

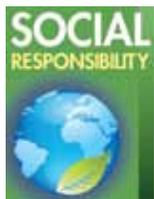


# Seeking Sustainable Success: ASQ Integrates Quality and Social Responsibility

## Summary

Local and worldwide accountability and transparency on social, financial, and environmental issues is bringing about an increased interest in social responsibility (SR). An emerging international standard—ISO 26000—provides guidance to organizations that seek assistance in integrating social responsibility into their practices. Quality management and improvement tools are ideally suited to support the changes, measures, cost savings, and gains proposed in ISO 26000. As the global leader in quality, ASQ is uniquely positioned to connect its expertise, education, tools, and network of resources to prepare businesses and organizations for a successful, sustainable, and socially responsible future.

## Social Responsibility at Work:



*Johnson Controls annually spends more than \$1.6 billion with more than 300 certified diverse suppliers, representing more than 50 product and service categories. The company also measures its suppliers' own sustainability efforts, thus encouraging the creation of green collar jobs.*

## Importance of Social Responsibility

Organizations worldwide face a growing number of issues in the areas that make up the triple bottom line: environmental, social, and financial matters. For example, organizations are dealing with increasing climate change problems, healthcare costs, and government mandates. In addition, the corporate scandals of the past decade and the current economic crisis have driven public trust in corporations to new lows, as consumers and investors question the governance and ethics of many organizations.

But thanks to improved technology and processes, these same businesses and enterprises are finding tremendous opportunities in addressing the issues, including lower utility costs, healthier employees, and stronger communities. They are finding that social responsibility can provide an integrated solution for tackling challenges and driving performance that results in multiple benefits.

According to a February 2009 McKinsey report:

- 45% of investment professionals believe global economic turmoil has increased the importance of governance programs.
- 66% of chief financial officers agree that environmental, social, and governance programs create value for shareholders in typical times.
- 66% of executives believe shareholder value created by environmental and governance programs will increase in the next five years relative to their contributions before the economic crisis.<sup>1</sup>

On top of that, organizations are quickly learning that advances in global communications make it much easier for anyone to find out how organizations are addressing the risks they face and how they're taking advantage of the opportunities.

The common factor is accountability.

Stakeholders—whether the public, employees, investors, activists, the media, or government regulators—are looking for a transparent, credible yardstick to determine how an entity measures up to its obligations in several areas of social responsibility. And as social, financial, and environmental pressures increase, they're also looking for continuous improvement.

Quality guru Genichi Taguchi drew a direct connection between quality and social responsibility when he said that a product or service demonstrated good quality if its production and use caused little to no harm to society.



## ASQ as a Social Responsibility Advocate

ASQ is taking a major leadership role to bring context and focus to the social responsibility area of study and strengthen the connection between quality and socially responsible business practices. The organization is coordinating the U.S. involvement in this sweeping effort by serving as the U.S. Technical Advisory Group secretariat for the ISO 26000 standard.

As the world's leading authority on quality with more than 90,000 individual and organizational members, ASQ's professional association advances learning, quality improvement, and knowledge exchange to improve business results and to create better workplaces and communities worldwide.

Throughout the last several decades, both SR and quality have progressed toward common goals, including building consumer confidence, providing tools for enhancing organizational credibility, and demonstrating the benefits of focusing on long-term sustainability over short-term profitability. Now, the development of a standard—a mainstay of quality practice and an area of ASQ expertise—more formally unites the pursuit of SR with the pursuit of quality.

ASQ members understand the need. In the 2008 ASQ Futures Study, social responsibility was elevated to the second leading force of change in quality. In recent years, it has become a more prominent focus of the Malcolm Baldrige National Quality Award Criteria, which many organizations use to keep their operations running at peak efficiency.

As organizational leaders increasingly turn their attention to the pursuits of being socially responsible, ASQ is developing the information, tools, and techniques to help turn their intentions and objectives into reality.

## Introduction to ISO 26000

Concerns about the future impact of today's choices on the environment, the community, and customers' perceptions have led experts from more than 75 countries to develop ISO 26000: Guidance on Social Responsibility. The International Organization for Standardization (ISO) in Geneva, Switzerland, expects to publish ISO 26000 in mid-to-late 2010 as a guidance document for all industries and sectors. The standard is designed to help organizations understand and address a wide range of social responsibility issues.

## Key Drivers for Quality and Social Responsibility

- Product manufacturing and integrity
- Modern understanding of quality and its value to society
- New career paths for quality professionals
- Systematic measurement of sustainable results
- Aggregation of responsible business practices
- Operational efficiencies and cost savings
- Credible and standardized tools, information, and resources
- Consumer preference for green (environmental) products and services
- Emerging government mandates to reduce greenhouse gas emissions
- Pressure from a diversity of stakeholders
- Regulatory standards focused on ethical behavior

## Social Responsibility Defined:

In its current draft, ISO 26000 defines social responsibility as the “responsibility of an organization for the impacts of its decisions and activities<sup>ii</sup> on society and the environment, through transparent and ethical behavior that:

- Contributes to sustainable development, including health and the welfare of society;
- Takes into account the expectations of stakeholders;
- Is in compliance with applicable law and consistent with international norms of behavior; and
- Is integrated throughout the organization and practiced in its relationships.<sup>iii</sup>”

Unlike ISO 9000 and ISO 14000, ISO 26000 is not a management system standard and is not intended for certification. It is, however, a complex list of guidelines that need explanation about how to be integrated into an organization's best practices.



## ISO 26000 Seven Subjects

These seven subjects have been identified as core to social responsibility:

- **Organizational Governance**—The system by which an organization makes and implements decisions with objectives that may be defined by the organization’s members, owners, constituents, or others.
- **Human Rights**—Two broad categories including civil and political rights, and economic, social, and cultural rights.
- **Labor Practices**—All policies and practices relating to work performed within, by, or on behalf of the organization.
- **The Environment**—The decisions and activities of organizations associated with use of energy and natural resources, the generation of pollution and waste, and the implications of its activities, products, and services on natural habitats.
- **Fair Operating Practices**—Ethical conduct in an organization’s dealings with other organizations.
- **Consumer Issues**—Use of fair, transparent, and helpful marketing, information, and contractual processes that affect consumers.
- **Community Involvement and Development**—Issues involving the relationships between the organization and other organizations and institutions in the communities where they operate, and development of economic, social, cultural, political, and environmental dimensions of society.

## Relating Social Responsibility to the Ethics of Quality

Social responsibility is a moving target that cannot be fully achieved by a one-time set of activities and decisions. Instead, social responsibility is a journey rather than an endpoint. It requires being alert to new issues and considerations that drive effective results.

Good quality practices make for socially responsible organizations. Investing in quality principles such as continual improvement, employee empowerment, and reduction of errors and waste contributes to the overall SR profile of an organization. In fact, more than one-third of respondents to a survey conducted by Personnel Today said that working for a caring and responsible employer was more important than the salary they earned. As many as 44 percent of respondents said they would discount an employer that had a bad reputation, while nearly half said social responsibility policies should be compulsory.<sup>IV</sup>

Social responsibility thus provides the quality community with new focus and unity of purpose for previously discrete efforts to promote ethical business practices, leadership and employee development, environmental management, and more.

## The Quality Tool Box for Building Social Responsibility Practices

A number of the quality tools and methods embedded in the quality body of knowledge serve as effective ways for organizations to address SR. ASQ is preparing its members to be successful in the future by helping them:

- **Develop a network of best practices and practitioners.** ASQ is developing two online communities:
  - **www.TheSRO.org** (Public Community)—Fosters a sense of community and connection around social responsibility through sharing stories, experiences, and values.
  - Social Responsibility Network (Technical Community)—Enables quality professionals, technical experts, and thought leaders to share knowledge, expertise, and insights on the opportunities and evolution of quality and social responsibility. To join the Social Responsibility Network, e-mail [sro@asq.org](mailto:sro@asq.org).

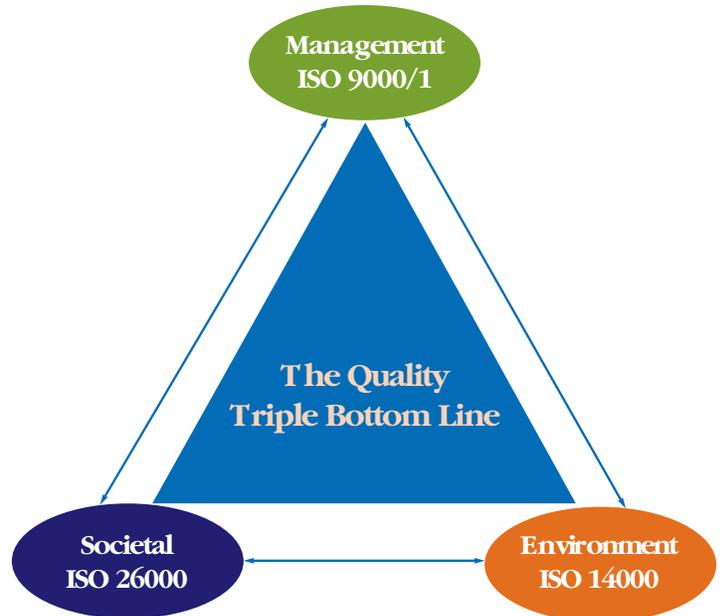


Source: Draft ISO 26000 WD 4.2.



- **Integrate with existing techniques.** ASQ is showing how SR works with existing tools, such as:
  - Lean production—Creating more value with less work and less waste, thus reducing environmental and social impacts on workers and communities.
  - Six Sigma—Developing statistical methods to identify and remove the causes of defects and errors in social, environmental, and financial issues, and creating a special infrastructure of people to address the concept within the organization.
  - Integrate with ISO 9000 and ISO 14000.
- **Leverage partnerships.** Globally, ASQ has formed relationships with other organizations that have comparable missions and principles. Its international strategic alliances are helping to address SR needs of organizations and individuals worldwide.
- **Systematic success.** ASQ manages the Malcolm Baldrige National Quality Award to promote quality awareness, recognize quality achievements of U.S. companies, and publicize successful quality strategies, including social responsibility.
- **Understand the ISO 26000 standard and its implications.** ASQ is providing educational opportunities to implement the tools and resources necessary to carry out the voluntary guidance and measure effective results by offering online courses and training at ASQ global conferences in areas such as:
  - Developing and Communicating the Economic Cost of Sustainability
  - Integrating Quality and Environmental Management Systems
  - Building a Quality Management Program Around the LEED® Design Rating System

## The Business Case for Social Responsibility and Quality



*Performance and results improve as the view and cultural integration of quality expands.*

- Be credible stewards of the standard. ASQ is promoting and making available without subjective judgments a common framework to understand and explore opportunities through printed and online successful practices, case studies, and tools.
- **Target elements to achieve maximum impact.** While ASQ embodies and supports all seven principles, it initially is concentrating on the areas that will deliver the greatest value to the quality community by focusing on three elements: organizational governance, environment, and community engagement. It is aligning its body of knowledge and competency in waste reduction, customer advocacy, and sustainability to provide information on areas that quality can truly impact.

The March 2008 *Quality Progress* Quick Poll indicated 82.8% of the respondents agreed that social responsibility and environmental sustainability should be considered a part of quality management.



**Figure 1: Key Events on the Path to Social Responsibility**

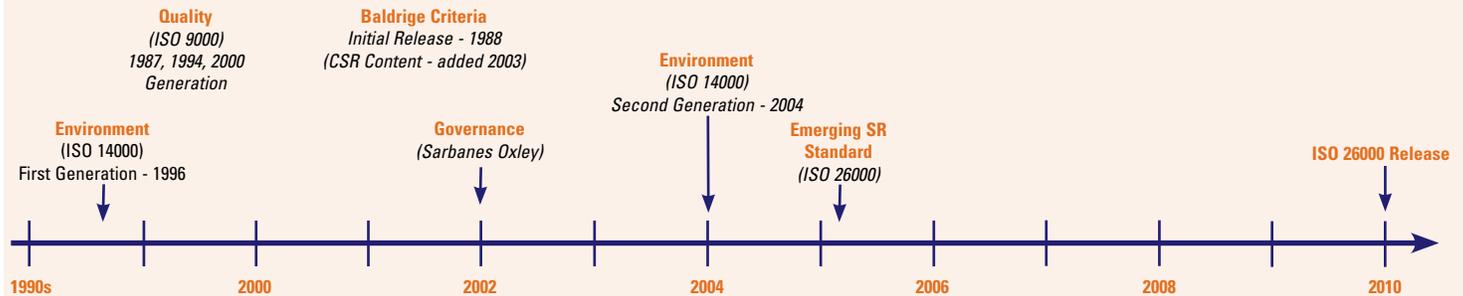


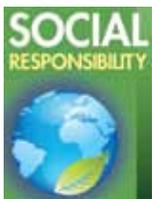
Figure 1 shows how ISO 26000 is the latest in a series of quality initiatives contributing to social responsibility objectives.

## Conclusion

Social responsibility is an evolving concept. It is vast in its scope, covering topics including social justice, fair labor practices, environmental management, and governance issues, and it addresses pressures coming from employees, customers, consumers, governments, and others.

A growing body of evidence asserts that corporations can do well by doing good. Organizations are showing that they can differentiate their brands and reputations as well as their products and services and attract top talent if they take responsibility for the protection and future of societies and environments in which they operate. A February 2009 A.T. Kearney, Inc. study found that in 16 of 18 industries, companies committed to sustainability outperformed industry averages by 15 percent from May through November 2008.<sup>v</sup>

### Social Responsibility at Work:

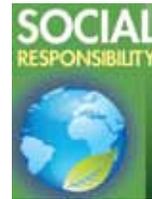


*Beginning in 2000, Goodwill Industries retail stores in Southeastern Wisconsin began transforming their operations through kaizen process improvement techniques and lean thinking to meet its mission of social responsibility.*

**Join the movement.**

**[www.TheSRO.org](http://www.TheSRO.org)**

### Social Responsibility at Work:



*Baxter International has devised an Environmental Financial Statement (EFS). Issued annually since 1993, the EFS shows how Baxter's initiatives—such as waste disposal, carbon offsets, remediation, re-cycling, and water conservation—positively affect its bottom line of this global pharmaceutical firm. On average, Baxter has received a return of about \$3 for every \$1 it has invested in environmental programs, and the initiative's success has evolved into a broader SR focus for the company.*

Organizations that already have embraced quality as essential to best practices will find that working with ASQ will enhance their effort to promote mission fulfillment, socially responsible profitability, and economic growth that contributes to global competitiveness. Those that have yet to adopt formal, comprehensive approaches to quality will eventually learn that a combined quality-SR effort offers a holistic solution to strengthening the triple bottom line of people, planet, and profit.

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<sup>i</sup> "Valuing Corporate Social Responsibility: McKinsey Global Survey Results," McKinsey & Company, February 2009.

<sup>ii</sup> Activities include products, services, and processes.

<sup>iii</sup> Relationships refer to an organization's activities within its sphere of influence.

<sup>iv</sup> Gareth Vorster, "Corporate Social Responsibility Is More Important Than a Salary" *Personnel Today*, August 2, 2007.

<sup>v</sup> "Green Winners: The performance of sustainability-focused companies during the financial crisis," A.T. Kearney, Inc., February 2009.