

The Baldrige Criteria for Performance Excellence provide a widely accepted perspective on how organizations can address societal responsibility.

Social Responsibility and Performance Excellence

Kay Kendall

Who hasn't heard about the increasing challenges for organizations to remain viable and sustain high levels of performance? How is it then that some organizations can financially succeed and still make contributions to the society?

For instance, healthcare organizations are struggling to meet fiscal goals in the face of shrinking reimbursements; yet some of them are finding ways to demonstrate financial performance and provide generous levels of support to improving the health of their communities. Baylor Regional Medical Center of Plano, TX, a 2013 Malcolm Baldrige National Quality Award recipient in healthcare, provided nearly \$200 million in community benefits between fiscal years 2007 and 2012. In 2012 alone, Baylor Plano held 103 community events reaching more than 3,600 people and providing 1,200 preventive screenings. Similarly, Sutter Davis Hospital (CA), another 2013 Baldrige Award recipient in healthcare, doubled the number of children retained by the Yolo Children's Alliance Health Initiative, a project dedicated to providing health insurance for all children in Yolo County from 2009 to 2012.

What do these organizations have in common? It is the use of the Baldrige framework to drive their ability to achieve excellent results while serving as role models for societal responsibility.

Why Baldrige? Why use a framework that requires the complete commitment of senior leaders? Why use an approach that cannot be delegated to a small cadre of practitioners? Why use criteria that ask questions but provide no answers? There are many awards that U.S. organizations can vie for but none is as all-encompassing as the Malcolm Baldrige National Quality Award. Over the years, the Criteria for Performance Excellence have evolved from an organizational examination template to an integrated systems model of validated, leading-edge management practices.

Although Baldrige is compatible with Six Sigma, lean, and other improvement methodologies and accreditation programs, it has a broader influence on organizations that use it as a framework for how they do business. One of the reasons is the criteria's lack of prescriptiveness, which makes it possible for each organization to determine its approach for implementing the key systems. Another reason is its ability to mirror the complex interrelationships that exist in organizations while providing clarity and integration. A final compelling rationale is that the criteria are evaluated continuously, tested, and improved to address the changing environment in which American organizations operate.

Reviewing Societal Responsibility in the Criteria

When tracing the concept of societal responsibility in the Baldrige Criteria, many changes occurred over the first 10 years as shown below:

- The criteria were issued initially in 1988, and included Item 1.4, which addressed public responsibility—worth 20 points out of 1,000.
- In 1992, the criteria added the core values, which included, “public responsibility.”
- In 1993, the core value was amended to add “corporate citizenship.”
- In the 1996 criteria, the definition of the core value was expanded to include the concept that being a role model organization meant operating “beyond mere compliance.” This concept has encouraged organizations using the criteria to identify meaningful ways to demonstrate excellence and industry leadership, even in highly regulated environments where achieving compliance itself can be challenging.
- In 1997, societal responsibilities and community involvement were specifically called out in Item 1.2, highlighting the need for processes at

the higher level of “society” along with those within the community. It was a change that might be summed up with the slogan, “Think globally, act locally.”

Surprisingly, it was not until 1999 that the criteria asked about results related to regulatory/legal compliance and citizenship as part of the item on organizational effectiveness results. Bringing the discipline of process management with its related measurement, review, and continuous improvement elevated this area to one that required senior leadership attention. In 2001, this same item added a specific area to address public responsibility and citizenship results.

In 2003, the core value became, “social responsibility.” Item 1.2 of the same name now included an area to address ethical behavior. A new item emerged, “governance and social responsibility results” worth 75 points, equally weighted with the other results items.

Then in 2005, governance was added to the process item and included as a key term in the glossary. In the 2009–2010 criteria, “social responsibilities” was changed to “societal responsibilities” as did the terminology for the core value. The concept that an organization's delivery against its societal responsibilities should relate to its core competencies was introduced. This version also reflected the integration of societal responsibilities into the item for leadership outcomes. The 2011–2012 criteria broadened this area to become “societal well-being.”

Other than being fodder for some trivia questions on the criteria, why does all of this matter? There are several reasons. First, this matters because the criteria were developed initially at a time when American industries were suffering from increased global competition. Jobs were being lost to overseas companies that offered products at higher quality and lower costs. By including a focus on public responsibility, America made it clear that a return to competitiveness would not be made at the expense of being good citizens in the communities and markets in which its companies operated. Serving as a role-model organization worthy of the Baldrige Award meant more than achieving excellent financial results. It meant achieving them while doing the “right” thing, operating in an ethical way, treating employees with respect, and providing products and services of high quality.

The criteria also have dealt directly with critical issues regarding the growing emphasis on governance, legal and ethical behavior, and societal well-being.

Societal Responsibility in the 2013–2014 Baldrige Criteria for Performance Excellence

Here is some of the information associated with societal responsibility from the latest version of the Baldrige Criteria (for manufacturing, service, small business, and nonprofit). More details on questions that organizations may choose to consider are available in other sections of the criteria document.

Core Values and Concepts—Societal Responsibility

“Your organization’s leaders should stress ethical behavior, responsibilities to the public, and the consideration of societal well-being and benefit. Leaders should be role models for your organization and its workforce in focusing on ethics and the protection of public health, safety, and the environment. This protection applies to any impact of your organization’s operations, as well as the life cycles of your products. Also, your organization should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from the 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 the information and support needed to maintain public awareness, safety, and confidence.

“Your organization should not only meet all local, state, and federal laws and regulatory requirements but should also treat these and related requirements as opportunities to excel “beyond mere compliance.” Your organization should stress ethical behavior in all stakeholder transactions and interactions. Your organization’s governance body should require highly ethical conduct and monitor all conduct accordingly.

“Considering societal well-being and benefit means leading and supporting—within the limits of your resources—the environmental, social, and economic systems in your organization’s sphere of influence. Such leadership and support might include improving education, health care, and other services in your community; pursuing environmental excellence; being a role model for socially important issues; practicing resource conservation; reducing your carbon footprint; performing community service

and charity; improving industry and business practices; and sharing nonproprietary information.

“For a role-model organization, leadership also entails influencing other organizations, private and public, to partner for these purposes.

“Managing societal responsibilities requires your organization to use appropriate measures and your leaders to assume responsibility for those measures.”

Category—Leadership

“The Leadership category asks how senior leaders’ personal actions guide and sustain your organization. It also asks about your organization’s governance system; how your organization fulfills its legal, ethical, and societal responsibilities; and how it supports its key communities.

“*Governance and Societal Responsibilities.* How do you govern and fulfill your societal responsibilities? Describe your organization’s approach to responsible governance and leadership improvement. Describe how you ensure legal and ethical behavior, fulfill your societal responsibilities, and support your key communities.”

Category—Results

“The Results category asks about your organization’s performance and improvement in all key areas—product and process results, customer-focused results, workforce-focused results, leadership and governance results, and financial and market results. The category asks about performance levels relative to those of competitors and other organizations with similar product offerings.

“*Leadership and Governance Results.* What are your senior leadership and governance results? Summarize your key senior leadership and governance results, including those for fiscal accountability, legal compliance, ethical behavior, societal responsibility, support of key communities, and strategy achievement. Segment your results by organizational units, as appropriate. Include appropriate comparative data.”

Note: The information in this sidebar is excerpted from the 2013–2014 Baldrige Criteria for Performance Excellence.

The most significant changes in 2003 occurred in the wake of the Enron collapse and the Tyco scandal. Accountability for management’s actions, transparency in operations, disclosure policies, independence (and effectiveness) of internal and external audits, and the protection of stakeholder and stockholder interests were identified explicitly as key elements of good governance. Furthermore, the criteria dared to tread on sacred ground by asking questions related to how executive compensation is determined. This was

also the same timeframe when the criteria emphasized the need for senior leaders to encourage “frank, two-way communication” that enables employees to speak up about concerns without fear of reprisal. The fate of Enron and Tyco—and their employees and investors—might have been very different had these leadership practices been in place.

Since its inception, the Baldrige Criteria have been intentionally nonprescriptive. Nowhere else is this more evident than around the concept of

societal responsibility. There is no rule of thumb regarding the ways or extent that an organization should support its key communities. In fact, the notes in the Criteria for Manufacturing, Service, Small Business, and Nonprofit specifically acknowledge that “some charitable organizations may contribute to society and support their key communities totally through mission-related activities.”

Applying the Criteria to Make a Difference

What are some other examples of societal responsibility from Baldrige Award recipients? Heartland Health, a 2009 healthcare recipient, contributes to its local community by addressing the root causes of public health issues. Using that information, it forms partnerships to offer programs that foster healthier, more livable communities. One of these is the Project Fit America Program that addresses physical fitness in 43 area schools, with more than 10,000 students participating.

Other award recipients in that year demonstrated their own approaches to societal responsibility. MidwayUSA, a small business award recipient, dedicates 10 percent of annual profits to support its key communities. In its application senior leaders of the Veterans Affairs Cooperative Studies Program Clinical Research Pharmacy Coordinating Center in Albuquerque, NM, described their approach to promoting legal and ethical behavior in a uniquely appropriate way using the Cowboy Ethics, adopted from a book of the same name written by James P. Owen.

Other Baldrige Award recipients demonstrate a focus on protecting the environment. 2010 award recipient, Medrad, has multiple programs to make its environmental systems more efficient. It has aggressive recycling efforts that result in sending less than 20 percent of its waste to landfills.

The city of Irving, TX, a 2012 Baldrige Award recipient, has increased its use of alternately fueled vehicles since 2008 to more than 50 percent, compared with a neighboring city at 10 percent. It has reduced its greenhouse gas emissions by 17 percent since 2007. The city also takes societal well-being to a new level using best practices such as community policing and Twitter-based community crime watch groups to reduce violent and property crime. As a result, Irving was named the fifth safest city in America.

The Pewaukee (WI) School District, a 2013 Baldrige Award recipient in education, has demonstrated real transparency. In a spirit of sharing organizational learning, it has posted all of its

Wisconsin Forward Award and Baldrige applications on its website. Additionally, it has posted all of its feedback reports.

Leveraging core competencies has enabled several Baldrige Award healthcare recipients to make an impact on improved community health. North Mississippi Health Services, a two-time Baldrige Award winner, uses outreach to provide obesity prevention services and school health centers that provide nurses to 22 schools in six counties. It also offers free health fairs that offer preventive screenings, including blood pressure checks. The Henry Ford Health System, a 2011 Baldrige Award recipient, has a workforce that demonstrates its commitment to the community through increasing levels of community service such as participation in the American Heart Association’s Heart Walk (and is the number-one contributing health system in the country). Schneck Medical Center, another Baldrige Award recipient in 2011, performs many health screenings at no charge to residents. Its new cancer center was developed following a community needs assessment. The organization’s employees raised a quarter of a million dollars in support of the effort.

Putting the Criteria to Use

Clearly, the Baldrige Criteria and its focus on societal responsibility have prompted good organizations to become better by focusing on a higher purpose. How can you use the Baldrige framework in your organization to “do well by doing good?”



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