Common Ground:
Quality and Social Responsibility

An ASQ White Paper

ASQ
AMERICAN SOCIETY
FOR QUALITY®

About the American Society for Quality

The American Society for Quality is the world's leading authority on quality. With more than 93,000 individual and organizational members, the professional association advances learning, quality improvement, and knowledge exchange to improve business results and to create better workplaces and communities worldwide. As champion of the quality movement, ASQ offers technologies, concepts, tools, and training to quality professionals, quality practitioners, and everyday consumers, encouraging all to Make Good Great®. ASQ has been the sole administrator of the prestigious Malcolm Baldrige National Quality Award since 1991. Headquartered in Milwaukee, WI, the 61-year-old organization is a founding partner of the American Customer Satisfaction Index (ACSI), a prominent quarterly economic indicator.

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Society is placing increasing demands on organizations to operate in a socially responsible manner. But there exists widespread lack of clarity about what "socially responsible" means and how to accomplish it.

Over the past decade plus, organizations increasingly have become aware of the importance of conducting their affairs in socially responsible ways (sometimes also referred to as "ethical investment"). The concept of social responsibility is an evolving concept with increased focus worldwide on all of its various components. Based on this increased importance, organizations face the challenge of sustaining a journey of continued progress in their social responsibility strategies including methods and objectives.

The underlying premises presented in this paper are: 1.) Social responsibility, an ongoing and evolving element of an organization's overall business approach, can be effectively advanced with the appropriate use of the Quality Body of Knowledge; 2.) Experience gained in the establishment of international quality management systems standards can be valuable in the establishment of a coherent, systematic, common framework for social responsibility activities of both private and public sector organizations in developed and developing countries; and 3.) Social responsibility pays dividends.

Understanding the Social Responsibility Landscape

The field of social responsibility is vast in its scope, covering topics including social justice, fair labor practices, and environmental and corporate governance issues. That is because society is placing increasing demands on organizations to behave ethically in all manner of ways. The pressures are coming from customers and consumers, from governments, and from the public at large.

ASQ believes that being socially responsible means that people and organizations behave ethically and with sensitivity toward social, cultural, economic, and environmental issues. Striving for social responsibility helps individuals, organizations, and governments have a positive impact on development, business, and society.

With worldwide sourcing becoming the norm for so many products, the separation between producers and consumers grows wider, and people lose their sense of familiarity with the producers of the products they use. They want to know that the workers who make the shoes they buy are laboring in safe working conditions and are being paid a living wage. They want assurances that children are not being exploited as a source of cheap labor just to cut the cost of the clothing or sporting goods they purchase. Their concern for the environment causes them to ask if companies at home and abroad are taking steps to minimize adverse environmental impacts of their operations. And whether foods are processed cleanly and animals raised for food are treated humanely.

Consumers want to see a company's track record of socially responsible behavior. Many companies have responded independently to these concerns, proclaiming their commitment to socially responsible business practices in annual reports and through policy statements meant to burnish their reputations in this area. Many have reported tangible business gains as a result of these activities.

> There exists a widespread lack of clarity about what "socially responsible" means and how to accomplish it.

Starbucks published a 78-page corporate social responsibility annual report for 2006 that lays out what the company sees as the benefits of its social responsibility stance: attracting employees, retaining customers, reducing operating costs, strengthening the supply chain, and being more readily welcomed into local communities.

In just one year, from 2004 to 2005, General Electric's revenues from environmental products rose from $6.2 billion to $10.1 billion. The company's Ecomagination initiative calls for spending $1.5 billion per year on renewable energy and green research by 2010.

Toyota, an acknowledged master of lean manufacturing techniques, has reduced its manufacturing energy consumption by 30 percent since 2000.

Clothing retailer The Gap maintains that social performance positively impacts its costs, speed-to-market, and innovation. The company has observed that in its industry, product quality problems tend to be more severe at facilities where worker treatment is substandard.

Hewlett-Packard brags in its advertising that the amount of CO_2 saved when 12 people use the power-saving features built into its computers and monitors is equivalent to removing one car from the road.

The Timberland Company's commitment to social responsibility extends to providing its customers with detailed information on the environmental and community impact of its footwear and clothing. The company has introduced "nutritional labels" on its footwear modeled after the nutritional labels that consumers are accustomed to seeing on food packages. These labels state such things as the amount of energy required to produce the individual product, a material efficiency figure that measures waste in raw materials used to make the product, and the location where manufactured.

A number of programs have come into being to help companies demonstrate their social responsibility commitment while simultaneously giving consumers the assurances they seek.

The Global Reporting Initiative (GRI), an international, non-governmental organization, is the developer of the GRI Reporting Framework and G3 Guidelines that provide a common framework for sustainability reporting by organizations. Based in the Netherlands, GRI grew out of a global reporting initiative for disclosure of sustainability information that was begun in 1997 by the non-profit group CERES based in Boston. Nearly 1,000 organizations in more than 60 countries have adopted the GRI Reporting Framework.

Social Accountability International (SAI) is an international, non-governmental organization that promotes the human rights of workers around the world through development and implementation of socially responsible standards. It is most widely known as the developer of the SA8000 voluntary standard for workplaces that assists corporations in improving social compliance in their supply chains.

The Ethical Trading Initiative (ETI) is an alliance of companies, non-governmental organizations, and trade union organizations that promotes and improves the implementation of corporate codes of practice covering supply chain working conditions. Based in London,

Miller Brewing Company describes its approach to social responsibility as a corporate social investment strategy. The company marries its own 150-year tradition of commitment to good corporate citizenship with the sustainable development goals of its parent company, SABMiller, the world's second largest brewer.

"Of course, we want to address global needs, but we also want to be involved in areas where we can have a measurable impact in our own communities," according to Kim Marotta, Miller's director of corporate social responsibility.

As the focus for its corporate social investment, Miller has selected five impact areas of shared importance to the community and the company that, collectively, comprise the Miller REACH® program:

- Responsibility, reaching nearly a quarter million people this year with efforts to promote responsible consumption of alcoholic beverages.
- Employment, devoted to initiatives that promote entrepreneurship, job creation, and job training as building blocks of community economic strength.
- AIDS/HIV, supporting life-saving efforts to stem one of the most significant epidemics of our era through prevention, treatment, and education.
- Cultural diversity, supporting and partnering with organizations that celebrate cultural differences.
- Heritage initiatives, to support the unique cultural, ethnic, and festive experiences in the communities in which the company operates.

ETI's goal is to ensure that the working conditions of workers producing for the UK market meet or exceed international labor standards.

The Marine Stewardship Council provides third-party certification for seafood. Consumers can look for the MSC seal of approval to find out if the seafood they buy comes from well-managed fisheries. A similar third-party certification program is the VeriFlora certification for fresh cut flowers and potted plants that are sustainably grown.

Climate Counts is a U.S.-based organization that independently evaluates the efforts of consumer product companies to manage their effects on climate. And the U.S. Green Building Council operates the LEED (Leadership in Energy and Environmental Design) Green Building Rating System, which building owners, operators, and architects can use as a benchmark for high-performance "green" buildings that conserve natural resources and reduce operating costs.
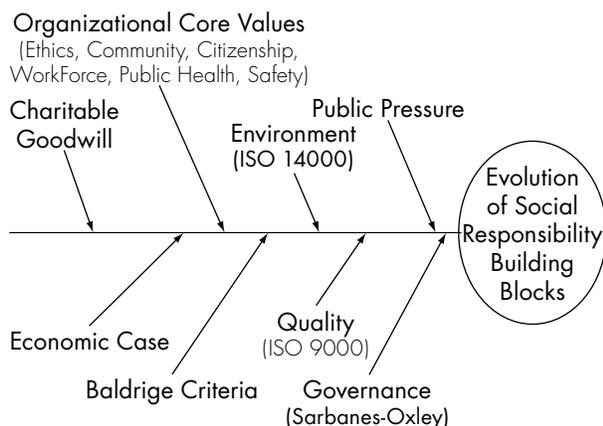
Internationally, the activities of six United Nations agencies that touch upon responsible citizenship have come under the umbrella of the U.N.'s Global Compact, a network of governments, corporations, labor, and civil society organizations that relies on public accountability, transparency, and enlightened self-interest to achieve a more sustainable and inclusive global economy.

The degree to which social responsibility has gone mainstream is evidenced by the money trail of socially responsible investing and growing business opportunities. There are now numerous mutual funds that give people the opportunity to invest in socially responsible and "green" business enterprises. And more capital is finding its way to socially responsible business opportunities such as alternative energy. For example, alternative-energy startups attracted a minimum of $727 million from venture capitalists in 2006, up from $195 million in 2005, according to the National Venture Capital Association.

The Quality Connection

ASQ as a society and its collective membership have long been committed to developing and sustaining an ongoing body of knowledge (also referred to as the Quality Body of Knowledge or QBoK). A number of the quality tools and methods embedded in the QBoK can serve as effective ways for organizations to address the social responsibility challenge. A simple fishbone or Ishikawa Diagram (named after Kaoru Ishikawa) in Figure 1 illustrates various components that make up social responsibility.

Many organizations have a rich history in supporting social responsibility within their culture and operating policies and procedures with key statements embedded in their core values. Others address social responsibility externally in their communities based on philosophies of investment and returns in a win-win scenario. An organization's planning process can take advantage of another rich data stream of information by considering the development of social responsibility as an ongoing evolution. Figure 2 illustrates key elements that have influenced the understanding and scope of social responsibility over the past 15 years.

> Consumers want to see a company's track record of socially responsible behavior.

The initial release in 1988 of the Malcolm Baldrige Performance Excellence Criteria contributed to the understanding of social responsibility in its core value statements. In this initial release of the Baldrige Criteria, organizations were challenged to respond to questions such as:

- Describe procedures for compliance with safety, health, and environmental standards.
- Describe mechanisms of corporate support of quality assurance activities outside the company.

The Baldrige Criteria emphasize social responsibility as one of 11 core values underpinning the Baldrige Award. Some key words from this core value lend insights into the scope of social responsibility:

Figure 1 Evolution of Social Responsibility (SR)

Figure 2 Key Events on a Social Responsibility Time Line
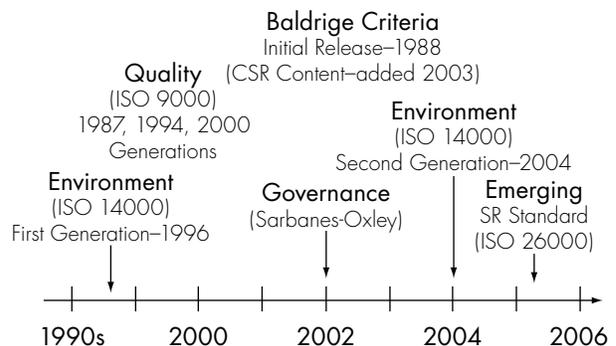
"An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence."

> Refinements to the Baldrige Criteria provide challenging questions for sustaining social responsibility focus.

Influenced to some extent by embarrassing corporate governance scandals, the 2003 annual improvement cycle for the Baldrige Criteria added more emphasis on governance accountability, a principal component of social responsibility. The refinements in this 2003 version and subsequent iterations of the criteria provide challenging questions to any organization in sustaining the social responsibility focus including examination of key metrics that provide useful feedback for improvement. Examples of questions in the 2003 version include:

- How does your organization address factors in your governance system such as:
  - Management accountability for the organization's actions
  - Fiscal accountability
  - Independence in internal and external audits
  - Protection of stockholder and stakeholder interests

The Sarbanes-Oxley Act of 2002 also provided considerable focus on governance accountability.

Additional contributions as indicated in Figure 2 include the ISO standards work of the International Organization for Standardization in areas of environment (ISO 14000—releases in 1996 and 2004) and quality system management (ISO 9000—releases in 1987, 1994, and 2000). More recently, as a work-in-progress, representatives have begun work on drafting an international standard focusing directly on social responsibility, which will be known as ISO 26000.

There are differing views of operational definitions of social responsibility and the underlying methods, approaches, and timetables for addressing social responsibility. Some organizations strive for commitment to standards or expected performance, while others aim for mere compliance. Organizations that sustain the commitment to social responsibility generally will also maintain a strong emphasis on continuous improvement.

The Next Breakthrough: ISO 26000

A major effort to deal with these multiple views and approaches to social responsibility is embodied in the emerging international standard ISO 26000 on Social Responsibility. The purpose of this new standard is to encourage voluntary commitment to social responsibility and common guidance worldwide on concepts, definitions, and methods of evaluation of social responsibility efforts. It is meant to complement and add value to existing social responsibility initiatives in the public and private sectors.

ISO, the International Organization for Standardization, has brought together individuals from 26 international organizations and 55 countries into a Working Group that is drafting this new guidance standard. Expected publication date is mid-2009.

The Working Group is composed of representatives from six main stakeholder groups: industry, government, labor, consumers, nongovernmental organizations, and others drawn from service, support, and research interests. It is led by the ISO national members for Brazil (Brazilian Association of Technical Standards) and Sweden (Swedish Standards Institute).

In the United States, the American Society for Quality has been selected to create and administer the U.S. Technical Advisory Group (TAG) on Social Responsibility. ASQ was chosen by the American National Standards Institute (ANSI), which is the official United States member of ISO, to head the U.S. involvement in development of the ISO 26000 standard. ASQ's initial role is to assemble a group of experts from a variety of industries and organizations to represent a balanced cross-section of stakeholders who will provide input from the United States in the writing of the standard.

The standard is expected to accomplish the following:

- Assist organizations in addressing their social responsibilities while respecting cultural, societal, environmental, and legal differences and economic development conditions;

- Provide practical guidance related to making social responsibility operational, identifying and engaging with stakeholders, and enhancing credibility of reports and claims made about social responsibility;
- Emphasize performance results and improvement;
- Increase confidence and satisfaction in organizations among their customers and other stakeholders;
- Be consistent with existing documents, international treaties and conventions, and existing ISO standards;
- Promote common terminology in the social responsibility field; and
- Broaden awareness of social responsibility.

The Working Group's first draft includes such elements as: terms and definitions; the social responsibility context in which all organizations operate; social responsibility principles relevant to organizations; guidance on core social responsibility subjects; and guidance for organizations implementing social responsibility. Certain core subjects and issues are still being debated internationally, requiring input of opinion from experts in the U.S. and the other participating nations. These include: environment, human rights, labor practices, organizational governance, fair business practices, community involvement/society development, and consumer issues.

Dorothy Bowers, chair of the U.S. Technical Advisory Group for the ISO Working Group on Social Responsibility, has stated that taking positive, socially responsible actions will become a condition of the right to operate. Even though these positive actions may not be legal requirements, she believes there is little doubt they will become part of the social expectations for businesses.

Putting Things In Perspective

Looking at social responsibility through a quality systems lens can bring a sense of order and clarity to a young and somewhat chaotic field that is experiencing growing pains. A quality systems perspective encourages a systematic approach that is focused on customer needs. It provides a common language, definitions, and tools—a common, fact-based foundation for analysis and action.

On the organizational level, quality tools and the Quality Body of Knowledge can provide this perspective and afford a degree of rationality to any individual organization's social responsibility approach.

Tools within the Quality Body of Knowledge such as Quality Function Deployment and the balanced

scorecard techniques can be used by organizations to translate key social responsibility elements into the internal language of the organization. When supplemented by careful selection of balanced scorecard or dashboard metrics, this approach provides a closed-loop approach (an effective approach to the Shewhart Cycle or Plan-Do-Check-Act) to managing social responsibility. Using the Baldrige Criteria as the overall "yardstick" for measuring progress over time can be an effective way to keep score and drive continuous improvement. Organizations that systematically apply tools and methods in addressing social responsibility have the potential of introducing sustainable advantage in their respective sectors.

Beyond the level of the individual organization, the knowledge gained through years of experience in developing quality management and environmental management systems standards can be an integrating force for global social responsibility reporting. Standardization through the ISO 26000 guidelines will build consensus on voluntary guidance to help organizations operate in socially responsible ways.

> Looking at SR through a quality systems lens can bring a sense of order and clarity . . . .

Quality is a necessary element of any organization's approach to social responsibility. It is to any organization's advantage to use quality tools in strengthening its approach to social responsibility and to support international, voluntary efforts to standardize social responsibility reporting mechanisms.