetary donations they give on a yearly basis, but research shows that individual outlets, each of the 107 outlets in the country, do not necessarily engage in sufficient social practices. This discrepancy was made even clearer between the two different types of outlets that exist. This is because overall McOpCo outlets noted less individual engagement than franchise outlets, although it must be noted that up to three franchise outlets did not in fact engage in any other social involvement except for mandatory events.

The issue that highlighted the most division amongst perceptions and practices is the question surrounding environmental sustainability and projects. A good majority of managers cited environmental sustainability to be one of the most important aspects of CSR but when asked whether McDonald's is engaging in such activities only 10 outlet managers agreed that they were whilst 2 stated there are no programmes.

A key finding, in relation to CSR, is that there is a distinct lack of knowledge and integration of CSR understanding. This is due to Head Office information not filtering down to outlet managers. Outlet managers did not or could not report on CSO and its specifics even though Head Office made it very clear that such a policy does exist and is strategically integrated at the company. Head Office may wish to argue that since they decide on major issues, such as social involvement, suppliers and other key operating systems, as long as they are implementing CSO that it does also affect the outlets. This does not lessen the fact that no outlet identified the CSO strategy and for the policy to be properly integrated all outlets should be aware of and proactively engaging with it.

The issue of communication throughout the organisation is thus also questionable. It is clear that McDonald's still operates under a very hierarchical system and there is very little communication between outlets. This is definitely highlighted by policies not being mentioned by the outlets and demonstrated by a lack of reporting on policies and also social activities. For example, when managers were asked whether they perceived employees to get training on codes and principles of McDonald's and CSR understanding, only 17 outlet managers said yes, even though Head Office stated that all employees received clear and accurate induction training. McDonald's does produce and hand-out manuals such as the crew-handbook which is given to employees, but there seems to be a lack of further communication on issues concerning the company, like the CSO policy.

It could, on the other hand, not necessarily be the company's fault but the managers themselves who do not make sure they have all the information and then obviously cannot relay the messages to employees. This could be the case because a lot of the outlet managers see themselves as independent and therefore do not see themselves as part of the bigger picture. This would mean that Head Office policies such as CSO get overlooked or taken for granted. This can be the same reason why individual outlets do not take the initiative to incorporate more social practices. Outlets are only forced to participate in a limited number of national events and simply choose not to participate beyond this.

The overall findings on social practices indicate that children's welfare along with sport affiliations are definitely key social involvement categories for the McDonald's corporation world-wide, including South Africa. Outlets closely follow mandatory initiatives but only a couple of outlets proactively pursue other initiatives. The following key concerns are raised:

- Outlets are not forced to participate in social involvement beyond the mandatory initiatives
- There is no regulation on individual outlet practices
- There is also no structured reporting system for social practices. The avenue open for managers who wish to report social activity is through the Big Mag publication. Some managers use this channel frequently but other outlets are not even mentioned once in the publication over an entire year.
- Big Mag reveals only 38 children's events and 8 sport affiliations for the year 2007. There is lack of community development projects even though managers agreed that these should be important.

South Africa is also not mentioned in any McDonald's worldwide CSR report. A reason given for this is that McDonald's South Africa is still small compared to other countries and even locally with other fast-food companies. This is the same explanation used for not having a Ronald McDonald House and for limited or small scale involvement in social practices. Another reason is that there are no real set guidelines on the social benchmark of CSR either from the government or pressure from Head Office except to produce profits and participate in mandatory activities. This raises the question of whether voluntary involvement works. With only 8 out of 33 outlets being proactively and on a continuous basis engaged in social activities, this does not indicate a high success rate for voluntary involvement. Profit margins do factor into how much social involvement takes place, but none of the outlet managers cited financial reasons for not participating in social initiatives.

Finally, managers do acknowledge that community interaction is very important. Yet with only a few outlets engaging frequently on an individual level, social practices do seem to be occurring on a rather superficial level even though large monetary donations are being made. Legislation and enforcement is stated to be lacking but some managers do not particularly want more regulation because it would impact

especially on profits. This highlights the importance of a proper understanding of CSR and also the need for a more structured social benchmark. This would clarify issues surrounding CSR and social practices. The final chapter of this study will now give an overall conclusion on CSR and the findings. The chapter shall also give suggestions for future research.

Chapter 6

CONCLUSION

This final chapter begins with a look at corporate social responsibility and the prospects of CSR truly becoming an integrated feature of the business world. Following on is a concluding look at fast-food and corporate responsibility, which shall lead into a summary of the major findings of the study. Lastly, suggestions for future research shall be given.

Porritt (2005:183-184) states that CSR is being included for some issues, in a few industries and in certain management strategies. Although not a very optimistic outlook it does indicate that CSR requires a very specific approach and is at least to some degree possible. When examining the research findings, it is clear that McDonald's international and McDonald's SA both have policies of CSR. There is also social responsibility (SR) involvement present at McDonald's globally, and similar initiatives are pursued world-wide. McDonald's SA, however, does not have a very integrated CSR approach since none of the managers mentioned the CSO policy. Social practices were found to be present in South Africa but at the outlet level the overall consistency and level of involvement was low.

A problem often hindering CSR is that it is perceived as a 'risky' business undertaking because it diverts from the key ambition of the business which is to make profits. This is why it is necessary for society and corporations to change this type of perception of CSR so that it becomes an integrated part of business life. Overall, McDonald's SA managerial perceptions of CSR were positive yet there was not much effort or understanding of how to integrate the concept better into daily business operations.

A second issue is that a corporation's CSR spending is sometimes perceived as deflecting criticism off their unsustainable practices (Fig, 2005:603). Porritt (2005:242) refers to this as the seductive illusion of CSR. For example, McDonald's "balanced and active lifestyles" campaign could be seen as hiding the bad traits of fast-food which can include health problems. Brammer and Pavelin (2005:42) state

that companies use social investment as an insurance policy to deflect criticism off behaviour which stakeholders could deem irresponsible. CSR, like the triple bottom line, does help raise awareness of important issues and many good deeds, such as community involvement, are done in the name of CSR. This is only beneficial, though, if the progressive outcome leads to more sustainable behaviour. This research revealed that McDonald's social practices' are more focused on holding community events and activities instead of organising community projects. For example, the outlets may hold parties for schools but McDonald's does not focus on offering training initiatives within communities.

Finally, it is clear that the world requires CSR because society, in particular businesses, need to make desirable changes especially for ecological sustainability and the future development of the human race. McDonald's responsibility to society is not about benevolence, philanthropy or solving the problems of the world, but about proper business conduct wherever it operates. This reverts back to the ideals of morality and ordinary decency (Porritt, 2005). If corporate perceptions and beliefs are skewed towards a solely profit-seeking capitalism then CSR initiatives will have difficulty establishing themselves and being properly integrated. McDonald's is aware that it needs to demonstrate a positive, socially responsible image. However, there needs to be better CSR guidelines, more regulation and monitoring of corporations, so as to ensure that proper CSR initiatives and practices are occurring.

6.1. FAST-FOOD AND CORPORATE RESPONSIBILITY

When one applies the triple bottom line analysis it is clear that on two fronts the fast-food industry's activities could be seen as having a major impact. The first one being the environmental bottom line since the industry produces food which requires the use of natural resources. The second bottom line focuses on social responsibility, for example responsibility towards the society or community in which the outlet operates. This also includes how workers are treated and if the products or services the corporation offers are benefiting society.

Fast-food may offer an efficient service especially for the working parent or university student but whether the industry contributes positively to lifestyles and social interactions is questionable. This study has not been a campaign to suggest that the fast-food industry is evil and should be shut-down but pressure should be put on this industry, which influences societal life so greatly. Yet in South Africa most fast-food outlets are not compelled to have their social responsibility regulated or checked. There is greater pressure in developed countries for such companies to conform but such ideas and practices need to filter through globally. At McDonald's SA there is also very little monitoring and control of outlets' social practices.

The problem is; how can the fast-food industry be encouraged to adhere to social responsibility policies. Performance measures definitely need to be put into place. When it comes to the social bottom line, the fast-food industry should inform customers correctly of their products and business operations, thereby ensuring that all patrons have the information required to make informed decisions. The industry also needs to be more proactively involved with communities. This not only refers to monetary donations but proactive community programmes that could contribute positively to people's lives.

6.2. MAJOR FINDINGS

The major findings of the research are summarized below so as to gain an overall perspective of the research and what the study has been able to investigate and reveal.

1. There is a disconcerting lack of knowledge of McDonald's CSR policies by the outlet managers. This shows a lack of correlation between Head Office and outlets when it comes to policies like CSO.
2. When it comes to social practices the major findings are: firstly few outlets continually participate, secondly, large monetary donations are more common than community engagement. Some outlets did demonstrate high levels of involvement within the community but this number equates to less than a quarter of all outlets visited. The overall fundraising capacity of McDonald's SA can be seen as enormous with figures, such as, over a million Rand being

published in the newspapers. Yet the value of this money, compared to the profit margins of McDonald's, will probably be quite minimal. A reason for stating this is because it costs in excess of a million Rand to open a franchise and renovations which are taking place at the moment amount to over two million Rand. Lastly, but very importantly, reporting of social practices is not enforced yet is encouraged. Reporting only takes place in the Big Mag which is an internal magazine not available for public viewing.

3. The CSR-related changes that have been secured have often been because of community organisation and activism, showing how important such social movement activity is in enforcing regulations. The limited regulations alone are insufficient.
4. The emphasis of the company is on standardisation of its food production and retailing, as the six-hundred page manual so graphically illustrates. This demonstrates how companies focus on the economic bottom line or the intricacies of their productive activity and how easy it is for CSR to become just a publicity tool.
5. An 'open door policy' does exist at McDonald's and it is exercised at most McDonald's outlets. Yet only selective information is given out to the public. This is for security and competitive reasons which can be expected, but reporting on social practices would not harm a firm's image or competitive advantage but rather boost it. This lack of reporting is therefore indicative of limited social initiatives except for major monetary donations and Cotlands fundraising which is publicized. The company also advertises accomplishments, for example being placed 6th in the 'Best Company to Work For' survey but again is very selective in what it divulges.
6. CSR is perceived as something beneficial and necessary but managers did not specifically state that it forms an intricate part of their outlet operations. Managers also noted that there are too many additional compounding factors, for instance problems facing the country like corruption, which limit the integration of CSR. This indicates a displacement of CSR and shifting responsibility onto other factors instead of taking the prerogative to exercise more CSR.
7. Outlet managers predominantly do not see the bigger picture. What this means is that they consider themselves as one small outlet in one suburb not as forming

part of the universal McDonald's. This is visible from managerial responses such as: 'how could a single outlet make a difference' and the other extreme is that, 'surely national McDonald's is doing more than enough'.

8. Lastly, McOpCo outlet managers described involvement in fewer social practices except for the occasional larger national McDonald's events. Franchise outlet managers registered more independence when it comes to the work environment and social practices.

6.3. SUGGESTIONS FOR FUTURE RESEARCH

The fast-food industry is an ever-growing sector. This is due to convenience living and instant gratification being key societal ideals. This is why further research will not only be beneficial but also necessary. It is clear that the fast-food industry is under-researched in South Africa and those companies, especially independent outlets, do not focus as much attention on their social investment policies as they should. Perceptions gathered on social initiatives are predominantly positive but it is time to change these perceptions into practices that benefit communities

Suggestions for future research would be to compare different fast-food industries in the country which would aid in the discussion of whether CSR is a rising phenomenon or whether most outlets perform the same, with little reporting on social practices and actual community involvement remaining limited. Further research could also examine McDonald's CSR involvement from the employee's perspective. It may be difficult to gain access to the employees but the findings would be important to compare to managerial perceptions.

Finally, this research has been successful in examining the different facets of corporate social responsibility and the study will hopefully contribute positively to future research on the topic and specific industry. The study definitely highlights the growing trend to include CSR policies at the business operations level. Larger corporations, such as McDonald's, do on an international and even to some degree national level, have such policies in place. However, McDonald's SA does not have an accurate CSR reporting system. The integration of such CSR policies into South

African outlets is far too limited, demonstrating quite an underdeveloped understanding and use of the concept. When social practices come into question it is again clear that encouragement rather than rigid enforcement and reporting is predominant. Mandatory social events are visible, illustrating at least some involvement and a few outlet managers did show astounding self-determination to be actively socially involved. There is too little evidence, however, to suggest that this is becoming the norm rather than the exception.

Global and local social movements can bring on such change, though. This, alongside corporations shifting to a more integrative perception of CSR, can ensure that such factors do gain more ground. Paying more attention to the third bottom line, the social benchmark, can ensure that the communities in which industries operate benefit to some degree from the astonishing profits major corporations make. This would hopefully offset some of the negative effects of the industry.

APPENDIX**APPENDIX 1**Interview Schedule

CONTACT DETAILS					
	Outlet	McOpCo or Franchise	Date visited	Telephone number	Address
	Eastern Cape				
1	Cape Road	Franchise	06/09/07	041 373 1080	Cnr Cape Road & Penny Street, PE
2	Beach Road	Franchise	06/09/07	041 582 3133	Cnr Beach Road & La Roche Drive Humewood, PE
	East London				
3	East London	Franchise	16/04/08	043 727 0778	Cnr Devereux & Balfour Roads Vincent East London
4	East London	Franchise	16/04/08	043 727 0778	Cnr Devereux & Balfour Roads Vincent East London
	Western Cape (Cape Town area)				
5	Adderley Street	Franchise	08/08/01	021 462 4940	Shop 4 Grand Parade Cnt Adderley Street Cape Town
6	Brakenfell	Franchise	26/09/07	021 982 3391	Cnr Old Paarl & Jeanette Road Brakenfell
7	Cape Gate Mall	Franchise	25/09/07	021 982 6378	Shop 26, Cape Gate Shopping Centre Okavango Road Brakenfell
8	Cavendish	McOpCo	06/01/08	021 683 8266	Cavendish Square & Dreyer Street Claremont
9	Century City	McOpCo	25/09/07	021 552 0090	Shop FC6, Canal Walk Shopping Centre, Ring Road, Century City Boulevard
10	Greenpoint	Franchise	05/01/08	021 419 3715	Cnr Fritz Sonnenberg & Bill Peters Drive Greenpoint
11	Observatory	McOpCo	04/01/08	021 448 9531	Cnr Main, Sussex & Norfolk Roads, Observatory
12	Ottery	McOpCo	08/01/08	021 704 2284	Ottery Hypermarket Ottery Road Ottery
13	Parow	Franchise	04/01/08	021 930 8619	Cnr De La Rey Road & Jean Simmons Street Parow
14	Parklands	Franchise	08/01/08	021 557 1131	Cnr Parklands Main Road & Wood Drive
15	Pinelands	Franchise	02/01/08	021 531 4545	Forest Road, Howard Centre, Pinelands
16	Stellenbosch	Franchise	07/01/08	021 886 6570	Cnr Merriman & Andringa Streets Stellenbosch
17	Sun Valley	Franchise	09/01/08	021 785 6776	Cnr Buller Louw & Sunnydale Roads Sun Valley Fish Hoek
18	Tableview	Franchise	05/01/08	021 556 1114	Bayside Shopping Centre Blaauberg Road Tableview
19	Tokai	Franchise	03/01/08	021 712 6391	Cnr White & Main Roads Tokai
20	Tyger Manor	McOpCo	24/09/07	021 919 0344	Cnr Bezuidenhout & Willie van Schoor Streets Bellville

21	Tyger Valley Mall	McOpCo	24/09/07	021 9148642	Tyger Valley Mall Shopping Centre, Food Court, Durban Road
	Gauteng				
23	Bruma	Franchise	15/01/08	011 622 0386	Marcia Road & Ernest Oppenheimer Sts Bruma
24	Craighall		17/01/08	011 787 1948	Cnr Lancaster Avenue & Jan Smuts Avenue Craighall Park
25	Eastgate		15/01/08	011 616 0622	Shops L57-59 Lower Level Eastgate Shopping Cnt
26	Edenvale	Franchise	15/01/08	011 452 3794	Cnr Seventh Street & Van Riebeeck Avenue Edenvale
27	Sandton City Mall	Franchise	14/01/08	011 784 1235	Shop L2, Sandton City Cnr Rivonia Road & 5th Street, Sandton
28	Sandton	Franchise	14/01/08	011 883 0712	Cnr Grayston Drive & Rivonia Road Morningside
29	Kempton Park		17/01/08	011 394 4451	Cnr CR Swart & Monument Roads, Kempton Park
30	Midrand	Franchise	16/01/08	011 312 1796	Grand Central Boulevard & Church Streets Midrand
31	Northgate	Franchise	14/01/08	011 794 5228	Northgate Shopping Centre Witkoppen Road Northriding
32	Strijdom park	Franchise	15/01/08	011 792 4801	Cnr Hans Strijdom & Hill Streets Randburg
33	Rivonia	Franchise	15/01/08	011 234 0039	Cnr 7th & Rivonia Road Rivonia
34	Woodmead	McOpCo	16/01/08	011 802 5223	Cnr Woodmead & Waterval Roads Woodmead
35	Mrs. Eales	Head Office	16/01/08	011 236 2300	McDonald's Head Office, Gauteng
36	Mr. Robinson	Head Office	11/09/07	011 236 2333	McDonald's Head Office, Gauteng
	Outlets who did not respond or did not wish to be interviewed				
1	Somerset West Mall			021 852 9014	Western Cape
2	BP South	McOpCo		011 678 0020	Gauteng
3	BP North	McOpCo		011 678 2234	Gauteng
4	Rosebank	Franchise		011 788 4477	Gauteng
5	Carlton	McOpCo		011 331 8427	Gauteng
6	Blackheath	Franchise		011 478 1045	Gauteng
	Other interviews				
	Cotlands	Mr. Russell	07/01/08	021 8523527	Western Cape
	Tygerberg Children's hospital	Ms. Engelbrecht	08/01/08	021 938 4538	Western Cape
	Red Cross Foundation	Ms. Teladia	09/01/08	021 6585111	Western Cape
	Trade Union : SACCAWU	Mr. Lee	20/06/08	082 3365327	National

APPENDIX 2

Outlet Manager Questionnaire and Interview Questions

QUESTIONNAIRE: SOCIOLOGY RESEARCH

Rhodes University

Please cross or write on the line your desired response. Please be informed that you do not have to answer any question you would prefer not to. Where the term 'Company' is used it is referring to corporate McDonald's.

➤ 1. MANAGER INFORMATION

1. Male _____ Female _____
2. Nationality
 - a. South African _____
 - b. Other: _____
3. Race:
 - a. Black _____
 - b. White _____
 - c. Coloured _____
 - d. Other _____
4. Job title: _____
5. Job Description: _____
6. In which region is the outlet you work at?
 - a. Western Cape _____
 - b. Eastern Cape _____
 - c. Northern Province _____
 - d. Gauteng _____
 - e. Pretoria _____
 - f. Mpumalanga _____
 - g. North West Province _____
 - h. Free State _____
 - i. Kwa-Zulu Natal _____
7. Since which year have you been a McDonald's Employee and then a Manager?
Employee: _____ Manager: _____

➤ 2. COMPANY VALUES AND OBJECTIVES

8. Which of the following terms would you use to describe McDonald's? **Please only tick 3 boxes.**
 - a. Energetic _____
 - b. Caring _____
 - c. Forerunners in fast-food _____
 - d. Quality _____
 - e. People-focused _____

- f. Profit-driven _____
 - g. Other: _____
9. How would you define the McDonald's image? **Please only tick 2 boxes.**
- a. Influential _____
 - b. American _____
 - c. Trustworthy _____
 - d. Competitive _____
 - e. Other: _____
10. "Be a good citizen...Be involved in the life and spirit of the community you serve" **Is this statement relative to McDonald's?**
- Agree _____ Disagree _____
11. **Does McDonald's have an 'open door' policy?**
- Yes _____ No _____ Not sure _____
- Comments: _____
12. **Which quote or phrase would you use to best describe the Company and then the outlet?**
- a. Company: _____

 - b. Own Outlet: _____

13. **Do you have a clear definition of the Company's values and rules of conduct?**
- Yes _____ No _____
14. **If YES, how did you receive this information?**
- a. Corporate McDonald's _____
 - b. Outlet documentation _____
 - c. Word-of-mouth _____
 - d. Other: _____
15. **Do you communicate your Company's values to:**
- a. Customers _____
 - b. business partners _____
 - c. suppliers _____
 - d. Other interest parties _____
16. **How:**
- a. Reports _____
 - b. Notices in-store _____

- c. Pamphlets _____
- d. Other: _____

17. How would you rank the following business initiatives inline with Company values, **6**

being the highest rank:

- a. People _____
- b. Place _____
- c. Products _____
- d. Price _____
- e. Promotion _____
- f. Profit _____

18. **Is the Company involved in social responsibility in any of the following ways:**

- a. Research
- b. Investing
- c. Environmental projects
- d. Community projects
- e. Employee commitment
- f. Other:

19. **What are the Company's major categories of expenditure in terms of social investment?**

- a. Active community relations including involvement of available company skills in upliftment programs _____

- b. Bursaries/learnerships _____

- c. Arts sponsorships, gifts in kind, etc... Please specify: _____

- d. Other programs for employee involvement in the community _____

- e. Other _____

➤ **3. SOUTH AFRICAN FOCUS**

20. **Do you believe the fast-food sector to be exercising acceptable or proactive practices**

- a. Workplace practices Acceptable Not acceptable Proactive
- b. Employee relations Acceptable Not acceptable Proactive
- c. Community involvement Acceptable Not acceptable Proactive
- d. Quality (food and services) Acceptable Not acceptable Proactive

e. Comments:

Any improvements: _____

21. **Do you think, given South Africa's challenges such as HIV/Aids, poverty eradication, community development and diversity, do you see a role for social responsibility in promoting social change?**

Yes _____ No _____

Please elaborate: _____

➤ **4. SOUTH AFRICAN OUTLETS**

22. **Does your outlet offer training opportunities to people from the local community (e.g. apprenticeships or work experience for the young or for disadvantaged groups?)**

Yes _____ No _____

23. **Do you have an open dialogue with the local community on adverse, controversial or sensitive issues that involve your enterprise?**

Yes _____ No _____

24. **If YES, which of the following issues:**

a. accumulation of waste outside premises _____

b. vehicles obstructing roads or footpaths _____

c. Employee initiative _____

d. Community involvement _____

e. Supply of local products _____

f. Other: _____

25. **Are your employees encouraged to participate in local community activities?**

Yes _____ No _____

26. **If YES, then how:**

a. Community service participation _____

b. Community sports participation _____

c. Charity functions _____

d. Welfare collections _____

e. Other: _____

27. **Does your outlet give financial support to local community activities and projects?**

Yes _____ No _____

28. **If YES, then how:**

- a. Charitable donations _____
- b. Sponsorship _____
- c. Other: _____

29. If YES, then how often:

- a. Annually _____
- b. Quarterly _____
- c. Every month _____
- d. Other: _____

30. Which of the following employee initiatives apply to your outlet:

- a. Employee of the month _____
- b. Best improved _____
- c. Employee training on Company values and conduct _____
- d. Employee training concerning social responsibility _____
- e. Other: _____

31. Would you say sport affiliation is a major focus of your outlet?

Yes _____ No _____

32. If YES:

- a. Support sport clubs _____
- b. Support sport teams _____
- c. Organise sport activities _____
- d. Sponsor sporting events _____
- e. Other : _____

33. Is there focus or initiatives already inline with the 2010 Soccer World Cup?

Yes _____ No _____

34. Would you say Children's welfare is a major focus of your outlet?

Yes _____ No _____

35. If YES:

- a. Support Children's home _____
- b. Support children's hospital _____
- c. Sponsor children's activities _____
- d. Other: _____

36. Other specific charities or activities your outlet is involved in

37. Do you have any other comments to add?

THANK-YOU

Interview schedule

The following semi-structured interview schedule offered probing questions in the interviews. The questions are all focused on CSR issues and these questions were not asked in the survey because some of the questions required further explaining by the examiner. The responses also needed to be longer than a survey could provide space for.

1. Do you consider social responsibility to form part of the Company's values?

2. Does, to your knowledge, McDonald's International have a socially responsibility policy?

3. Does the Company engage with the following stakeholders?

Government and authorities

Regulators

Customers

Local communities

Media

Suppliers/ service providers

Trade unions

Other:

4. On what level does the Company engage with the following stakeholders?

5. Does the Company raise awareness **within its** outlets in relation to social sustainability issues?

6. How does the Company raise awareness **outside the** corporation in relation to social sustainability issues?

7. Does the Company use a specific reporting guideline?

If YES, what are the main guidelines?

8. Does McDonald's South Africa have a personalised social responsibility policy?

9. Does your outlet have a specific social responsibility policy or objectives plan?

10. Is there someone delegated specifically for social responsibility issues?

11. Is social responsibility an important issue for McDonald's?

12. Is there a drive to achieving and maintaining internationally recognised corporate governance standards and principles within McDonald's?

13. Prior to receiving this questionnaire, had you heard of social responsibility?

14. What does social responsibility mean?

To you personally

For your outlet

15. What criteria do you believe should be used to determine what is socially responsible behaviour? Mark from the following list and explain why:

Empowerment

Environmental sustainability

Job creation

Improvement of life

Enhanced social capital

Community contributions

Other:

16. Does your outlet use any other personalised criteria you would like to mention now?

17. What factors would influence social responsibility to feature on your business agenda?

Please rank the following in order of importance:

Global trends

Peer pressure

Aligning with Company's social responsibility agenda

Reputation

Voluntary codes

Legislation

Other:

18. Do you believe the South African business market is ready for a greater focus on social responsibility issues?

19. Do you believe it is necessary to focus on social responsibility at all in South Africa?

20. Is social responsibility well enough defined by the South African Government?

21. Should there be more clarity on social responsibility benchmarks and principles? If yes then tick which issues you believe to be important:

22. Does your outlet give financial support to local community activities and projects?

If YES, then how:

- a. Charitable donations Cont: 0- r5000 ; r5001- r20 000 ; r20 000 – 50 000 ; over r50 000
- b. Sponsorship Cont: 0- r5000 ; r5001- r20 000 ; r20 000 – 50 000 ; over r50 000
- c. Other: Cont: 0- r5000 ; r5001- r20 000 ; r20 000 – 50 000 ; over r50 000

Other comments:

APPENDIX 3

McDonald's Publications

3.1. McDonald's Crew Member Handbook 2004



On page 2 of the handbook the company speaks of its 'people promise'.

Crew Member Handbook

PEOPLE PROMISE

OUR PEOPLE PROMISE

To the 450 000 people who work at McDonald's in excess of 110 countries around the world, and to all future employees, we want you to know that:
We Value You, Your Growth and Your Contributions.

OUR PEOPLE VISION

We aspire to be the **Best Employer** in Each Community Around the World.

WHY McDONALD'S HAS A PEOPLE PROMISE AND A PEOPLE VISION

We're not just a hamburger company serving people; we're a people company serving hamburgers.

For McDonald's to achieve our goal of being the world's best quick service restaurant experience, we must be the best experience for all McDonald's employees.

Our People Promise is how we remind our people of what they can expect from us.

```
graph TD; PEOPLE[PEOPLE] --- VISION[VISION: To be the Best Employer for Our People]; VISION --- PROMISE[PROMISE: We will value you, your growth and your contribution]; PROMISE --- DRIVERS[Drivers]; DRIVERS --- R1[Respect and Recognition]; DRIVERS --- R2[Values and Leadership]; DRIVERS --- R3[Competitive Pay and Benefits]; DRIVERS --- R4[Learning Development and Personal Growth]; DRIVERS --- R5[Resources to get the job done];
```

Respect and Recognition	Values and Leadership	Competitive Pay and Benefits	Learning Development and Personal Growth	Resources to get the job done
Every McDonald's employee is consistently treated with dignity and respect and given recognition for his or her contribution.	Every McDonald's employee has a leader who listens and communicates openly and honestly and acts in the interest of all other people who contribute to the business (i.e. customers, owners/operators, suppliers etc.).	Every McDonald's employee receives pay and benefits that are fair and fit his or her contribution to the business.	Every McDonald's employee has the opportunity to advance in skill, contribution, and career level through high quality training, coaching, and feedback.	Every McDonald's employee has a comfortable place to work, with access to the materials, equipment, and information needed to do the job right.

Page 2

McDonald's community involvement is only briefly mentioned in the middle of page 5 below, under the heading of "an active community member".

McDonald's : Its Role In Local Economic Growth

- Franchised to and managed by local citizens.
- Food products and supplies are manufactured locally, wherever possible.
- Taxes paid make direct contribution to the local economy.
- Existing businesses expand and new industries are created as more McDonald's Restaurants open.
- Providing employment to more than 5000 employees in South Africa

Employment Equity Policy

McDonald's is an equal opportunity employer, committed to a diverse workforce.

Our Objective is to ensure that all employees of the McDonald's system are afforded equal opportunities for career development, training and promotions.

We are committed to ensuring that our employee structure reflects the diverse nature of the broader South African Community.

Our commitment to Employment Equity; will assist us in creating an environment for every employee to reach their full potential.

McDonald's : An Active Community Member

McDonald's prides itself on good community relations. This includes participation in community affairs and support of local charities.

"We Do It All For You"

McDonald's is proud of what it sells, proud of its employees, and proud of its role in the community. It's really quite simple, you are important to us. And because that is how we feel about our customers and communities, we take our commitment to being the best quick service restaurant in South Africa more seriously than anyone else.

About Your Handbook

To make your first experience at McDonald's more rewarding and less confusing, we have put together this Handbook. It has been designed to be easily read and to help you find the information you need. Your restaurant management team will explain additional policies or procedures which may apply to your restaurant.

From time-to-time it may be necessary to amend or improve our policies and procedures and these changes will be posted on the notice board and incorporated in this Handbook as soon as possible.

These employment policies and procedures and your personal letter of appointment constitute your personal terms of employment.







3.2. McDonald's Formula for Success Booklet

This booklet highlights the types of activities and behaviours which McDonald's strives towards and also those which are unacceptable to the company.



These activities are deemed very important and should be followed by all employees of McDonald's.

WEIGHTED TOP LINE PRINCIPLES RANKED IN ORDER OF IMPORTANCE

1		3
Service excellence		
<ul style="list-style-type: none">• Fast, accurate and friendly• Delight the customer• Exceptional delivery• Exceeding expectations• Creating special moments		
2		3
Quality		
<ul style="list-style-type: none">• 100%• If it's not right - don't serve it• Hot and fresh• Highest standards• Pride in our products		
3		2
Effective communication		
<ul style="list-style-type: none">• The left hand "nose" what the right hand is doing• Get the message through• The right message at the right time• Keeping everyone informed with relevant information• Language that everyone can understand• Seek first to understand		
4		2
3 legged stool		
<ul style="list-style-type: none">• Interdependence between Suppliers, Corporation and Owner Operators• Synergy between all three 'legs'• Supporting and co-operating with each other		
5		2
Fun		
<ul style="list-style-type: none">• High energy• "i'm Lovin'" being here• Enjoying the experience• Forever young		
14		3
World Class systems		
<ul style="list-style-type: none">• Ahead of the pack• Efficient systems that really work• Systems that enhance what we do and how we do it• We are the ones that set the standards		

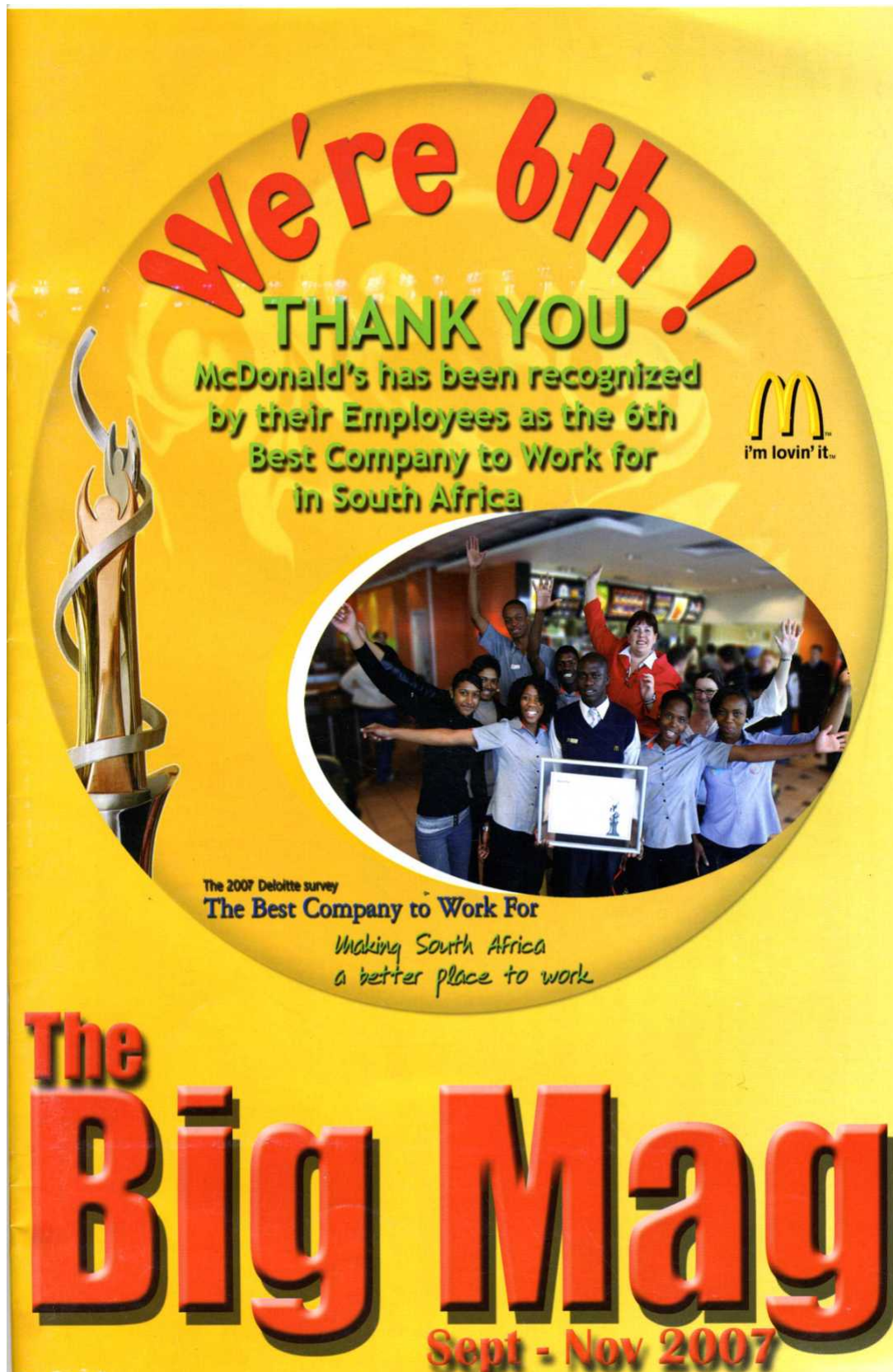
The following principles are unacceptable to the company and employees need to make sure not to engage in any such behaviour that could lead to such principles.

1		3	Unhappy customers <ul style="list-style-type: none">• Disappointing experience• Letting the customer down• Unsatisfactory• Falling short on expectations• Don't come back• Angry
2		2	Unprofitable <ul style="list-style-type: none">• Unsustainable restaurants• No money in the bank• Wasting money• Spending more than we have• Unable to cover the costs
3		2	Dishonesty and theft <ul style="list-style-type: none">• Fingers in the till• Stealing• Taking what's not yours• Telling lies
4		2	Damaging the brand <ul style="list-style-type: none">• Actions that hurt our Arches• Bad mouthing the brand• Compromising the McDonald's name in any way• Damaging our image
5		× 2	Poor M&R <ul style="list-style-type: none">• Not fixing it straight away• Lack of preventative maintenance• Neglecting our assets• Faulty / defective equipment
14			Lack of respect for time <ul style="list-style-type: none">• Failing to meet deadlines• Being late• Failing to respect each other's time• Poor time management• No show - No call

WEIGHTED BOTTOM LINE PRINCIPLES RANKED IN ORDER OF IMPORTANCE

3.3. The Big magazine

This is an example of one publication of the magazine. The Sept-Nov 2007 Edition.



An example of how Ronald McDonald activities are published in the magazine.



Ronald McDonald™ out and about

McDonald's™ Willows store opening – 15 August 2007



McDonald's™ Willows opened its doors to Willows and the surrounding community on Wednesday, 15 August 2007.

"We are proud to open this restaurant and we look forward to becoming part of this community. The opening of this McDonald's store reflects McDonald's commitment to and confidence in the communities in which we operate. Not only do we offer tasty meals for the whole family, we also plan to contribute towards the economy in this community," said Colin Masina, Consultant of McDonald's Willows.



Ronald McDonald spent most of the day there, mingling and entertaining the staff and customers. As usual there were smiles all around for Ronald. Then again that is his speciality!

Tingling Nursery School – 15 August 2007

On 15 August, Ronald McDonald™ visited the Tingling Nursery School in Alberton, where he received a warm welcome from all the kids. His pocket magic and circus show put smiles on plenty of faces. A true example of McDonald's giving back to the community through entertainment.

Thanks to Benjamin and McDonald's Alberton for organising this fun filled day!



A Big Thank You to Ronald McDonald™ from The Friends of the Children's Hospital Association!

We, The Friends of the Children's Hospital Association would like to extend our sincere thanks for the visit we had from Ronald 'McDonald' to The Red Cross Children's Hospital. He certainly is a professional at his job hence all the smiles and laughter in the wards where he visited. We trust Ronald enjoyed the experience as much as the children and carers/parents (and the hospital staff) enjoyed having him here. Thank you so much.

One of the better instincts of the human being is their love for children, and to love children is not difficult. To love a child whose health is compromised is even easier. These children who manage to smile through their pain give their love in return so freely and abundantly. Your gesture, no doubt, brought out these expressions of love.

Thanks once again and we want to wish you all the strength and wisdom you need as you continue the work you do within the various communities.

Kind regards,
Nazrina Teladia,
Executive Director of The Friends of the Children's Hospital Association
Red Cross Children's Hospital
Klipfontein Road
Rondebosch
7700
Phone: +27 21 658-5243
Fax: +27 21 658-5243
Web: www.friendsofthechildrenshospital.co.za

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Documentaries

An inconvenient truth [videorecording] / [presented by] Paramount Classics and Participant Productions ; a Lawrence Bender/Laurie David production ; directed by Davis Guggenheim ; produced by Laurie David, Lawrence Bender, Scott Z. Burns ; executive producers, Jeff Skoll ... [et al.] ; co-producer, Lesley Chilcott. Hollywood, Calif. : Paramount, c2006.

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