

The Journal for

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People | Pride | Performance

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AIMING HIGHER

Incorporating Social
Responsibility Into
Improvement
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table of contents

- 4** Understanding and Achieving Social Responsibility
Joan Marques
- 10** Making the Case for and Defining Sustainability, Social Responsibility, and Environmental Responsibility
Joseph J. Jacobsen
- 19** The Case for Ensuring Supplier Social Responsibility
Jennifer J. Stepniowski

- 23** Cost of Social Responsibility Model
Daniel Zrymiak
- 27** At Your Service—Leadership That Truly Inspires
Wendy O’Connell and David Gibbons
- 31** Building the Social Responsibility Foundation
Michelle S. Bernhart and Francis J. “Sonny” Maher
- 35** Solving the Mystery of the Missing Fifth “S”
Bruce Bader

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www.asq.org/pub/jqp

- **Behind the Scenes**
Delve more deeply into this issue’s featured online options.
- **Bonus Article: “Integrating Social Responsibility Into the Organization and Its Improvement Efforts”** by Joan Marques
- **Bonus Article: “Evaluating Organizations’ Efforts to Improve Environmental and Social Performance”** by Joseph J. Jacobsen
- **Bonus Article: “Case Studies Demonstrating Application of the Cost of Social Responsibility Model”** by Daniel Zrymiak
- **Bonus Article: “Beginning the Paradigm Shift”** by Michelle S. Bernhart and Francis J. “Sonny” Maher

departments

Editor's Notebook 3

Changing the Size of Your Footprint

Stewardship and Sustainability 16

Supporting Education by Reimagining the Philanthropic Experience

Missy Sherburne

Did You Know? 22

Useful tips and resources for living in a more socially responsible way

Final Thoughts 39

Social Responsibility:
A Participation Essential

Holly A. Duckworth

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• Educator's World

Boosting Graduates' Confidence in Statistics

Michael Babula, Luis Veras, Alp Idil Ersoy-Babula, Max Tookey, Fraser Nicolaidis, Al Infande, and Tom Olalekan Lawson

• Lessons From Academia

Modern Analytics and the Future of Quality and Performance Excellence

James R. Evans

• Creating a Shift

Bad Relationships Trump Good Ideas

Rick Maurer

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Editor's Notebook

Changing the Size of Your Footprint

The *Journal for Quality and Participation (JQP)* regularly includes articles related to social responsibility (SR) and the seven core subjects included under that banner in the ISO 26000 guideline standard. Over the years, we have had several issues with themes related to this area, and our departments “Stewardship and Sustainability” and “Did You Know?” provide ongoing information on this increasingly important topic.

When our editorial team made the decision to include SR into *JQP's* repertoire, we did so after a fair amount of discussion and a bit of debate. At that time, SR was a fairly new topic of conversation among quality professionals. Some people felt the concepts of SR were altruistic and worthwhile but had little practical value on a day-to-day basis, and others actively rejected them as negative impacts on bottom-line profitability. Although ISO had initiated standards activity on this front, there was not a clear consensus on the definition of SR or the path forward for its integration into organizations across the globe. Much has changed since that time, and the *JQP* team is pleased to have shared information about SR throughout its growth as an accepted component of organizational strategies and practices.

This issue marks a particularly important point in our journey, however, because the articles in it have a very different focus. The debate on whether SR is a worthwhile endeavor is largely behind us; most organizations—particularly those

involved with consumer products and services—have come to realize that SR efforts build their reputation and prove that they are interested in more than just profitability. They have learned that SR initiatives actually can improve their bottom lines, providing real, sustainable change that makes them more accountable members of the global economy, better workplaces, and contributors toward protecting the planet and the future of mankind. They understand that SR programs aren't fluff, and that those programs substantively change leadership perspectives and organizational cultures.

I have come to think of SR efforts as a corporate approach to leaving an enduring legacy. Many famous leaders are recognized for their legacies, but that is less common for organizations. The unfortunate truth is that organizations are more likely to be remembered for their blunders and poor decisions—whether intentional or unintentional—than they are for their positive contributions to society. This seems to be changing, however, and there are an increasing number of surveys and reports that track and offer information on SR-related organizational performance.

Over the past decade, the purview of SR has been defined more thoroughly, and it has expanded from its original base in environmental conscientiousness. I'll take a moment now, however, to remember those roots by mentioning the term ecological footprint. The Earth Day Network describes this as “a resource accounting tool that measures how much biologically productive land and sea is used by a given population or activity, and compares this to how much land and sea is available. Productive land and sea areas support human demands for food, fiber, timber, energy, and space for infrastructure. These areas also absorb

(Continued on p. 18)

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(Continued from p. 3)

the waste products from the human economy. The ecological footprint measures the sum of these areas, wherever they physically occur on the planet. The ecological footprint is used widely as a management and communication tool by governments, businesses, educational institutions, and non-governmental organizations.” (<http://www.earthday.org/footprintfaq>)

Ecological footprints are still of upmost importance, but we have learned that organizational impacts are far larger than solely the environment. We’ve come to understand that everything and every action in the world around us affects all of us as individuals and as a collective group, and the effects not only have immediate ramifications but also long-term ones that could reshape the future. This is not the stuff of science fiction any more or of idealists; it is the day-to-day reality that we must each embrace.

So this issue of *JQP* includes articles that not only review the concepts of SR but also demonstrate the unique contributions that each of us, as

quality practitioners, can contribute to creating a better world. There is no other profession that has so many concepts and tools at its disposal. We understand processes and how they affect results, and we know how to adjust those processes to change the results obtained. This is the key to generating a sustainable planet and better lives for mankind.

When we look back at the history of quality, we see that our field started with the efforts of craftsmen who took pride in their work and set out to provide the best products for their customers. During the industrial revolution, new approaches were necessary to keep pace with increased production speeds and capabilities. By the mid-1900s statistical methods became more prevalent, and by the end of that century we had expanded our thinking to include not only services but also the management of the organization.

Once the term “total quality management” became accepted, many people in our field thought we had encompassed all the logical aspects of our profession. System-wide approaches such as ISO 9001 and

the Baldrige performance excellence criteria were adopted to ensure better organizational performance—in organizations outside the traditional boundaries, such as education, healthcare, the public sector and military, and not-for-profits.

Our field has grown immensely, but it’s time for us to take another step, and this one will be a leap. We need to incorporate all the principles and practices associated with SR into our daily efforts. We need to ensure that our organizations set strategies, goals, and product/service specifications that consider the whole set of potential impacts. We don’t need to be experts in any of the core subjects of SR to serve an instrumental role in improving the future; we just need to apply our existing knowledge and skills in broader and new ways. We have the abilities; now we just need to accept that our work falls short when we don’t adopt a more holistic platform.

Deborah Hopen

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As the world gets smaller, the perspectives and efforts of organizations and individuals must get larger to ensure a sustainable future. Quality professionals have the knowledge and skills to pave a better way for simultaneously creating success for their organizations and society.

UNDERSTANDING AND

Achieving Social Responsibility

Joan Marques

Although social responsibility (SR) remains a topic that generates both support and criticism, it is clear that organizations across the globe are incorporating this perspective into their strategic plans and improvement initiatives, as well as daily activities. This article reviews the seven core subjects of SR and points out ways that SR can be integrated into an organization's strategies and practices to improve their processes and results simultaneously while

contributing to the generation of a sustainable planet and better lives for mankind. The article also provides examples of companies that have embedded SR into their cultures demonstrating the wide range of approaches that can be used and offering ideas for quality professionals to apply in conjunction with their other duties. The bottom-line impact of SR is becoming clear; the field of quality is no longer bound solely by the performance of products and services as they generate customer satisfaction and favorable organizational results. Application of the concepts and tools of quality and improvement need to take the global community into account, ensuring that work is performed in a way that prevents negative consequences locally or distantly, now or in the future. The competencies that quality professionals possess are well suited to this challenge, and just adopting a broader view of organizations' impacts can set the stage for more far-reaching and long-term improvements.

A Conscious Global Movement

We can detect triggers for the SR movement in several occurrences over the past few decades. These all contributed to our collective attention that it was time to seriously consider the ramifications of our behaviors that affect society on a short-term and long-term basis, and that it was no longer acceptable to engage in practices for mere selfish gain. For example, think about the fact that the current global footprint exceeds our earth's capacity to regenerate by about 30 percent and that more than 75 percent of the human race lives in countries where the national consumption has exceeded the country's bio-capacity.¹ Obviously, if humanity continues its contemporary lifestyle, we will need the equivalent of two planets sometime in the 2030s.² The good news is that awareness of these issues and how to address them proactively is on the rise. A 2009 McKinsey report confirms that almost half of all investment professionals agree that the recent global economic depression has elevated the status of governance programs; two-thirds of chief financial officers agree that environmental, social, and governance programs create value for shareholders, and

two-thirds of executives believe that environmental and governance programs will increase shareholder value.³ Indeed, with the abundance of connectivity and expanded infrastructural alternatives at our disposal, corporate leaders and quality professionals have become increasingly aware of the moral duty that is embedded in behaving in a socially responsible manner.

In a broad sense, SR is a framework through which individuals and organizations fulfill their moral duty to ensure society's well-being. Although intentions may be admirable, perspectives and interpretations differ on what is included in this arena and how to make a difference. There is still a widespread lack of clarity about what it means to be socially responsible and how it can be accomplished.⁴ This confusion has led to widely diverging results. This is exactly why the International Organization for Standardization (ISO), with assistance from experts representing more than 75 countries,² launched its guidance standard, ISO 26000, in November 2010. SR is described as the responsibility of an organization for the impacts of its decisions and activities on society and the environment. Practices associated with transparent and ethical behaviors that are contributing to sustainable development and the well-being of society, acknowledging stakeholder expectations, and complying with applicable laws and international behavioral norms are embedded in organizations' internal and external relationships and are reflected in the standard.⁵

Shifting Gears From Why to How

As ISO 26000 has begun to root itself into the day-to-day vocabularies and practices of quality professionals, the "why" of SR has become increasingly clear: This is a trend that is likely to be augmented over time because humanity as a whole is grasping the importance of safeguarding our planet and all its inhabitants for decades, centuries, and hopefully millennia, to come. How to achieve these lofty goals, however, has turned out to be a little trickier—particularly when evaluating organizations' daily processes within a larger performance scope. After all, strategies, markets, resources,

relationships, laws, environments, and stakeholders differ for every organization and industry.

One of the question marks that has emerged in recent years is how to perceive SR in light of quality. Fortunately, seasoned quality professionals have determined that quality and SR are complementary, giving more depth to the field because now not only output but also input and processes are considered in the equation.⁶

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.⁷ The strong correlation between quality and social responsibility also can be considered through the lens of current and future outcomes with quality providing a conceptual approach and supporting tools for analyzing current behaviors and needs, and social responsibility outlining a universal structure toward creating a sustainable future.⁸

This is just the tip of the iceberg, however; as quality professionals dive deeper into the operational side of SR, they begin to understand the bulwark of challenges a complete and sound SR implementation brings with it. Setting up an SR framework means including the core elements of human rights, labor practices, the environment, fair operating practices, consumer issues, community involvement and development, and organizational governance.⁵ Each of these elements is essential yet intricate in itself. Let us briefly review each of these core elements and see some examples of their applications.

Human Rights

These are the foundational rights for all human beings as emphasized by the international community in the International Bill of Human Rights and its core instruments. Human rights generally are divided in two categories—civil and political rights, and economic, social, and cultural rights.⁵ Both categories aim to ensure human dignity and proper quality of life. Organizations have the power to affect human rights by virtue of their negotiations, as well as their economic and social influence. Among the many factors organizations should consider in this light are practicing due diligence and responsible risk management, avoiding condoning crimes or discrimination, resolving grievances, and observing civil rights to positively, rather than negatively, impact human

rights. Including human rights in the SR strategy is therefore critical.

One organization that exemplifies this core subject is IKEA, the Swedish furniture company with a global presence. IKEA has been known for quite some time for its socially responsible approach—not only in production, but also in all aspects of its operation. For several decades now the company has actively supported efforts of vulnerable groups to strengthen themselves and become economically and socially self-reliant. To learn more about the approaches IKEA used to protect human rights, see the online supplement to this article.

Labor Practices

Labor practices are inevitable in the realm of organizational performance. From the very inception of an organization there is work to be done related to its workforce, regardless of whether it provides products or services. Labor practices encompass more than just policies and procedures; they comprise all work-related relationships a company maintains—all the way to the subcontractor level. Also included are the nature of work; working conditions; grievance procedures; training and skills development; and co-workers' health, work safety, schedules, remuneration, recognition, and involvement.⁵

Columbia Sportswear is an example of a company that engages in SR with a special emphasis on labor practices as portrayed through multiple online channels. Some of its initiatives are presented in the online supplement along with a description of how suppliers and subcontractors are integrated into these efforts.

The Environment

Environmental concern has long passed the stage of being considered an overstatement. While not even three decades ago, caring for the environment was perceived as emotional softness, governments of most countries around the world are now supervising the impact of organizations on the environment, and an increasing number of corporate leaders has started to acknowledge and embrace actions to comply with and support legislation.⁹

Depletion of natural resources has become a real challenge, which many experience on a daily basis. Corporations are facing immense moral dilemmas related to pollution, climate change, deprivation of human settlements, destruction of habitats, loss of species, and the collapse of entire ecosystems.⁵

The continued growth of the human population is a major contributor to the above concerns, causing ever-increasing consumption, and, hence, even more environmental challenges. As trendsetters and employers of human populations worldwide, corporations have to take a moral leadership role in reducing unsustainable patterns, not only with the aim to comply with legal regulations, but also from the stance of creating improved standards toward environmental protection.

In 1973 Ray Anderson founded Interface, a company that would grow to become the world's largest carpet tile provider. Little did he know, or even care at that time, that he would once be called "the greenest chief executive in America" and receive numerous awards for being a model environmentally conscious leader.¹⁰

Fair Operating Practices

Regardless of the type of market in which an organization performs, there are other entities with which it needs to collaborate—partners, suppliers, contractors, customers, competitors, etc. Operating in a way that is built on fair practices is based on ethical and respectful market participation that is free from corruptive and other types of malicious behavior. Behaving morally is not always easy, as any business can attest. It can be much easier to cut corners, deceive, or engage in false promotion. In the long run, however, the courage of doing the right thing pays off by creating a strong reputation and a respected position in the industry, as well as the satisfying awareness of having done the right thing. The supplemental article describes how the SAS Institute adopted its SR program long before this approach became well-accepted.

Consumer Issues

A stakeholder group that is particularly important to the sustainable existence and growth of any corporation is its consumer base. Although this seems clear, there have been many public examples of consumers being betrayed and exposed to products or services that reduced, rather than enhanced, the quality of consumers' lives. The SR element pertaining to consumer issues focuses on safeguarding consumers' well-being through fair and factual marketing, protecting their health and safety, ensuring sustainable consumption, providing effective service and support, protecting their privacy, providing consumers with access to services needed, and enhancing their awareness through education.¹¹

Trader Joe's efforts in this area are highlighted in the online supplement.

Community Involvement and Development

Inasmuch as human beings have an interdependent relationship with their communities, so too do organizations. Today, it is generally understood and accepted that companies not only exist for the purpose of making money from their customers, but they also should be involved in their communities.⁵ Organizations that participate in the development and growth of their communities are generally more respected and appreciated, which can lead to greater market share. This element can focus on many aspects of community well-being, such as education, culture, health, employment, wealth creation, and social investment.¹¹

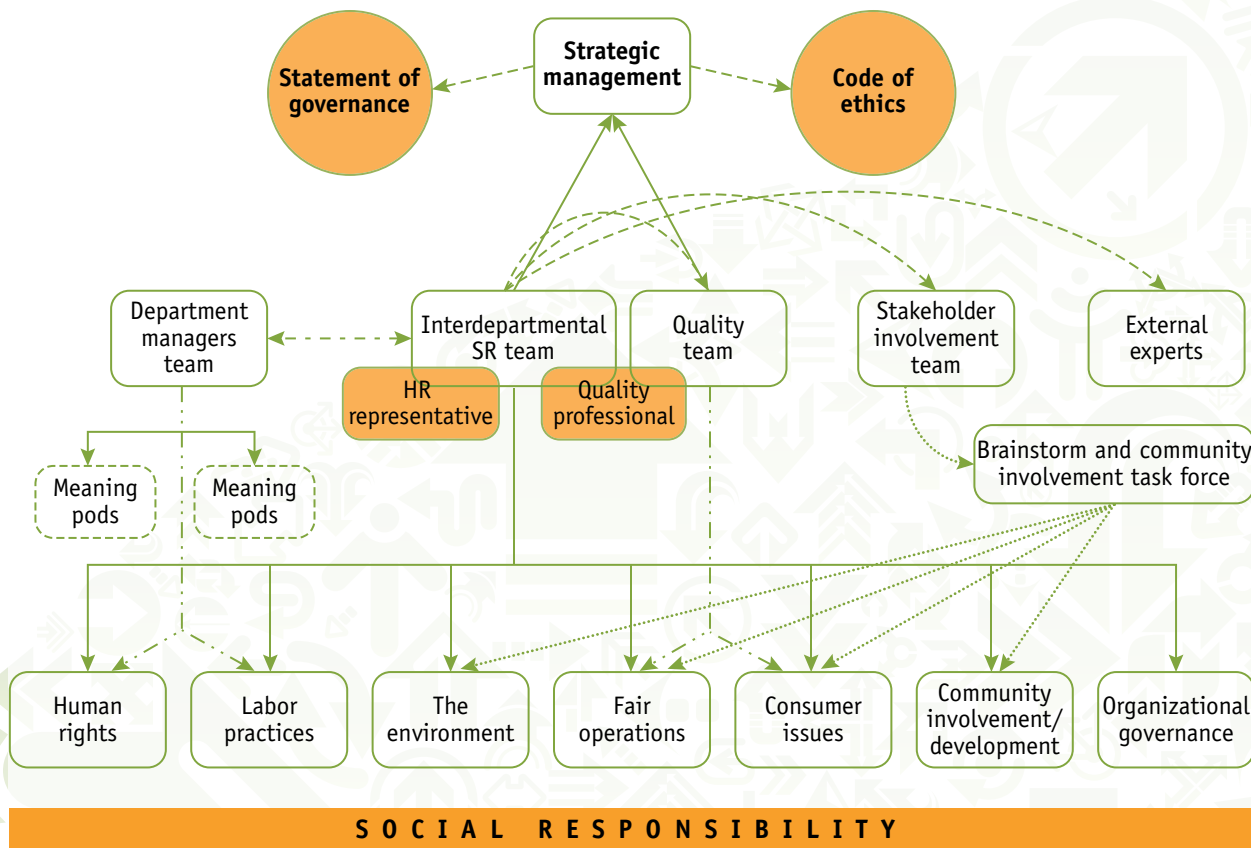
Patagonia is an excellent example of an organization that provides associates the opportunity to engage in community involvement and development. Details on its approaches—ones that are fairly unusual for the apparel industry—are covered in the online supplement.

Organizational Governance

Organizational governance is the mental engine that drives an organization toward achieving its goals. It is not only the foundation of all decisions made but also of all strategic changes that the organization decides to implement. The overall quality of life and success for any organization and its stakeholders ultimately depends on the strategic decisions of its management team. These decisions are associated with ensuring a tolerable risk level, high quality of outputs, process consistency, and social responsibility in an increasingly complex world.¹² When a management system embeds quality at the root of all its practices,¹³ good governance also is practiced. The cultural, political, economic, and social contexts in which the organization operates, along with its size and type, are other great determinants of an organization's governance. Because of its immense influence on the way an organization is steered, organizational governance can be seen as the core of a company's SR implementation.

As was the case with all the companies presented in this article, the Starbucks Company has elevated SR compliance into a culture that is embedded in all its practices. The evidence of its attention to organizational governance is apparent in the information in the online supplement.

Figure 1: Embedding SR Into the Organizational Culture



Conclusion

As can be derived from this overview, companies that make SR part of their organizational culture usually emerge as leaders in their industries.⁸ Figure 1 illustrates a model of the connections. A bird's-eye view on the implications of SR as defined by ISO 26000 and demonstrated by the organizations presented in this article shows that a solid SR strategy leads to the following highly desirable outcomes:

- Better decision making and more responsible overall management.
- Greater trust from the public due to a better reputation.
- Increased competitive strength.
- More constructive relationships with stakeholders.
- Stronger innovations due to the connection with a broader base of stakeholders.
- Improved employee retention, morale, and loyalty due to an increased emphasis on worker safety and well-being.

- Increased fairness in trade and elimination of corrupt practices.
- Solid bottom line thanks to improved effectiveness and efficiency.
- Greater longevity of the organization due to its sustainable approaches and better social ties with individuals, civic, and commercial entities overall.²

Indeed, each of the companies highlighted in this article has a great reputation, makes a positive difference, and also flourishes financially.

Waiting until SR can be proven in terms of hard, compartmentalized profit numbers seems to be a less popular mindset these days and so is the notion that SR is just another fad that will fade away sooner or later. As ASQ's SR integration guide, "Pathways to Social Responsibility: Successful Practices for Sustaining the Future" says, "SR is here to stay, and organizations will either deal with it or SR will deal with them," a reality that may be the foundational reason why "more organizations are looking to move SR beyond simple public

relations.”¹⁴ Because of its comprehensive nature, it is not simple to delineate exactly where the benefits of SR occur; however, the overall statistics speak volumes. Organizations that seriously engage in SR efforts find this culture to not only be beneficial to their bottom lines but also to their reputations and to all their stakeholders. Furthermore, their leaders also feel better about what they do, and ultimately that may be the greatest reward.

More Online

A supplemental article is available online. “Integrating Social Responsibility Into the Organization and its Improvement Efforts” at <http://www.asq.org/pub/jqp> provides suggestions on how to fulfill each of the seven ISO 26000 core subjects and additional information on the associated examples introduced in this article.

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Integrating Social Responsibility Into the Organization and Its Improvement Efforts

Joan Marques

Setting up a successful social responsibility (SR) framework requires incorporating the core elements of ISO 26000—organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.¹ Each of these elements is essential, yet intricate in itself. This supplement provides a framework to guide organizational practices related to SR. Although organizational governance generally is listed as the first element in the SR set, it is shown as the final section in this article because of its overarching nature.

Human Rights

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

Fulfilling the human rights requirement within an organization can be complex because there are many angles to consider. Once a culture of stakeholder inclusion and respect is incorporated into the organization's structures, this element will no longer be a source of concern. Some useful ways for fulfilling this element include the following:

- Creating a member-rotating, interdepartmental committee with involvement of a human resources representative to meet regularly and consider the organization's internal and external performance throughout its production cycle regarding observation of human rights. The committee can not only assess current activities but also proposed ones to ensure human rights are not affected. This committee also can review issues that have emerged, propose solutions, and build structures to prevent recurrence of problems. Consideration of social, cultural, and political climates cannot be excluded. The rotating membership approach is needed to prevent the committee from becoming too comfortable in its ways and from developing groupthink.
- Ensuring a direct communication line with top management to solidify swift and efficient strategic action where it needs to be taken.
- Avoiding connections and partnerships with entities that engage in human rights abuse.
- Ensuring that the organization does not fall into a pattern of placing profit over people. This is an easy trap, so it takes conscious examination of internal processes, as well as those of entities to which the company outsources production, to ensure that people are not underpaid, subjected to discrimination, overworked, or faced with glass or pink ceilings.
- Depending on its size, the organization can assign a chief diversity officer or director to maintain a legal and sensible approach related to the equal treatment of internal and external stakeholders.

Case in Point: IKEA

IKEA is very vocal about banning child labor and is involved actively in UNICEF projects and also in self-initiated endeavors. For example, in the early 1990s the company's representatives became aware of the serious impact of child labor trends in the carpet-weaving belts of India. Merely funding schools was useless, as could be seen from the many sponsored but empty school buildings in those days. This led to IKEA's "Carpet Project" in 2000, a creative solution for enabling the child-laborer's low-caste mothers to form self-help groups and pay off the loan sharks upon which they could place their children back in school to obtain a decent education and have a chance for a better future.²

A review of IKEA's 2014 sustainability report highlights a variety of ways in which the company maintains its socially responsible mindset, integrating its human rights efforts with the other core subjects of SR. Seven decades of continuous improvement and focus on doing the right thing have led IKEA to become a leading global force in all elements of SR—from granting major donations to children, women, refugees, and other vulnerable groups to developing a "People and Planet Positive" strategy in which customers, co-workers, suppliers, and other stakeholder groups are considered carefully within the company's ongoing developments. IKEA remains alert about the resources it uses. It has strong and clear policies on reducing waste, applying energy efficiency, and delivering

energy-efficient products. The company invites co-workers' and customers' input in new product developments, encourages co-workers to engage in sustainability movements, complies with forestry standards, and ensures that suppliers do the same. In fact, IKEA has been working steadily toward deforestation and has established partnerships with sustainability-focused global entities while also focusing on product safety, reducing the company's carbon footprint, and inspiring co-workers to do the same. IKEA has not stopped with educating and involving its suppliers; the company also is working toward empowering people within its extended supply chain to create better lives for themselves. IKEA admits, learns, and improves from past mistakes.³

In 2015, IKEA Switzerland, with its 3,000 co-workers, became the first company worldwide to achieve "LEAD," the premier certification of EDGE, a global standard for gender equality. EGDE assessed IKEA's Swiss operations on the basis of equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working hours, and company culture.⁴

Labor Practices

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

The first thought that enters most minds when thinking of labor practices is the work managed by the human resources (HR) department. Indeed, this department can be the center of responsible labor practices, but it generally focuses on a legal standpoint. The topic of labor practices is far more comprehensive and important than mere compliance with local laws. Human beings are sensitive, and their sense of satisfaction and meaning often depends on more than just a correct legal environment. Here are some useful approaches to consider in this area.

- In a socially responsible organization, every department manager can take on the responsibility of ensuring optimal utilization of compensation, meaning, respect, development, opportunities, job security, reduced stress and conflict, and all other labor practices that make work rewarding.
- Department managers can consider meeting every quarter to share best practices, learn from each other's problem areas, help brainstorm constructive solutions, and plan work cycles tactically toward achieving greater consistency.

- Within each department, co-workers can form "meaning pods," which consist of small groups of creative thinkers that suggest ways to make the work more interesting (within the established parameters, of course), and find inexpensive but meaningful ways to celebrate birthdays, anniversaries, and other joyful moments.
- Quality professionals can consider an annual get-together for external constituents, such as suppliers and independent contractors, to kindle relationships, enhance mutual appreciation, and increase collaboration.
- The HR department, along with quality professionals, can invite external parties from either government or other involved entities to discuss new trends and attention areas in regard to labor practices.
- An interdepartmental team for health and safety can detect, address, and safeguard co-workers from hazards.
- Other areas such as discrimination, opportunities for people with disabilities, and training opportunities also are part of the labor practices area. Although these are generally associated with formal HR issues, socially responsible organizations can add value to these topics by making them part of regular discussions in interdepartmental SR teams.

Case in Point: Columbia Sportswear

Columbia Sportswear has developed a set of "Standards of Manufacturing Practices"⁵ to which all collaborating suppliers and subcontractors must comply. The company regularly monitors implementation of these standards, which delineate having rights to inspect working conditions of suppliers; abandoning any type of forced labor; complying with local laws on minimum labor ages; treating co-workers respectfully, including fostering safe and harassment-free work environments; dropping any forms of age, race, gender, ability, status, or other type of discrimination; recognizing co-workers' freedom of association related to improved circumstances; conforming to legal wage laws as well as overtime rates; maintaining humane and legally sound approaches for working hours and conditions; observing decent safety, nourishment, and health conditions at the work premises; complying with applicable environmental law; and requiring legal and ethical business conduct.

Aside from ensuring appropriate local and distant work environments, Columbia Sportswear also is engaged in a number of uplifting labor-based projects, such as the HERproject, an organization that focuses on empowering women all over the world. HERproject, operating in developing countries in South and Middle America, Africa, and Asia, supports low-income women through workplace-based programs, capacity building, and advocacy with business and government.⁶ Columbia Sportswear also actively supports the Skin Cancer Foundation and Mercy Corps, as well as organizations that focus on the wellness of children, especially in the Portland, OR, community where its headquarters are located.

Furthermore, Columbia Sportswear contributes to large and small environmental organizations. Sports products that are out of the top quality range are donated to charity. As was the case with IKEA, Columbia Sportswear demonstrates a comprehensive approach to SR, including not only labor practices but also human rights, the environment, fair operating practices, consumer issues, community involvement and development, and organizational governance in its efforts. Furthermore, Columbia Sportswear has started to apply energy-conscious structures at its headquarters, including a solar electric system that reduces carbon emissions by 80 tons per year.⁷

The Environment

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

Because everyone depends on the environment, the element of environmental responsibility cannot merely be classified as one for organizations, leaders, and quality professionals. This SR element can be integrated into the work of co-workers at every level. They can be encouraged to engage in projects that warrant a reduced toll on the environment at the company level, as well as at the personal level. Organizations across the globe are making environmental sensitivity part of the fabric of their strategies and operations. In regard to the environmental element, organizational leaders and quality professionals can take the following actions:

- Organize workshops for co-workers and other interested stakeholders (customers, suppliers, etc.) to rethink their carbon footprints. Including co-workers in the leadership of these workshops is a good idea because it boosts morale and increases their sense of ownership.

- Encourage co-workers to think of ways in which the organization can be more environmentally responsible. A good way of moving in this direction is establishing an environmentally conscious task force with members from various departments—particularly the production units. This group needs to have a clear communication line to top management. The task force can focus not only on improvement of ongoing processes but also on precautionary practices.
- Identify environmentally oriented projects in the community and encourage co-worker teams to participate in them for a few days every year with full pay. Co-workers also can be solicited for suggestions of projects they would like to support.

Case in Point: Interface

In the first two decades of its existence, Interface—a maker of carpet tiles—was highly profit oriented. Founder Ray Anderson complied with the legal requirements for corporate performance, but as was customary in those days, he was not concerned about the environmental effects of his corporation's activities. In 1994 this all changed, however, when a team of co-workers started forwarding him questions from customers about Interface's environmental vision, which was completely absent at that time. As Anderson was confronted with these probing questions, he read a series of books, including Paul Hawken's *The Ecology of Commerce* and Daniel Quinn's *Ishmael*, about humanity's destructive effects on planet earth. They provoked a complete paradigm shift within Anderson, and he realized the immense impacts many businesses have on the environment. He decided that Interface should represent the change he wanted to see across the world. Anderson started his journey by adopting a mission to make carpets sustainably—something that gradually transformed from an "impossibility" to an achievable dream, proving that carpet production did not have to be highly destructive to the environment.⁸

For the next 17 years, Anderson operated on many fronts to enhance awareness for environmental sustainability. He worked internally and externally with his co-workers and his suppliers, using presentations, books, and articles to encourage other CEOs to do the same. He realized that a "take-make-waste" approach in business was one source of the crisis in the biosphere.⁹ Interface's internal project for increasing environmental respect

and adopting a “make-use-return” approach was implemented by a task force and called, “Climbing Mount Sustainability.” The plan consisted of seven focus points, as follows:

- Eliminating waste
- Eliminating toxic substances from products, vehicles, and facilities
- Operating facilities with renewable energy
- Redesigning processes and products to generate a more responsible production cycle
- Enhancing efficiency to reduce waste and emissions
- Creating a culture that integrates sustainable principles and engages all stakeholders
- Developing a new business model that demonstrates and supports the value of sustainability based commerce⁹

Through the ups and downs in its sustainability journey, Interface has managed to move from using less than one percent of its raw materials from recycled and renewable sources to 49 percent.¹⁰ Not all efforts were rewarded, however; some processes, which initially seemed exciting and progressive, turned out to be enlargers of the company’s actual environmental footprint, and they had to be discontinued. Similarly, some miracles surfaced, which the Interface team had never expected. Anderson passed away in 2011, but Interface’s mission to become fully sustainable by 2020 is still in progress.

Fair Operating Practices

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

To maintain a clear view of the company’s performance, it is critical to meet on a regular basis (quarterly or bi-annually) and review the major strategic decisions that have been made, those that are about to be made, and how they interact with the company’s code of ethics. That said, a code of ethics is needed, which differs from the mission and vision statement. A code of ethics is a specific document that underscores the company’s moral beliefs. It is a living document that must be assessed annually, and where needed, updated. As highlighted in the case below, having a task force that does this annual code of ethics review is a good idea. The task force can consist of organizational members from different levels and departments, and preferably alternated annually. It may also be prudent to instate a different committee to assess the company’s SR attainment on an annual basis.

Participation of or a direct communication line to top management is essential for these committees to perform effectively.

Case in Point: The SAS Institute

The SAS Institute is a privately held software service corporation and the largest independent vendor in the business intelligence market with sales subsidiaries in about 140 countries. What makes this company so special is the early inception of its SR program and its consistency in efforts to achieve a three-prong leadership base by being the best employer, partner, and vendor to its stakeholders; remaining committed to high ethical standards in all its dealings; and proactively discovering and developing ways to improve in all areas that are critical to fair operating practices.

The company has an exceptional reputation and continues to score highly on the lists of best companies for which to work and most ethical companies. SAS maintains durable relationships with both direct and indirect suppliers and prides itself on having high moral standards toward colleagues, customers, suppliers, and competitors. As an example of its ongoing efforts in this regard, SAS has an anti-corruption program that includes an online course for all new co-workers and certain third parties. In a similar vein, the company educates direct stakeholders about bribery, gift giving, fair marketing, and donation policies.

SAS maintains a Corporate Social Responsibility (CSR) Task Force, in which co-workers from different departments serve. The task force meets every other month and discusses everything that is important to the company’s SR behavior. There is a direct communication connection with top management to ensure effectiveness and swift action. The SAS Code of Ethics was recently updated as a result of its annual review process.

Another useful approach from SAS is its active participation in public policy discussions, especially those related to the industry in which the company operates. This involvement keeps the SAS team on top of new developments and positively affects the long-term decisions being made.

Consumer Issues

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

Consumer well-being is an issue that cannot be achieved in silos. It has to be a collective and

continuous effort, applied simultaneously in multiple organizational layers. Some examples of actions that foster success in this area include the following:

- Establishing communication mechanisms that connect product and service consumers with the organization's leadership and/or quality team.
- Educating the marketing department on what constitutes fair and honest information to consumers and verifying that this approach is used by conducting assessments on a regular basis. These evaluations can be conducted by the SR committee.
- Encouraging co-workers at all levels to interact with consumers and creating a communication forum (possibly with monthly sessions) in which associates share their viewpoints, ideas, and lessons learned.

Case in Point: Trader Joe's

One example of Trader Joe's approach for addressing consumers' needs has been its trendsetter efforts to place allergy labels on products and to give local products a boost even before they reach the national market. The company is not a health food store chain by name, but it has been highly responsive to consumers' requests for more eco-friendly, responsibly harvested food. Trader Joe's also is involved in taking care of the less fortunate in its communities; products that are no longer suitable for sale but still are good for consumption are donated by each store's designated donor coordinator to food banks, food pantries, and soup kitchens for further distribution.¹¹

Trader Joe's SR practices heavily focus on local communities, and they are centered on the concept of creating value for both the business and the consumer.¹² When savings are generated by minimizing expenses, they are shared with consumers. In addition to standard donations, another example of the company's SR strategy involves its participation in an annual ladies' golf tournament that secures donations for three Florida food banks for each birdie.¹²

Community Involvement and Development

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

As has been the case for several of the core SR subject areas, employee involvement is a key strategy for most organizations that have initiatives associated with community involvement and development. This demonstrates that SR programs

tend to engage the entire workforce in the development and implementation of specific initiatives. The following approaches are indicative of ways employees can have an instrumental effect on organizations' SR activities related to community involvement and development:

- Encourage co-workers to propose projects in which the company can participate. Assigning a community-conscious task force with members from a variety of departments can be a highly effective method for identifying the best opportunities.
- Once developmental initiatives and projects in the community are selected for the organization to support, organizations can increase the level of their employees' participation by setting aside a few days every year where full pay is earned when off-site volunteerism is under way.

Case in Point: Patagonia

When the Native Fish Society took on a project to secure the conservation of wild native fish in the Pacific Northwest, Patagonia co-workers volunteered in various ways, including assisting scientists and speaking with visiting groups. The Patagonia employees received their full salary and benefits while volunteering in this community project.¹³

Patagonia, Inc. markets high-end outdoor clothing. The company's active membership in environmental movements is at least as well known as the products it sells. Patagonia's leadership team is aware of the sweat-shop reputation the apparel industry holds, and the company's website provides ample information about steps to combat the long, underpaid, unhealthy work hours that frequently exist in this industry. Patagonia claims good pay, decent benefits, flex time, paid volunteerism, and subsequently low turnover for its immediate workforce of nearly 2,000 people.

Patagonia is a major advocate for improved working conditions for garment workers and pays additional premiums for workers in participating factories to help increase wages and engage them in community development. Similarly, Patagonia promotes improved labor conditions in the supply chains within its industry. The company also has been instrumental in the Fair Labor Association's Fire Safety Initiative.

The company is aware of the problems that can arise with subcontractors and carefully scrutinizes each new factory it considers for collaborative practices. For that purpose, Patagonia has established

two teams—a special social/environmental responsibility team and a quality team, which hold the power to veto a decision to work with a new factory.

Organizational Governance

How Organizations, Leaders, and Quality Professionals Can Fulfill This Element

Organizational governance, due to its strategic nature, begins with the leadership team, which determines the direction of the organization, so the initiative to formulate socially responsible goals is one of its primary tasks. Once the foundation for SR is established, the leadership team can assign a governance team to supervise and update the organization's governance statements and performance.

Case in Point: The Starbucks Company

Starbucks' governance statement¹⁴ highlights a number of critical issues in regard to the company's SR performance—from its requirement to maintain diversity in backgrounds and perspectives to the maintenance of three board committees—one of which is the Nominating and Corporate Governance Committee, which ensures that membership of all board and sub-committees alternates.

According to CEO Howard Schultz, Starbucks has reinvented itself from being a coffee business serving people to a people business serving coffee.¹⁵ The company has displayed innovative thinking by conjuring new consumer demands in what may be considered a declining industry. Starbucks has redefined coffee as a beverage and has restructured the locations in which it is consumed,¹⁶ while simultaneously working to increase SR performance.

Some highlights in Starbucks' SR approaches include the following:

- There are full health insurance benefits and stock awards for part-time co-workers.
- Associates are treated with dignity and granted ample career opportunities within the company.
- The company's impact on the community is scrutinized carefully.¹⁷

Schultz resumed leadership in 2009 to refocus the corporation by slowing down its unbridled growth and emphasize doing what is right. The Starbucks foundation has been supporting a campaign called "Create Jobs for USA," which focuses on funding job development in deprived areas.¹⁸ Similar to Trader Joe's, Starbucks refrains from expensive advertising campaigns and has increased its fair trade practices in recent years. As stated in its annual report,

the company relies heavily on synergistic partnerships—partners (co-workers), customers, and coffee farmers.¹⁹ Starbucks also is a member of the Free Trade Coffee alliance, which has been a significant stimulus to coffee growers and has led to rising numbers of members in this registry.

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This excerpt from the book, *Sustainable Business and Industry Designing and Operating for Social and Environmental Responsibility*, demonstrates the value of thinking and acting in a way that is socially responsible.

Making the Case for and Defining Sustainability, Social Responsibility, and Environmental Responsibility

Joseph J. Jacobsen

Sustainable business and industry are new and emerging fields of study. Colleges, universities, and business leaders are interested in how to become more environmentally and socially responsible. There has been a recent rise in interest in eco-products, innovation, responsible business operations, green manufacturing, international standards, responsible investment management, ethical financial engineering, sustainability, social responsibility, fair labor practices, climate change, national and energy security, the green economy, green-collar jobs, resource depletion, renewable energy, pollution, population expansion and migration patterns, demographic equity, holistic supply chains, local sourcing, water quality and availability, green buildings and transportation systems, energy conservation, and so on.

This article reviews the need for human welfare and provides a brief

analysis of global warming. It also defines sustainability, social responsibility, and environmental responsibility. Furthermore, it identifies one general concept of environmental and social responsibility by examining the similarities and differences of these seemingly separate concepts from a business operation point of view.

Social Needs

The year 1920 was a historical tipping point. For the first time in U.S. history, more people were living in cities than on farms. Employment was at the center of this great migration, and therefore this was the critical intersection of migration, mass production, consumerism, and the economy in general. Today, there is a global mass migration taking place, and the scale is quite different. It too is a critical intersection of migration, production, consumerism, and the economy in

general, but this time it is occurring in megacities in coastal zones and it is a worldwide issue.

The Social Security Administration was developed during the Great Depression. President Roosevelt signed the Social Security Act into law in 1935. In addition to several provisions for general welfare, the new act created a social insurance program designed to pay workers age 65 or older a continuing income after retirement. Many proposals were emerging to improve the quality of life of citizens due to overwhelming evidence that suggested a breakdown of financial, health, and social means at a sustenance level that was threatening the nation.

Again today, the issue of sustenance is emerging as a problem in the United States and throughout the world. However, there are several important differences between the 1930s and now. These differences compound the complexity of our social and economic systems, and depending on the actions we take now, great differences will exist in the severity of the outcomes.

In 1935, the availability of natural resources was not an issue. For example, it was not a problem that the disconnect between production processes and employment in the wood industry had little to do with the available timber in the forests or the forests' ability to regenerate themselves. The Great Depression of 1929 had nothing to do with regeneration of renewable natural resources. Shortages were not caused by depletion but rather by a spiraling downward slope of slowing demand for products that was exacerbated by high unemployment that further diminished demand for products that, in turn, led to yet higher unemployment. Today, we have high unemployment plus collapsing natural capital. Combining accelerated depletion of natural capital with a frail economy will no doubt result in a new outcome, one that we have never witnessed before.

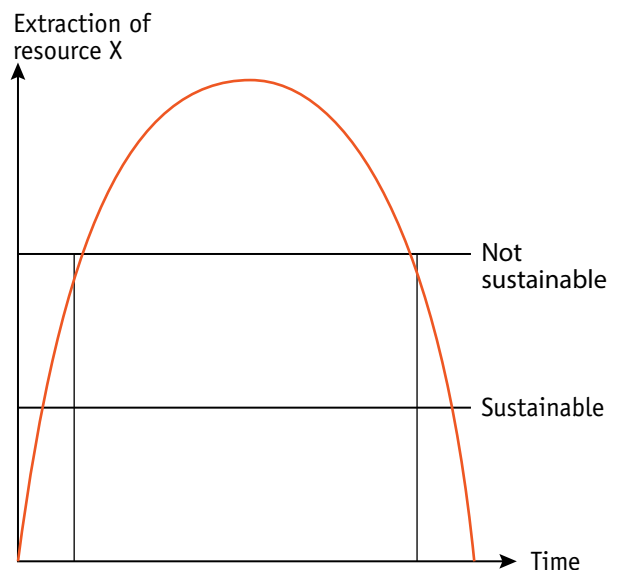
Resource Needs

For the first time in the history of the industrialized world, the United States is no longer the primary mediator of the supply and demand curves of important resources such as steel, aluminum, energy, and concrete. This shift is due in part to developing countries' increase in resource demands, which, in part, is due to people wanting to lift themselves out of poverty, something most of us want. However, unless we adopt more sustainable designs and operations in business and industry, resource

degradation trends will weaken many important ecosystems' resilience, exacerbating the downward spiraling trajectory of depletion are pollution, population growth, and urban migration.

If we continue to extract certain nonrenewable resources at today's rates, we are estimated to have about 61 more years of copper, 45 years of gold, 13 for indium, 40 of tin, 29 of silver, 59 of uranium, and so on. For these same resources, if global consumption increases to just half of U.S. consumption per capita, the resource availability horizons dwindle down to 38, 36, 4, 17, 9, and 19 years, respectively. Food and forest products are renewable but are sensitive to high levels of extraction, and therefore monitoring optimal levels of extraction with corresponding regeneration requires shorter time interval observations (see Figure 1 for a visual model of optimal extraction level) than for nonrenewable resources. The replenishment time intervals for nonrenewable resources is outside meaningful discussion. Exacerbating these negative effects on renewable food and forest products is changing climate, which has the potential to completely wipe out primary human life-support systems.

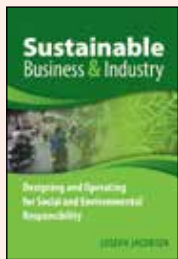
Figure 1: Thresholds of Sustainable and Unsustainable Resource Extraction Levels



Source: Adapted from Daly (1996).

Note: Sustainable and unsustainable levels of extraction of a natural stock of some resource X are specified to set policy for the maximum use and steady state of regeneration. The top of the curve (inflection) is the critical depletion state and is considered too late to repair.

Sustainable Business and Industry: Designing and Operating for Social and Environmental Responsibility



Author: Joseph Jacobsen

Abstract: This book is an introduction to developing and implementing a successful program in the domain of sustainability and social responsibility. The reader is exposed to financially, environmentally, and socially responsible

objectives that are supported by strategies and achieved by clear tactics that have measurable outcomes. Methods of implementing technologies, practices, and measurement approaches are also presented. This book reveals why sustainability is important by explaining seemingly complex scientific topics in a way that requires very little math or science background. The overview also captures how sustainability and social

responsibility can be the source of process and product innovation. International standards—ISO 26000, ISO 9000, and ISO 14000—are addressed. This book also describes how to use traditional methods such as Six Sigma, lean, and operations research to improve processes, reduce resource use and waste, and make better social and environmental decisions that are based upon data from key financial, social, and environmental performance indicators. A recurring theme throughout the book is the integration of traditional methods of continuous improvement with social and environmental data sources.

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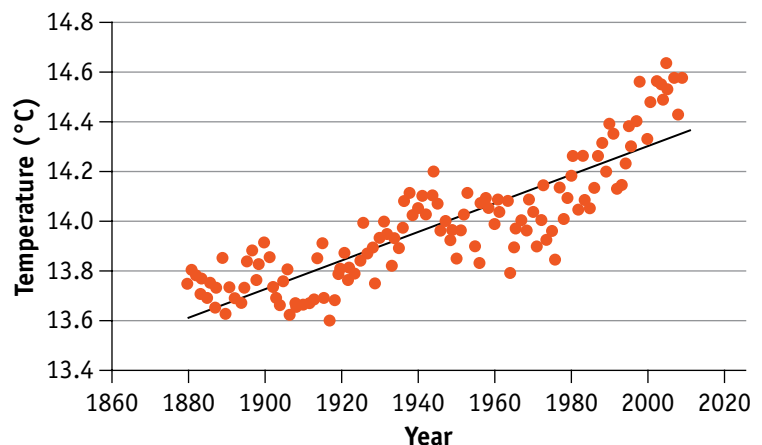
Anyone who has been to Southeast Asia, China, or India will be able to testify as to how quickly these nations are moving away from very rustic poverty toward a Western urban capitalist economy and lifestyle, thereby expanding dependence on distant resources and capital flows, expanding the capacity of the infrastructure of global communication and transportation networks to extract natural resources. Today, we have Western and Eastern societies that are inextricably tied to one another, where economic fluctuations are now experienced at the same time, as clearly demonstrated during the 2008-2010 economic downturn. Yet, it is a challenge to develop international capital stability and resource extraction standards that require continuous monitoring.

Global Warming

Let us briefly review the problem of global warming. Forgive me for being blunt with this section, but if I want to learn about new legislation I might approach a political expert. However, if I want to learn about some physical aspect of the world, I

will approach a physical scientist such as James Hanson or others who have devoted their lives to finding the truth about these scientific issues surrounding climate change. Figure 2 has a line of best fit inserted among the actual annual observations of

Figure 2: Global Temperatures Over 130 Years of Industry



Source: Compiled by the Earth Policy Institute (EPI) from National Aeronautics and Space Administration (NASA), Goddard Institute for Space Studies (GISS), "Global Land-Ocean Temperature Index in 0.01 Degrees Celsius," <http://data.giss.nasa.gov/gistemp/tabledata/GLB.Ts+dSST.txt>, update December 2009; Reto Ruedy (NASA GISS), email to Amy Heinzerling (EPI), January 12, 2010.

Note: The beginning of the Industrial Revolution launched an ongoing upward trajectory in global temperatures.

global temperatures. While every data point is not exactly on the line, it is safe to say that global temperatures have been rising.

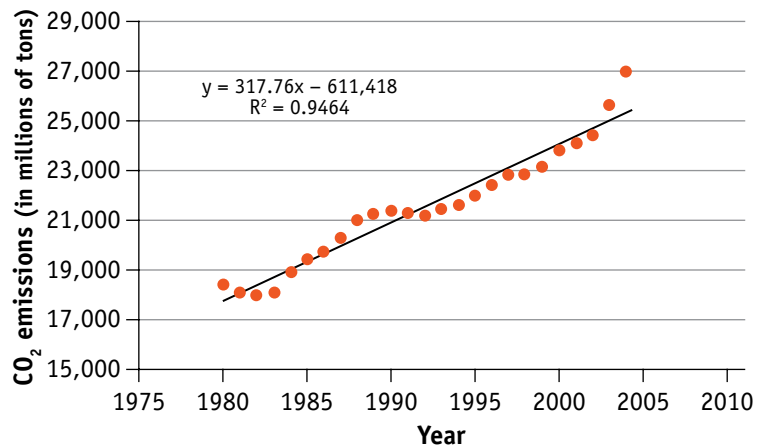
Let us now turn our attention to CO₂ emissions in Figure 3. The CO₂ distribution is a better fit to the linear system (R² > .94) than temperature, and it has steadily increased over time. It is easy to predict where this trajectory will be in the future. We may suspect there is a relationship between CO₂ and global temperature, but it is only speculation at this point.

Let us move on to a more important aspect of global warming by examining the relationship between temperature and CO₂ emissions and test to see whether one exists (Figure 4 and Table 1).

From a statistical and scientific point of view, it is safe to say that a relationship exists between global warming and CO₂ emissions and that they are both increasing. The relationship is not only significant but positive. I believe we can set aside the hypothesis that an increase in temperature does not result in an increase in CO₂, so we will not switch the independent variable with the dependent variable for mischief, fun, and giggles.

In general, we don't appear to be disturbed by news that in 2005 the earth experienced its hottest year in recorded history (tied with 1998) and that the glaciers are melting faster than

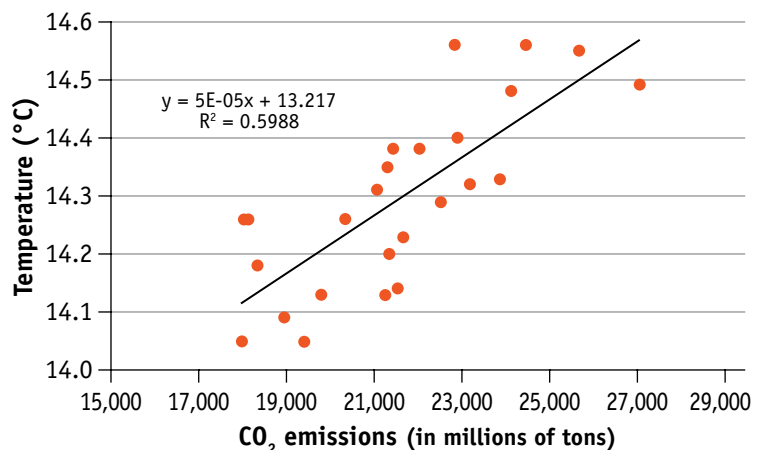
Figure 3: CO₂ Emissions From 1980 to 2004



Source: NASA, Goddard Institute, <http://www.giss.nasa.gov>.

Note: For every year that passes, we find an increase of 317,760,000 tons of CO₂ emitted from economic relative activities on Earth.

Figure 4: Relationship Between CO₂ and Temperature



Source: NASA, Goddard Institute, <http://www.giss.nasa.gov>.

Note: About 60% of the data fits the linear model and there is a 0.00005°C increase in temperature for every 1 million tons of CO₂ emitted.

Table 1: Regression Analysis—CO₂ Emissions (in Millions of Tons) Predict Temperature (in Degrees Centigrade)

Variable	Coefficient	Standard error	t (df = 23)	p-value	Confidence interval	
					95% lower	95% upper
Intercept	13.2172	0.1851	71.407	1.65E-28	12.8343	13.6001
CO ₂ emissions (million tons)	0.00005000	0.00000853	5.859	5.70E-06	0.00003234	0.00006765
r ² = 0.599 n = 25 Standard error = 0101 Dependent variable = temperature						

Source: NASA, Goddard Institute, <http://www.giss.nasa.gov>.

Note: For every 1 million tons of CO₂ emissions, there is a corresponding 0.00005°C change in temperature. Almost 60% of the relationship between CO₂ and temperature fits the linear model, and the risk of rejecting the null hypothesis (that this relationship does not exist) when it is actually true is 0.0000057, that is, a significant finding. For every 17,543,859,600 tons, we see an increase of 1°C in global temperature. However, there are other greenhouse gases, and CO₂ is only one such gas that contributes to global warming.

expected.¹ Unfortunately, we have built up a resistance to the extreme and the increasable from the avalanche of shocking and amazing news of the hour. For most of us, bisecting the important from the sensational is too cumbersome. Let us redirect our attention to an important fact concerning the human population.

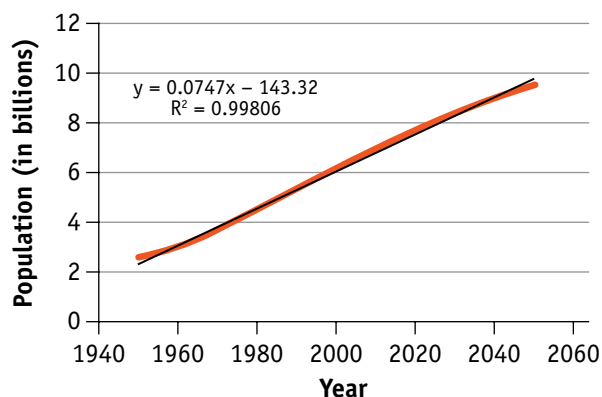
Population Growth and Migration

According to the last several decades of data, the world's population has increased by about 74,686,807 people every year. This equates to an increase of 1 billion people every 13.389 years. You could think of it as an increase of 6,223,901 people per month, or 1,555,975 a week. Simply put, this is the difference between births and deaths (see Figure 5). By 2050, about 6 billion of the world's then 9 billion people will live in cities. According to a 1994 United Nations (UN) report, 1.7 billion of the world's 2.5 billion urban dwellers were living in less developed nations, which were also home to two-thirds of the world's megacities. The trend is rapidly accelerating. Currently, about 3.2 billion people, a number larger than the entire global population of 1967, live in cities. Developing countries absorb, and will continue to absorb, nearly all of the world's population increases between today and 2030. Meanwhile, rural populations are scarcely growing at all. By 2030, more than half of all Asians and Africans will live in urban areas. Latin America and the Caribbean will at that time be 84 percent urban, a level comparable to the United States. As urban population grows, rural populations will shrink. Asia is projected to lose 26 million rural dwellers between 2000 and 2030.

Movement like this will lead to rapidly changing population levels in the world's cities, producing giants whose future depends on rural farms and other resource extractions from outside the cities. By 2050, an estimated two-thirds of the world's population will live in urban areas, imposing excruciating pressure on space. The densely packed housing systems and infrastructure will lead to an unnerving sense of confinement and social disintegration combined with the everlasting horrific disparity between wealth and poverty.

In terms of metropolitan areas, the top 10 populated cities in 2009 in millions of people were Tokyo 33, New York 18, São Paulo 18, Seoul 17, Mexico City 17, Osaka 16, Manila 15, Mumbai 14, Delhi 14, and Jakarta 14. The good news is that the percentage growth rate has been on the decline

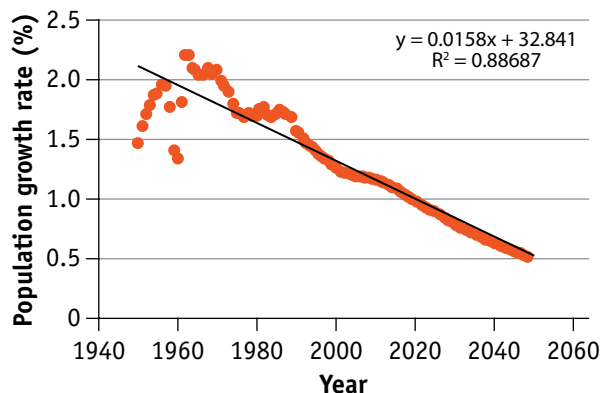
Figure 5: World Population Growth



Source: U.S. Census Bureau, <http://www.census.gov/ipc/www/idb/worldpopinfo.php>.

Note: Between 1950 and 2010 the population of the earth grew at an alarming rate, more than doubling in size. Two primary mediators of this phenomenon were an extension of healthcare and the availability of safe drinking water to developing countries.

Figure 6: Percent of Change in World Population Growth



Source: United Nations Population Division, "World Population Prospects: The 2008 Revision Population Database," updated March 11, 2009, <http://esa.un.org/unpp>.

from 1965 to the current period (see Figure 6). For example, in 1965, the world growth rate was 2.03 percent, and by the year 2000 it had dropped to 1.23 percent.² While the population is still growing, the point of zero growth is approaching. The bad news is that over 9 billion people will be on the earth before the no-growth point.

It has been proposed that an obvious solution is to expand total resource flows by whatever factor necessary to generalize the U.S. per capita use of resources to the rest of the world. How much would that be? It is interesting that so many intelligent

people suggest that we further expand the U.S. economy. The well-received linear model of economic theory—the more we produce, the better off we are—may have held up for many decades. But, as Daly reports, this model no longer applies, because to build the infrastructures needed to be able to extract resources at the affluent levels of post-industrialized nations such as the United States would require a far greater amount of material resources than the world is capable of delivering.³

While demand is slowing somewhat due to the economic downturn of 2008-2010, many economists are advocating a steady-state economy to reduce the extremes of normal economic cycles that hurt people at minimums and maximums. However, the opposition to a steady-state economy says that free enterprise will take care of everything and that we should not mediate an economy, even at the extremes. Chapter 9 of this book contains a more detailed discussion about economic growth.

Real-Life Application

When we describe an organization, we think not only about what that organization produces but also about how that organization produces it. We think about the actual product or service that is the end result of many processes where the output is hopefully sold to a customer. A customer may consider quality, price, delivery time, taste, recommendations, experiences, and a host of other evaluative measures associated with this end product or service. One of the most important things we can do as individuals is to vote for a responsible organization with our dollars by purchasing its products or services. This means we should ask additional questions about the producer organization, such as the age of employees and associated working conditions, how the organization disposes of its waste, where and how it gets its materials, and whether it has adopted ISO and other social and environmental performance measures. Determining exactly how to effectively

evaluate organizations in these areas isn't always obvious or intuitive. A detailed discussion of this area is included in the online supplement.

More Online

To learn more about evaluating organizations' efforts to improve environmental and social performance, look into the online supplement at <http://www.asq.org/pub/jqp>.

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Evaluating Organizations' Efforts to Improve Environmental and Social Performance

Joseph J. Jacobsen

Many aspects of the organization affect its environmental and social performance, and we need to understand how to evaluate them. Each of the key areas that should be considered are discussed in detail in this article.

Sustainability

The dictionary definition of sustain helps us understand two relative concepts: first, longevity or to keep from falling or sinking below some specified level and second, to nourish or keep alive, above some specified level. Environmental sustainability in business refers to longevity, but in terms of which natural resources the production process might draw upon, environmental sustainability refers to how resources are used and replenished, the overall impact of the final product on the environment, and where the product ends up following its disposal. In essence, an environmentally sustainable process is one that contributes to keeping the environment healthy or "alive" by not overconsuming nonrenewable resources or contributing in other ways to the depreciation of the environment. Nonrenewable resources are resources that cannot replenish themselves relative to human timescales. Depreciation of the environment is in large part the result of two imposing degradations, where one is the result of depletion and the other is from pollution.

In business, sustainability is defined as building long-term consequences into processes by managing a business in such a way that processes or the overall state of organizational-dependent resources can be maintained over an indefinite time horizon. If economic sustainable development means developing corporate systems that will last indefinitely, the requisite is that these systems have significantly less impact on the environment than traditional or less sustainable systems. Complete sustainability is difficult to attain or fully measure, since overall impacts and other adjacent antecedents exist that might never truly be known until disruption takes place.

Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental, and social developments.¹

We understand that if we are planning over an indefinite time horizon, social aspects of business must be considered as well as material aspects. Corporate sustainability leaders achieve long-term shareholder value by gearing their objectives, strategies, tactics, and management to harness the market's potential for socially and environmentally sustainable products and services, while at the same time successfully reducing and avoiding disruptive events such as excessive depletion, pollution, and other environmentally and socially negative externalities.

Some companies strive for corporate sustainability by making business decisions on the basis of their environmental, social, and economic impacts, because they recognize that an act that is detrimental to society in some way will come back as a negative repercussion on the business itself. The general concept of preventive business thinking might not have worked in earlier days of free enterprise within the context of unbounded resource use and consequent business growth, but it is becoming more common today, even among large corporations. Managers and CEOs realize that environmental and social impacts are of great importance to the buying public, employees, the media, shareholders, and the community. Therefore, these stakeholders' decisions and habits are being driven accordingly. A company that aims for corporate sustainability and social responsibility is also probably competitive, has good management, and exhibits long-term potential for value—three criteria considered by intelligent investors. Within the context of the financial scandals surrounding the economic downturn, both customers and investors are hoping to find businesses that demonstrate integrity. Sustainability and social responsibility are two ways to show that an organization is honest and that it cares about communities and customers' well-being from more than just one vantage point, and thus it has the intellectual capacity to make decisions while considering a complex range of criteria. Combine these positive attributes with an organization that demonstrates concern about energy independence and global climate change and we have a formula for success at all levels.

One could say sustainability is associated with chaotic concepts plagued by multi-definitions, overlapping conceptions, and doubt. At times, definitions of these two concepts are damaged by marketing schemes such as green-washing or other forms of deception. Some view social and environmental responsibility as a flash in the pan, “here today, gone tomorrow”—like bell-bottom pants. At times, conversations surrounding sustainability will be confused by switching context. For example, one minute sustainability is in reference to the environment, and the next minute it is in reference to the consistent financial performance of a stock or cost center.

The academic community is currently developing new knowledge in sustainability. As academia develops these new areas, the scientific aspects of sustainability emerge from empirical studies such as dissertations, papers, scholarly peer-reviewed journal articles, books, new courses, and degrees. Yet, the scientific community tends to compartmentalize research and personnel into distinct divisions that restrain emerging disciplines, originality, integration, and solution. Because sustainability is interconnected with so many disciplines, it is difficult to classify. In what box do you put sustainability?

Because educational specializations of study rarely encounter one another or, even less frequently, find opportunities for synthesis or interdisciplinary courses and programs, it is difficult to find the right box for sustainability or environmental and social responsibility applications. In fact, social responsibility, environmental responsibility, and sustainability are multidisciplinary fields; as a result, the box has no edges, so it doesn't wholly exist.

Fortunately, the business community has a posture of adaptation in place due to the necessity of creating competitive advantage. For example, a large segment of the business community is already familiar with multidisciplinary initiatives such as cross-functional semiautonomous teams. Additionally, the business community has been using methods of improvement such as Six Sigma and lean to make intelligent decisions about new and better ways of doing things within its business operations, leading to many innovative solutions to problems. It may seem obvious that sustainability presents opportunities for innovation and that we should focus our attention on fully defining and understanding social and environmental responsibility, as they are new frontiers that present opportunities to achieve higher levels of competitive advantage.

Social Responsibility

Most often, examples of social responsibility are about social science. If we were to investigate a supplier's child labor practice, for instance, in many ways we would be examining the social psychology of that supplier. Within the social responsibility corner of social psychology, we find ourselves in the midst of studying cognitive structure as applied to individuals and organizations. Individual and organizational values, beliefs, attitudes, subjective norms, intentions, and behaviors are all variables that social scientists have been investigating for decades. From a life science point of view, we want congruence among values, beliefs, subjective norms, intentions, and behaviors for individuals within the organization, thereby setting the stage for the organization's adoption of socially responsible practices. And when the organization adopts the respective socially responsible practices, we will say it is cognitively congruent with its members; but if the organization does not adopt the socially responsible practices, failing to align itself with its members, we will say it is cognitively dissonant. The theory of organizational congruence is just as relevant when applied to the organization and the community in which it resides. That is to say, the organization's values, attitudes, subjective norms, intentions, and behavior should be aligned with the community's values, attitudes, subjective norms, intentions, and behavior. It is safe to say, therefore, that social responsibility is a discipline within the social sciences and can be measured as such.

The social health of the organization is important. Returning to the example of an organization that adopts supplier standards which exclude the practice of employing children under a certain age, we have an organization that is commissioning a practice. Clearly, this would fall under the category of sociology for a number of reasons. It has social implications for the children as well as the organizations along the supply network. It sends a message to suppliers that certain practices will exclude them from doing business with the customer organization, and it sends a message to the community that employing children under a certain age can jeopardize business relationships.

We can also say a child labor policy is a responsible policy because it is intended to help children. In the short run, we may pay a premium for the adoption of the standard in terms of time and effort to implement the standard, and we may

also see an increase in supplier cost. However, we are willing to give something up in the short run for the common good of the community, even if the community is 10,000 miles away. In the long run, we may realize a cost avoidance of boycotts, lawsuits, and plant shutdowns, along with the avoidance of negative publicity, a damaged reputation, and the possibility of more serious allegations from local communities and governments. In a world of choice, reputation matters.

Environmental Responsibility

Environmental responsibility tends to be technological, physical, and biological. In most instances, sustainability refers to long-term environmental responsibility. Resource availability and pricing have become major determinants of economic development throughout the world. It should be quite evident to even the casual observer that today and in the future, energy and other resources, like water, will continue to draw more attention than other operating costs associated with the supply networks of products and services around the world.

Between the coal-fired steam generators that drove commerce during the Industrial Revolution and the precisely controlled expert systems of today is an enormous inventory of scientific and technological innovations that have tested the ability of organizations and individuals to adapt to change.² Energy technology tests individuals' and organizations' ability to adapt to change because it is continuously evolving as energy pricing becomes more volatile.

The foundations of sustainability are rooted in physical and biological science as opposed to social science. We can say that to be sustainable is to be responsible with the material aspects of business operations. This includes chemical, physical, biological, and all other material aspects of products and services. For example, the combustion of fossil fuel is chemically represented as a combustion equation that clearly yields CO₂, and the use of water is also a chemical change that results in a change in the quality of water. Therefore, environmental responsibility is more exact and easier to measure with respect to inputs and outcomes. Nonetheless, when we are environmentally responsible, we are also socially responsible because the outcomes have consequences relative to people, and people are social. This is why I tend to agree with the idea that both environmental

responsibility and social responsibility can be captured under the general umbrella of social responsibility (see Chapter 3, on ISO 26000).

In the same way we defined social responsibility from a social psychology point of view where the individual and the organization have values, beliefs, attitudes, subjective norms, intentions, and behaviors, we can also examine material transformations of energy and water along with other material aspects of the organization from a physics point of view.

Natural Capitalism introduces a biological approach to the production process that involves the environment.³ According to the authors, natural capital is defined as resources, living systems, and ecosystem services. They go on to say that the people of Earth have a very old reserve of natural capital, yet if the present trajectory of use continues, there simply will not be enough to go around in the near future. One model brought out in *Natural Capitalism* captures the essence of outcomes relative to the physical transformations of production by introducing the concept of industrial metabolism. Industry production takes in or ingests natural resources such as energy, minerals, water, wood, and other natural elements. This system, in turn, excretes liquid and solid waste, just as we do. Additionally, this system breathes in as combustion processes take place to produce heat and electricity while exhaling various gases. This point of view captures the essence of systems thinking while making a point about how ubiquitous externalities of production processes actually are (see Chapter 9 for a discussion about externalities). In fact, this concept raises the notion that production and consumption are not real and that all we need to do to verify this point is look to the laws of conservation of matter and energy.

The discussion of sustainable development looks at the problem of design management from an altogether different perspective. Design management originated from the obvious problems generated by conventional forms of transportation and facilities used to manufacture products for delivery. It has attracted attention to the disastrous consequences of separately dealing with the economic, environmental, and social consequences of development.

The Iroquois Indians live under the concept of traditional directives. One of their most important and widely accepted directives is to consider the

impact of decisions made on the next seven generations. Today, we are in a position where basic business decisions made will impact not only the next seven generations but also the current generation. In fact, in many parts of the world, including the United States, there is strong scientific evidence that suggests the negative effects of environmental damage are hurting us now and the time remaining to turn around the impending catastrophe is running out.

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Supporting Education by Reimagining the Philanthropic Experience

Missy Sherburne

Editor's note: *The Journal for Quality and Participation (JQP)* is pleased to provide this article written by Missy Sherburne, chief partnership officer of DonorsChoose.org, an online charity that makes it easy for anyone to help students in need. Public school teachers from every corner of America post classroom project requests on this organization's website, and contributions of any amount can be given to the project that most inspires the donor. Because *JQP* regularly reports on quality and improvement in the education sector, we felt that sharing information on this organization in our special issue on social responsibility would be appropriate.

As a student in the 1970s and '80s, I went with my classes on regular field trips to the Smithsonian and the Kennedy Center, had a computer lab equipped with Apple 2Es, and climbed on a playground full of jungle gyms. We did not want for anything. Then, in the early '90s, I started teaching in nearby Baltimore, MD, and saw first-hand that all schools are not created equal.

When I became a public school teacher, I had to be creative about finding additional resources for my students. No math manipulatives? No problem. M&Ms and other candies from the local Safeway did the trick. Carpet squares? I secured donated ones from a carpet store. No books for a classroom library? There were regular penny sales at the local library. Teachers go above and beyond for their students on a daily basis, spending their own money and securing donations. The average teacher spends more than \$400 out of his/her own wallet for classroom supplies each year.

Charles Best, my future colleague and the founder of DonorsChoose.org, had a similar teaching experience. In 2000, Best taught history at Wings Academy in the Bronx, and he believed there must be people who would want to help teachers if they could see where the money was going.

Using a pencil and paper, he sketched a website where teachers could create classroom project

requests, and donors could choose a project they wanted to support. In 2000, people were just getting used to the idea of online commerce through new sites such as Amazon and eBay. Twitter, Facebook, and crowdfunding sites such as Kickstarter and Indiegogo were years away; "crowdfunding" wasn't even a word.

Best hired a programmer to build his site, and he then set out to bribe his teacher colleagues to post the first projects, enticing them with his mother's famous pear dessert. The health teacher posted a pregnancy prevention project for Baby-Think-it-Over Dolls. The English teacher requested SAT test prep books. The art teacher needed fabric, thread, and needles so her students could sew a wall-to-wall quilt.

Best's aunt funded the first project, but he didn't know any more donors to fund the other projects, so he funded them himself. He donated anonymously, so his colleagues mistakenly thought that the website worked and that there were donors on the site waiting to fulfill teachers' classroom dreams. That rumor spread across the Bronx. Teachers started posting hundreds of classroom projects, and curious donors weren't far behind.

When I joined the DonorsChoose.org in 2003, I realized this crowdfunding model was a new twist on philanthropy. Today, 15 years into this "experiment," 1.9 million people have given \$367 million to classroom projects at two-thirds of all the public schools in America. We've delivered books, art supplies, field trips, and technology to 16 million students.

We reached this point by imagining philanthropy as an experience—rather than a transaction—for all of our stakeholders: teachers, donors, and partners.

It's All in the Thank You

Best created DonorsChoose.org on a hunch that people aren't satisfied with simply writing a check to their favorite cause and hoping their dollars

make a difference. They want to see impact and know the people they've helped.

Our thank-you packages have become a cornerstone of the DonorsChoose.org experience. Every donor gets an email from the teacher they've supported, hearing how the project helped students. The teachers also post photos of the project in action and, for those donors who give \$50 or more, teachers and students send handwritten thank-you notes.

Today, the photo-sharing process is digital thanks to the ubiquity of digital and cellphone cameras, but in the early days of DonorsChoose.org, we sent disposable cameras to every teacher with a funded project. They'd snap photos and send the cameras back to us, we'd walk them over to a photo developing store near our office, and then hand-sort the returned prints to ship them out to donors. It was a painstaking labor of love, but we knew those thank-you notes and photos were the key to our donors returning to support future projects.

This approach works! Instead of writing one big check, one of our most generous donors hand-selected 1,649 projects to fund last year because she loves reading the project essays, looking at the photos, and connecting with the classrooms she's helped.

A Box of Dreams

One of the chief responsibilities of our operations team—the largest at DonorsChoose.org—is to fulfill the project requests once they've been funded. We never send cash directly to schools—both as a means of accountability to our donors and a responsibility to our teachers. When a classroom project is funded, our team orders the laptops, books, violins, microscopes, 3D printers, and hundreds of thousands of other items teachers select from our vendors, and we ship directly to the classroom. If an item is discontinued or backordered, we help the teacher select a replacement. If the project is a field trip, we help the teacher book the buses, museum tickets, and hotel rooms.

We spend just as much time—if not more—thoughtfully creating the best possible teacher experience on our site because we know the challenges teachers face. They're already going above and beyond for their students by submitting a project. We like to be the magic that takes the wishes they've crafted in their project requests and turns

them into boxes of fulfilled dreams that arrive at their classroom doors.

Doing Well by Doing Good

About 50 percent of our annual revenue comes from individuals who support projects that speak to personal passions. The other 50 percent comes from corporations who want to do well by doing good. Corporate philanthropy is nothing new, but companies can no longer make a splash simply by writing a check to a nonprofit. Consumers are smarter and more practical about social responsibility campaigns.

The most successful companies—such as those recognized by the Cause Marketing Forum and the Committee Encouraging Corporate Philanthropy—are using philanthropy to engage and mobilize their customers in a giving experience, blurring the boundaries between corporate giving and the bottom line.

Our partners are working with us to build brand exposure, engage employees, acquire new customers, and honor loyal customers. We've built campaigns with companies to achieve those goals. Facebook delivers DonorsChoose.org gift cards to their clients as holiday gifts. J. Crew gives employees a promo code they can use to have the retailer double their classroom project donations. Chevron uses customer fill-ups to fund their Fuel Your School program, providing classroom project funding to schools in Chevron communities around the country. Dick's Sporting Goods supports public school sports teams by matching donations from the public. Our partners succeed by recognizing the value of building a quality philanthropic moment into their larger brand experience.

Inspiration and Innovation

While we invest our energy and efforts into creating world-class experiences for our donors, teachers, and partners, it's all in the service of our ultimate goal—improving the education experience for students. Our philosophy has always been that teachers know best what their students need for a quality education, and we work to help great teachers shine, no matter the local school budget.

We find inspiration in the more than 600,000 funded projects that have been brought to life in classrooms across the country, and the approximately 40,000 projects that are seeking funding at any given moment on our site. I've been inspired recently by projects such as "Standing Students

and FootSwings for Focus” submitted by an elementary teacher in Utah. Mrs. Nahalewski found that her students were able to better focus while standing, so she requested materials to build standing desks. Ms. Smith from Brooklyn created “What came first—the chicken or the egg?” which included a visit from Farmer Tom, chicken eggs, and an incubator to teach students about the life cycle of animals. Ms. Taylor’s students are hacking remote control cars and Arduino boards to build self-driving cars that can guide themselves out of a maze using vector logic.

I’m grateful for our teachers and students who bring inspiration and innovation to life in classrooms across the country. As we inch closer to our goal of funding teachers at 100 percent of America’s high-poverty public schools, we never lose sight of the quality stakeholder experiences we’ve created that drive people to support and improve public education.



Missy Sherburne

Missy Sherburne is chief partnerships officer for DonorsChoose.org. In 2007, she developed and led expansion strategy and human resources plans to grow DonorsChoose.org from an organization serving 12 states to serving classrooms from every corner of America. Today, Sherburne leads the organization’s partnerships and business development team, responsible for building corporate and foundation partnerships, driving \$45 million of annual revenue. She previously served as the North Carolina executive director with Teach for America. She started her career as a Teach for America corps member in Baltimore, teaching the third and fourth grades. Contact her via email at missy@donorschoose.org.

Savvy organizations are expanding their interests in social responsibility to their suppliers, creating forward-thinking networks across the globe that are improving working conditions while simultaneously generating better performance.

The Case for Ensuring Supplier Social Responsibility

Jennifer J. Stepniowski

Underage workers, blocked emergency exits, poor ventilation, and unsanitary living conditions are not always the first considerations when evaluating new or existing suppliers. Amid a global marketplace demanding competitive pricing and tight production schedules, social responsibility (SR) has earned a place at the strategic table and continues to gain momentum as well as the support of key stakeholders.

As the chair of the drafting committee that developed the United Nations' Universal Declaration of Human Rights in 1948, Eleanor Roosevelt said this in recognition of its 10th anniversary: "Where, after all, do universal human rights begin? In small places, close to home—so close and so small they cannot be seen on any maps of the world. Yet they are the world of the individual person; the neighborhood he lives in; the school or college he attends; the factory, farm, or office where he works. Such places where every man, woman, and child seeks equal justice, equal opportunity, equal dignity without discrimination. Unless these rights have meaning there, they have little meaning

anywhere. Without concerned citizen action to uphold them close to home, we shall look in vain for progress in the larger world."¹

So, where are "such places" in the supply chain? How can an organization ensure something so notoriously subjective? What are the benefits of doing so? First, consider the results of a reactionary approach, as described in the following examples:

- In 1996, Charles Kernaghan, executive director of the National Labor Committee Education Fund in Support of Worker and Human Rights in Central America, told Congress that the Kathie Lee Gifford clothing line sold at Wal-Mart was being made by 13- and 14-year-olds working 20-hour days in factories in Honduras. As a result, Kathie Lee Gifford responded, "We are now morally compelled to ask, "What can we do to protect labor rights in factories around the world?"²
- In 2006, a factory fire was reported in Bangladesh, injuring and killing hundreds of workers producing textiles for top-name global companies. The



primary emergency exit was locked, and no fire extinguishers were available. Employees reported they were at the factory 74 to 90 hours per week and paid 10 to 14 cents per hour. The factory also was charged with exploitation of child labor.³

- In 2010, many recall the 18 employees who attempted suicide at Foxconn in China. This resulted in Apple joining the Fair Labor Association and subsequently conducting hundreds of on-site audits in an attempt to assess and improve worker conditions. This manufacturer also was a supplier to Microsoft, Samsung, Dell, Nokia, Sony, and others that were asked to re-evaluate their social compliance programs.⁴
- In 2013, more than 1,100 workers died in a garment factory collapse in Bangladesh. This region has wages that are considered the lowest in the world for garment workers, and the collapse was identified as the deadliest disaster in the history of the industry. The event shed light on the working conditions within the region, and a detailed investigative report found multiple building-code violations and identified five factory owners guilty of urging workers to return to a knowingly unsafe building.⁵

The list seems to be never ending. Furthermore, social responsibility doesn't discriminate among specific industries, either. From textiles to toys, human rights in the workplace remains a growing issue for organizations in all sectors of the global market.

Can these tragedies be avoided? The results of poor SR management are consistent and include a negative perception in the marketplace as well as an increase in costs associated with recovery. A proactive strategy is supported by an effort to reduce cost and satisfy stakeholders.

In 1997, Social Accountability International began work on a universally applicable standard that would allow organizations to evaluate suppliers more effectively. Eight key areas were identified and SA8000 was born, using the ISO 9000 series as a model. Recently updated and revised in 2014, SA8000 provides a framework for a comprehensive evaluation that requires objective evidence and observation regarding the following key areas:

- Child labor
- Forced or compulsory labor
- Health and safety
- Freedom of association and right to collective bargaining

- Discrimination
- Disciplinary practices
- Working hours
- Remuneration

SA8000 is joined by several industry-specific guidelines. For example, the Electronic Industry Citizenship Coalition (EICC) has developed a code of conduct that includes regulatory content related to social, environmental, and ethical issues. Worldwide Responsible Apparel Production (WRAP) is an example in the sewn-products industry, incorporating 12 principles into an independent assessment and certification criteria. Additionally, the International Council of Toy Industries (ICTI) has a CARE statement and related process that incorporates caring, awareness, and responsible and ethical considerations. Organizations from a broad range of industries are committed to the International Labor Association (ILA) and its code of conduct for ensuring a socially responsible workplace.

With so many variations, the International Organization for Standardization (ISO) provided a universal guideline in 2010 for use as a broader clarification and application of social responsibility. The ISO 26000 guideline focuses on seven core subjects—organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development. ISO 26000 declares, "In the wake of increasing globalization, we have become increasingly conscious not only of what we buy, but also how the goods and services we buy have been produced. Environmentally harmful production, child labor, dangerous working environments and other inhumane conditions are examples of issues being brought into the open. All companies and organizations aiming at long-term profitability and credibility are starting to realize that they must act in accordance with the norms of right and wrong."⁶

How is social responsibility evaluated at a supplier's site? Usually, an initial audit meeting covers the scope, including the purpose and procedures that will be employed. Key staff members attending this discussion often include the managing director, human resources manager, union/workers' representative, health and safety representative, etc.

The trained auditor expects to tour the production facility and applicable dormitories. Throughout the assessment, workers are selected randomly by

the auditor to ensure fair representation. Many times, both group and individual interviews are used. Statements made by workers remain anonymous and confidential in order to gain the trust and honesty. Interviews are performed in a closed room to prevent intimidation, and no members of management are present.

Auditors spend time on-site reviewing and verifying objective evidence and interviewing employees and management. Commonly noted issues during social responsibility evaluations include the following:

- *Child labor*—The UN reports that approximately 215 million child laborers are in the world. Among them, 115 million were in what is considered hazardous work.⁷ Auditors carefully review employment documentation and interview workers to assess compliance with applicable laws.
- *Health and safety*—It's not uncommon for an auditor to note a lack of fire extinguishers, poor ventilation, or blocked emergency exits. Employees may not have access to or appropriate training to use necessary protective equipment, or the storage of chemicals and hazardous waste may affect the potential for leakage or exposure to workers. Part of the on-site evaluation includes a walking tour of the facility and verification of health and safety compliance.
- *Living conditions (dormitories)*—There can be up to eight to 12 individuals residing in one small room with no convenient access to potable water. The auditor tours the living areas and assesses environmental conditions and general quality.
- *Working hours and overtime*—Auditors use local legal requirements when determining compliance in this area. Generally, the work week should not exceed 48 hours or the country's maximum, whichever is less. The auditor reviews productivity records and daily averages. Objective evidence includes overtime wage records, worker testimonies, and evaluation of quantity produced compared to the number of workers confirmed on record during a normal work week.

What are the benefits of these audits? An organization's commitment to social responsibility must be represented throughout the supply chain. In addition to providing a competitive advantage in the global marketplace, socially responsible organizations enjoy an elevated reputation among stakeholders and a proven model for long-term sustainability and growth.

An on-site evaluation of a supplier's social responsibility is an effective tool in the selection process, as well as an important factor in ongoing management. The assessments offer critical decision-making insight in addition to providing invaluable improvement opportunities.

At the end of the day, happy workers are more productive and generate higher quality output. In fact, a recent study by economists at the University of Warwick found that happiness led to a 12 percent spike in productivity while unhappy workers proved 10 percent less productive. The study supported a causal link between human well-being and performance.⁸

What's next? Technology has created new opportunities for organizations to track social compliance. For example, LaborVoices' TripAdvisor for workers has an application that has innovated the landscape of social responsibility. It collects data from frequent employee polling and shares the data with key decision makers to drive improvements in worker conditions in factories throughout the world. When interviewed regarding this new application, CEO Kohl Gill advised, "Companies are starting to take labor conditions in their supply chain quite seriously across a range of different sectors. [They] are moving their response to worker abuses from public relations, where it used to sit, into more mainstream functions."⁹

Every organization needs to consider what its suppliers' employees would say about their workplace conditions. Ultimately, the practices of suppliers reflect back on the customers and, therefore, are of utmost concern when an organization is concerned about optimizing its reputation.

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social **RESPONSIBILITY**

Did You Know?

If you're interested in learning more about how quality practitioners can expand their horizons to incorporate the considerations of social responsibility (SR) into their work, you may want to check some of the resources ASQ has available for this purpose. A good place to start is "What Is Social Responsibility (SR)?" at <http://asq.org/learn-about-quality/social-responsibility/>. Not only does this Web page provide a summary of SR and the ISO 26000 guidance standard, but it also includes links to other resources, including articles, webcasts, and case studies.

Specific content related to the seven core subjects or the seven principles addressed in the standard, are available in the ASQ Knowledge Center, and this Web page offers an easy entry point for them. It also has connections to research studies that ASQ has sponsored, books that are available to support awareness development and SR program implementation, and courses that are offered by ASQ's team of SR experts. All of the Knowledge Center offerings are aligned with the new SR body of knowledge that is underway

(see <http://asq.org/learn-about-quality/social-responsibility/index.html>).

ASQ is integrally involved in the process that supports the ISO 26000 standard. The U.S. TAG to ISO/Technical Management Board/Working Group (WG) on Social Responsibility (U.S. TAG to ISO/TMB/WG on SR) is the national committee to the WG on SR. This WG and each member-body is composed of six stakeholder groups—industry, government, labor, consumers, nongovernmental organizations (NGO), and service/support/research/others (SSRO). The U.S. TAG to ISO/TMB/WG on SR helped to create the U.S. stakeholder position on ISO 26000, the first ISO standard on SR, which was published in 2010. See <http://asq.org/standards/standards-and-social-responsibility> to apply to participate in this group.

Furthermore, in 2015 ASQ officially launched the Social Responsibility Technical Community. Go to <http://community.asq.org/communities/community-home?CommunityKey=a86235e0-d5ce-46a5-bb74-2473e1dc58d3> or <https://www.linkedin.com/groups/89322> to learn more about how to become a member of and contribute to this group.

It's no longer sufficient to track just the traditional aspects associated with the cost of quality. Now, the costs associated with social responsibility, including negative impacts, can be incorporated into a broader model that provides a better perspective of organizations' effects on society.

Cost of Social Responsibility Model

Daniel Zrymiak

Determining the cost of quality (CoQ) has been an accepted practice for many years. The model used for that evaluation combines measures of failure, appraisal, and prevention to support increases in preventive and appraisal costs as a way not only to improve quality by reducing failures but also to justify the financial investment by providing a value for the "return on quality" as measured by the overall cost reduction,¹ as shown in Figure 1. The cost of social responsibility (CoSR) extends this approach beyond the traditional CoQ model, offering a broader analysis that can be used to evaluate the effectiveness of an organization's social responsibility (SR) effort.

Building the CoQ Foundation

The driving motive behind CoQ tracking and measurement is that the aggregated costs of external failure, internal failure, appraisal, and preventive costs will be reduced by expanding the investment in appraisal and preventive activities, causing a reduction in the cost and scope of internal and external failures.

Internal failure costs are associated with deficiencies discovered before delivery and include the following:

- Failure to meet customer requirements and needs, causing scrap,

rework, downgrading, and general product and process waste from diagnosis and analysis.

- Cost of inefficient processes arising from variability, unplanned downtime, process deviations, nonvalue-added activities, and general waste.

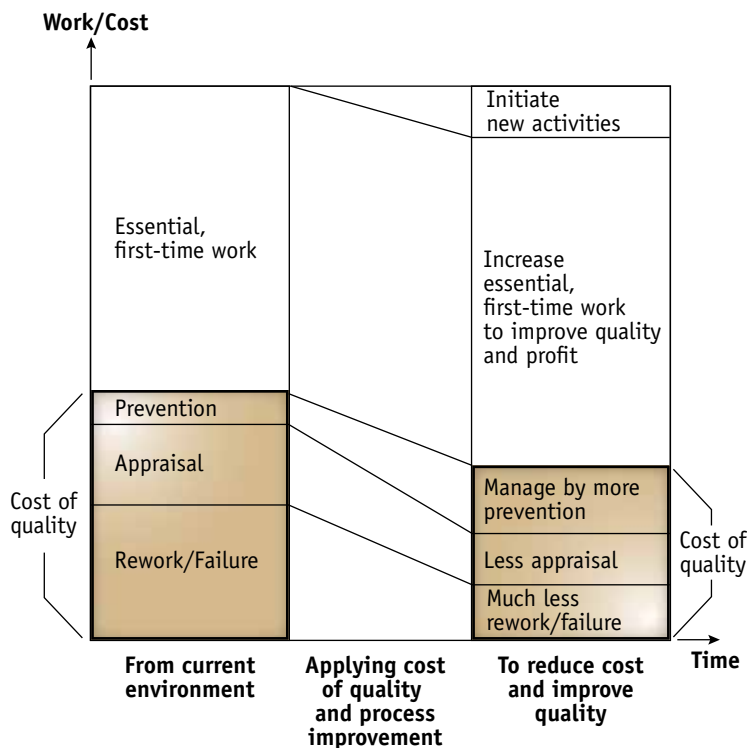
External failure costs are those discovered after delivery by the customer, end user, or market and include the following:

- Failure to meet customer requirements and needs, resulting in complaints, warranty charges, returns, concessions, product penalties, rework, and unrecoverable support costs.
- "Soft losses," while not directly traceable, can be damaging to a business following incidents of poor quality, including the reputation and goodwill of the organization that must be restored.

Appraisal costs refer to the investments made to assess and evaluate conformance to or fulfillment of quality specifications and requirements and include the following:

- Various forms of inspection and testing throughout all phases of product completion or service delivery.
- Reviews and audits of documents and processes.

Figure 1: Effects of Identifying Costs of Quality



Source: Joseph Juran and A. Blanton Godfrey, *Juran's Quality Handbook*, 5th ed., McGraw-Hill, 1998, Figure 8.4.

Preventive costs related to planning and control measures taken to anticipate and control quality at the earliest stages to reduce the overall failure and appraisal costs and include the following:

- Planning of quality and management systems, processes, and governance.
- Reviews and audits of overall systems.
- Training of employees on quality measures to ensure proper decisions and appropriate responses.

CoQ requires a clear definition within the organization. It is limited primarily to those items and elements that are within the direct control of the organization and are constrained by the immediate scope and influence of the product or service. As with any mathematical model, there is a theoretical optimum associated with quality costs whereby the incremental increases to preventive and appraisal cost items actually will exceed the relative benefits of the failure controls at some point (see Figure 2). This is defined by the desired scope of the organization, which sets the limits by which increased levels of quality are no longer financially viable relative to the pure return on investment.

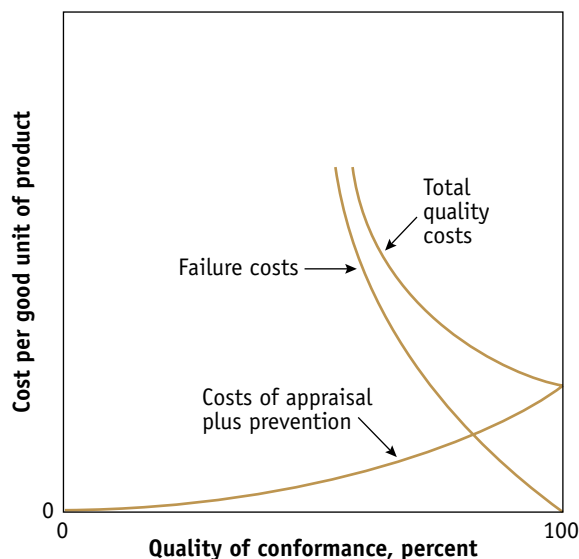
Expanding the Model

In addition to emphasizing the preventive, appraisal, internal failure, and external failure costs within the organization, a CoSR model incorporates additional costs related to the extended governance and stakeholder management obligations required by a socially responsible organization. To be functional, the CoSR must address and track the costs of the organization's SR aspects and impacts outside of its direct organizational reach.

Integrating social responsibility into the traditional CoQ framework is considered controversial by some. One view of CoSR aligns with Milton Friedman, who emphasizes profitability as the primary focus. When asked, what are a corporation's social responsibilities? Friedman's well-known response is, "A corporation's responsibility is to make as much money for the stockholders as possible."² Alternatively, many organizations choose to adopt an approach that includes supporting community charities regardless of the potential impact on profitability. For the purpose of the CoSR model, these two interpretations are incompatible; CoSR should relate directly to the

purpose of the CoSR model, these two interpretations are incompatible; CoSR should relate directly to the

Figure 2: Model for Optimum Quality Costs



Source: Joseph Juran and A. Blanton Godfrey, *Juran's Quality Handbook*, 5th ed., McGraw-Hill, 1998, Figure 8.7.

operations of the organization and the SR aspects and impacts of its core businesses.

Additional costs which need to be considered and incorporated into a CoSR model include the following examples from the past and present, which extends beyond typical operational or CoQ parameters:

- *Cost of extended monitoring and reporting.* Impacts of each identified SR aspect associated with the business are tracked. Impacts not only affect the organization and its immediate customers, but also stakeholders, such as communities and society at large. Examples of impacts can include long-term damage to the users, the reputation of the industry, the environment and ecosystem, and society in general through malicious incidents or negligence.
- *Cost of governance.* Internal steps are taken to manage the additional SR obligations and commitments. To safeguard the organization from liability and ensure due diligence, additional governance measures ensure that designs and solutions are delivered as authorized and approved, and all solutions and outcomes are known and accounted for by the senior management of the organization.
- *Cost of oversight.* External regulatory and compliance groups (such as the Environmental Protection Agency or the Food and Drug Administration) provide independent oversight, ranging from direct supervision of the product or service to the general areas that may be impacted.
- *Cost of mitigation and contingencies.* In anticipation of identified risks, mitigations and contingency plans are incorporated into overall budgeting and capital planning. When risks have been identified and their probabilities and potential effects tabulated, appropriate responses are required. Mitigations are needed to prevent the occurrence of the risk. If the risk is inevitable or not fully preventable, contingency plans are needed to make the necessary adjustments to absorb the effects of the risk and respond to minimize damage and disruption.
- *Cost of treatment, recovery, and remediation.* These actions restore anything affected by the organization's SR impacts. They include repairs for pollution, damage, injury, or long-term illness. This particular cost is cumulative and can be assessed based on long-term estimates of overall damage. Early treatment and rapid recovery is

preferable to continued, lasting damage from socially irresponsible incidents, so urgency is also a consideration.

- *Cost of advocacy.* This is an all-encompassing term which incorporates training, awareness, lobbying, and general promotion of proper conduct. Unlike quality specifications, the user community is often not aware of its social responsibility requirements until after a malady has occurred. Advocacy must be vigilant and persistent in reinforcing the key aspects of SR.
- *Cost of adoption.* If being compliant or socially responsible requires a change in practices, this organizational transition and transformation is itself an initiative which requires resources, effective planning, and execution. Adoption of socially responsible practices is analogous to preventive quality costs in that the intent is to balance adoption costs with reductions in potential treatment, recovery, and remediation costs. These expenses often fall outside of the direct cost of goods sold, however. An example might be the provision of comfortable housing, amenities, and medical care for employees and their families.

Summary of the CoSR Model

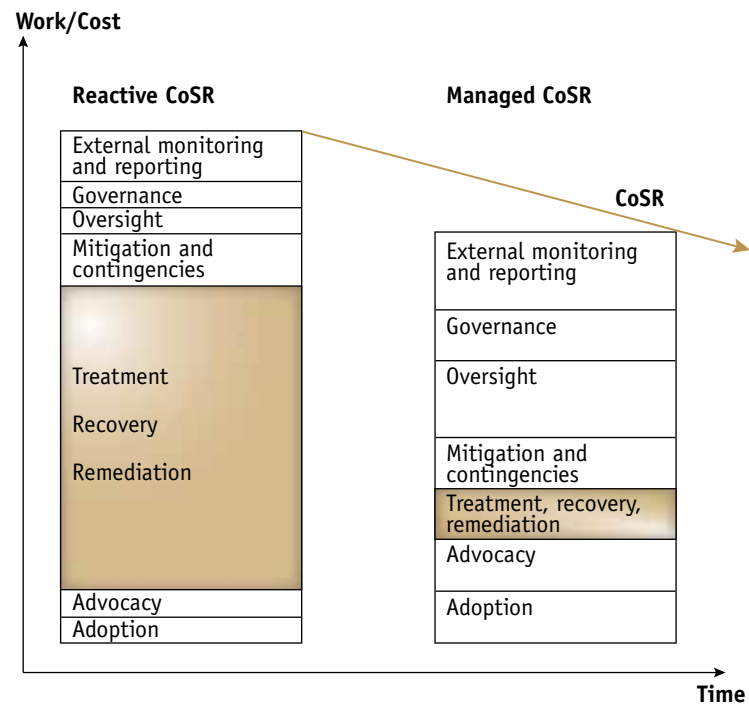
Porter and Kramer published an iconic article, "Strategy and Society,"³ describing the ethical foundations that drive organizations applying the CoSR model. They contend that if corporations were to analyze their opportunities for SR using the same frameworks that guide their core business choices, they would discover, as Whole Foods Market, Toyota, and Volvo have done, that SR can be much more than a cost, constraint, or charitable deed. It is a potent source of innovation and competitive advantage. It introduces a framework that organizations can use to identify the social consequences of their actions, discover opportunities to benefit society and themselves by strengthening the competitive context in which they operate, determine which SR initiatives they should address, and find the most effective ways of doing so.

The binary approach of tracking quality costs by failure (internal, external) or conformance (preventive, appraisal) is inadequate for CoSR. Even if the product or service works as designed and intended, its interaction with society at large cannot be quantified solely by the CoQ model. Although failures can be limited by the scope of the declared uses of

the product or service, SR violations are dependent upon the use of that product or service by and impact on stakeholders. To govern expectations effectively and respond to deficiencies, investments are required in the supplemental areas of extended monitoring and reporting; governance; oversight; mitigation and contingencies; treatment, recovery, and remediation; advocacy; and adoption.

Additional cost items in the CoSR model reflect its extended scope and stakeholder interests as shown in Figure 3. As this model is tracked and deployed in organizations, distinctions can be made between planned and unplanned expenses. Because financial decisions are driven by organizations' top managers who are ultimately accountable, the control and reporting of SR costs should be integrated with organizational governance methods.

Figure 3: Scope and Stakeholder Interest of CoSR Model



More Online

A supplemental article that demonstrates the application of the CoSR model using real-life examples is available at <http://www.asq.org/pub/jqp>.

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Case Studies Demonstrating Application of the Cost of Social Responsibility Model

Daniel Zrymiak

This article provides specific examples of the cost of social responsibility (CoSR) categories in the context of social responsibility (SR) needs for particular industries.

Big Auto Examples

The “big auto” examples described in this section represent some historical disasters in the automotive industry that impacted measures of SR costs. More recent cases continue to demonstrate the model’s applicability to this industry, however.

On November 30, 1965, Ralph Nader, a Washington attorney who subsequently became widely recognized for his efforts, first appeared in the *New York Times*, following the release of his book, *Unsafe at Any Speed*. He criticized the safety of several cars—particularly General Motor’s Chevrolet Sporty Corvair, which had a rear engine. This model was labeled as having the risk of a “one-car accident” because it had a swing-axle suspension design that Nader contended caused it to roll over under some conditions. Nader also blasted the auto industry for ignoring safety problems, including the providers, the National Safety Council, and the American Automobile Association in his rebukes. The article quoted him as saying, “that auto safety takes a back seat to styling, comfort, speed, power, and the desire of auto makers to cut costs.”¹

During that same general time, the Ford Pinto experienced flammability issues that impacted the CoSR model’s calculations. Its product release decision neglected to consider SR-related issues. According to Michael Matteson and Chris Metivier, “Before producing the Pinto, Ford crash-tested various prototypes, in part to learn whether they met a safety standard proposed by the National Highway Traffic Safety Administration (NHTSA) to reduce fires from traffic collisions. This standard would have required that by 1972 all new autos be able to withstand a rear-end impact of 20 mph without fuel loss, and that by 1973 they be able to withstand an impact of 30 mph. The prototypes all failed the 20-mph test. In 1970 Ford crash-tested the Pinto itself, and the result was the same—ruptured gas tanks and dangerous leaks. The only Pintos to pass

the test had been modified in some way—for example, with a rubber bladder in the gas tank or a piece of steel between the tank and the rear bumper.”²

A more detailed review of the Ford Pinto case illustrates the considerations that affected the original decision-making process. The list below not only summarizes the prevalent thinking at the time this case occurred but also more recent developments in the automotive industry that support the use of the CoSR model.

- Although Ford was aware that the Pinto’s design generated a serious fire hazard when the car was struck from the rear (even in low-speed collisions), Ford officials weighed the risk to consumers’ safety against the planned production timetable. At the time, the sub-compact market was dominated by foreign competitors, and the one-year delay in introduction required to eliminate this issue represented a continuing significant loss to the company’s market position. So, Ford not only pushed ahead with the original design but also stuck to it for the next six years.
- The evidence suggests that Ford relied partially on cost-benefit reasoning when making the decision. The monetary analyses of the expected costs and benefits associated with potential design changes to make the Pinto’s gas tank safer seemed to outweigh the value—despite the fact that the estimated costs ranged from only \$5-8 per vehicle.² This analysis of the cost of quality focused on traditional operations-based measures.
- Product safety was a secondary item until later times when cars were deemed unsafe by regulators and the public at large. Following numerous incidents and recalls, expanded product safety testing is now required, recall mechanisms exist to support product replacement, and increased regulatory oversight is now entrenched.
- Regulatory penalties now are assigned to automotive manufacturers for Clean Air Act violations. Recently, Hyundai and Kia received penalties

exceeding \$300 million, and the impact of Volkswagen's "defeat devices" used to pass emissions testing inappropriately may affect more than 480,000 vehicles and result in a penalty of \$18 billion.³

Table 1 shows the types of costs that might be included in each category of the CoSR model. It's easy to see that these costs include many areas that would not have been taken into account at the time the "big auto" examples were occurring. On the other hand, these costs reflect decisions organizations make that impact society and often have long-lasting financial ramifications.

Clearly, the current standard to which automakers are held not only includes automotive features and performance but also their impact on safety and society at large. Using the CoSR model to evaluate the design risks and to monitor ongoing results

seems to be a reasonable approach for substantiating the financial value of SR initiatives.

Mineral Spills Examples

The more recent examples of mineral spills described in this section also reveal the high cost of SR—particularly in light of the conflicting pressures between potential prosperity and environmental hazards. They are associated with mining and petroleum extraction transfer, including oil leaks, collisions of rail carriers and sea vessels, pipeline ruptures, and breach of mine-tailing ponds into the general ecosystem. Mineral spills can contaminate water and soil, jeopardize wildlife, and negatively impact local industries that depend on agriculture, aquaculture, tourism, and clean environments. Entire communities have been damaged permanently and irreparably from these unfortunate events. Furthermore, even moderate spillage events can have cumulative and compounding effects over time.

One memorable example is the immense Exxon Valdez spill, which caused considerable damage to the environment. Its effects still are being determined more than 25 years later, and more are likely to be recognized for many years in the future. Prince William Sound's coastal ecosystem is permanently damaged; thousands of gallons of toxic oil currently pollute the beaches and hurt the ecosystem near the shore. As of 2010, the government considers only 13 of the 32 monitored wildlife populations, habitats, and resource services that were injured in the spill as fully "recovered" or "very likely recovered." Some are still listed today as "not recovering."⁴

Mineral spills also can occur when structures intended to contain contaminated or dangerous goods, such as tailings dams or a pipelines breach. For instance, the failure of the Mount Polley Mine caused contaminated water to be released into the ecosystem. The dam was completed in 1997, and the operators added to its height almost every year. As the load increased, the unstable foundation became weaker. In 2006, the problem was compounded when the supply of rock fill, the material used in the dam's construction, was exhausted, and the slope of the dam was changed to a steeper angle, an interim measure that was never corrected. Eventually, the foundation beneath the perimeter dam gave way, and the pressure of water and tailings tore a gaping hole in the structure, releasing 10 million cubic meters of contaminated water into the waterways below.⁵

Table 1: Application of the CoSR Model to the Big Auto Cases

CoSR Model Cost Area	Description of Costs Included in This Area
Cost of extended monitoring and reporting	Testing and approvals and documentation of outcomes
Cost of governance	Expanded management and quality layers and intricate management systems
Cost of oversight	Multiple government departments for transportation and public safety; restrictions on licensing and driving permits
Cost of mitigation and contingencies	Design for worst-case accidents and collisions
Cost of treatment, recovery, and remediation	Extended after-market resources and corrections; expensive post-recall restorations
Cost of advocacy	Ongoing design and safety; lobbying for extended features, design controls, and emissions
Cost of adoption	Redefinition of product life and liability for automakers and providers; redefinition of product outcomes beyond performance to safety and sustainability

Table 2: Application of the CoSR Model to the Big Auto Cases

CoSR Model Cost Area	Description of Costs Included in This Area
Cost of extended monitoring and reporting	Early warning systems and redundancies in design to capture and protect from spill effects
Cost of governance	Extended management systems for design, prevention, monitoring, and rapid response
Cost of oversight	Combined government efforts involving energy, transportation, agriculture, interior, and environmental management; if infrastructure crosses borders, this requires diplomatic groups (e.g., the State Department); if government or indigenous land is used, that also creates additional complications
Cost of mitigation and contingencies	Areas at high risk of spills or leakage require robust design and redundant safeguards; contingencies are needed to offset potential damage to water, land, and/or the ecosystem
Cost of treatment, recovery, and remediation	Depending on the severity, this can have long-term ramifications to communities and ecosystems, requiring constant care and attention on some occasions
Cost of advocacy	Safety and environmental activism has increased; impact to climates and ecosystems are used to support safer systems; responsible use of resources is intended to reduce demand and peak levels
Cost of adoption	Increased infrastructure, management systems, and operating practices to promote safety and reduce risky conditions

In another case, three years after an Enbridge pipeline ruptured and spilled 3.3 million liters of oil into Michigan’s Kalamazoo River, the company still is dealing with the outcomes and costs of more than \$1 billion. This was the largest land spill in U.S. history, and the U.S. Environmental Protection Agency ultimately ordered the company to dredge the river in areas where remains of the heavy bitumen fossil fuel had collected.⁶

As the industry and the nature of its potential SR impacts change, so too do the costs to be considered for inclusion in the CoSR model. The list of potential costs for each category in Table 2 is similar to those for the automotive industry in some cases, but many of them are unique and reflect the different characteristics of these mineral spills scenarios.

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Modern Analytics and the Future of Quality and Performance Excellence

James R. Evans

This department presents a summarized version of an article that previously was published in the *Quality Management Journal (QMJ)*, an ASQ quarterly, peer-reviewed publication. It links the efforts of academic researchers and quality management practitioners by publishing significant research relevant to quality management practice and provides a forum for discussion of such research by academics and practitioners. This issue summarizes an article by James R. Evans, which originally appeared in the October 2015 issue of *QMJ*. This is the first of two installments based on this original article. This first segment provides a foundational understanding of modern analytics, and the April 2016 issue will include an additional summary that addresses how business analytics align with the Baldrige framework, strategic management, and the future role of quality professionals. A link to the original article is included at the end of this department so readers can dig into the details.

Premise

The groundbreaking book, *Competing on Analytics: The New Science of Winning*, by Thomas H. Davenport and Jeanne G. Harris described how analytics can be used strategically to improve decisions as well as customer and shareholder value.¹ Many definitions of the term analytics exists, including “the use of data, information technology, statistical analysis, quantitative methods, and mathematical or computer-based models to help managers gain improved insight about their business operations and make better, fact-based decisions.”² The use of analytics has grown exponentially in business, healthcare, and other industries over the past decade.^{3, 4} A survey by the American Management Association (AMA) of approximately 800 business executives in more than 50 industries and 40 countries noted that, “Overall, 58 percent of participants report that analytics are already vital to their organization, and that rises to 82 percent when asked about five years from now.”⁵

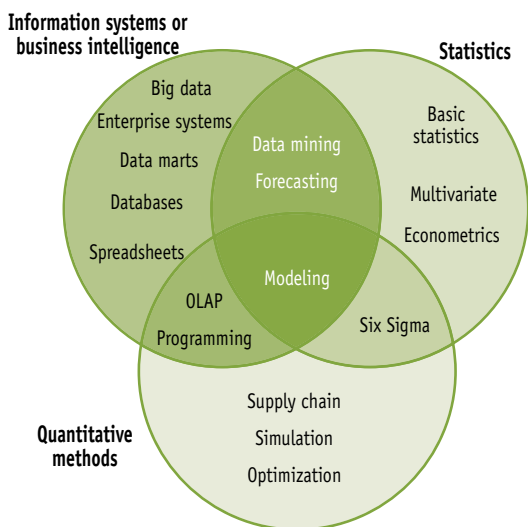
The tools and techniques of modern analytics are changing how organizations manage. At the same time, however, research suggests that most organizations don’t understand how to use analytics to improve their businesses. Under these circumstances, it seems obvious that quality professionals who have analytics skills can contribute more effectively to improving organizational performance by applying powerful tools that both complement and transcend the more common approaches, such as Six Sigma.

Learning More About Analytics

The advent of computers in the late 1940s and their development made it possible to analyze data in a way that had been very difficult or even impossible to do manually. Computers simplified the processes of collecting, managing, and analyzing data. Business intelligence (BI) was the term coined in 1958 by an IBM researcher, Hans Peter Luhn, to describe these processes when applied to understanding business performance.⁶

The massive growth of data available today also has driven the use of statistical methods, which provide a deeper understanding of data that goes beyond business intelligence reporting by not only summarizing data succinctly but also finding unknown and interesting relationships among the data. Furthermore, modern analytics use mathematical or computer-based models, such as modeling and optimization, to solve complex decision problems—a discipline known as operations research (OR) or management science (MS). Modern analytics can be viewed as an integration of the three fundamental disciplines: business intelligence/information systems (BI/IS), statistics, and quantitative methods/operations research (see Figure 1). Although these disciplines have been available for many years, many tools now are accessible that facilitate their integration and use. In particular, the business analytics tool, visualization, is an essential component of each of these three areas and their combination. Visualizing data, model results, and

Figure 1: A Business Analytics Framework



Source: Klimberg and Miori 2010

analyses can reveal surprising patterns and relationships and provide a way of easily communicating data at all levels of an organization.

Lustig characterizes modern analytics from three perspectives,⁷ as follows:

- *Descriptive analytics.* The use of data to understand past and current performance and make informed decisions. Descriptive analytics summarizes data into meaningful charts and reports, for example, about budgets, sales, revenues, or cost. This process allows managers to obtain standard and customized reports and then drill down into the data and make queries to understand the impact of an advertising campaign, for example, review performance to find problems or areas of opportunity, and identify patterns and trends in data.
- *Predictive analytics.* Analyzing past performance in an effort to predict the future by examining historical data, detecting patterns or relationships in these data, and then extrapolating these relationships forward in time. Using advanced techniques, predictive analytics can help to detect hidden patterns in large quantities of data to segment and group data into coherent sets in order to predict behavior and detect trends.
- *Prescriptive analytics*—Using optimization to identify the best alternatives to minimize or maximize some objective. The mathematical and statistical techniques of predictive analytics can also be combined with optimization to make decisions that take into account the uncertainty in the data.

“Big data” is associated with modern analytics, and it includes massive amounts of business data from a wide variety of sources, which generally is available in real time and is often uncertain or unpredictable. There are many sources of this data and it comes on many forms—numerical, textual, and even audio and video data.

Effect of Analytics on Management

An IBM report concludes that traditional management approaches are evolving in today’s analytics-driven environment. With big data available and the ability to integrate different perspectives to obtain more comprehensive analyses, more fact-based decisions are possible even when the data is complex or difficult to portray without these new tools. This makes it possible to set aside judgment and intuition in favor of more reliable approaches. Prediction becomes the focus, rather than reaction, and analytics can be applied when and where decisions are made rather than relying on skilled experts in a consulting group.⁸

Of course, fact-based decision making is a core value of the Baldrige Performance Excellence Program and a hallmark of quality management. Clearly, business analytics open the door for building organizational cultures that rely on new decision-making processes applied by people at all levels. Understanding how business analytics aligns with the Baldrige framework and how quality professionals can become more involved in the use of these transformative tools will be presented in the next installment of this article in April 2016.

More Online

To learn more about this important topic, be sure to read the original article from the *Quality Management Journal* at <http://asq.org/quality-management/2015/09/statistics/modern-analytics-and-the-future-of-quality-and-performance-excellence.html>.

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Quality Management Journal

Based on:

"Embedding Social Responsibility Principles Within Quality Leadership Practices"

Volume 22, Issue 4



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Linking an organization's purpose to its social responsibility initiatives provides an excellent platform for creating a service focus among leaders.

At Your Service— Leadership That Truly Inspires

Wendy O'Connell and David Gibbons

"Efforts and courage are not enough without purpose and direction."

John F. Kennedy

More and more people want to work in a company that has a purpose that goes beyond simply the delivery of a strong bottom line. They want to leave work every day knowing that they also are serving others and making a positive contribution to society. The best leaders have a broader vision of what's driving them beyond advancing in their careers or making more money in their businesses. These leaders tend to be much more powerful and effective, and they inspire a sense of followership. Organizations that take the time to help leaders really understand their purposes and then link those purposes to their business will achieve better results and will be more sustainable. They also will avoid ethical dilemmas that run contrary to their values and standards.

There has been much written about the need for an organization to rediscover its sense of purpose at the highest level. Many organizations have a deeply held sense of mission, such as Novartis

("to care and to cure") and Syngenta ("to feed the world").

When organizations genuinely and authentically consider service and purpose to be core to their reasons for operating, they see tremendous increases in customer loyalty, employee engagement, and employer brand. Leaders today, especially those in the millennial generation, are looking for a sense of purpose and a sense of mission.

Research supports this concept. A February 2015 global survey by Futurestep, found that "visibility and buy-in to the vision of the organization" is the top reason millennials choose one job over another, beating out promotions, salaries, and raises, as shown in Figure 1.¹

Millennials aren't the only group that craves a higher purpose. Most employees want to create, serve, build, and improve in the service of a broader and more long-term goal. This sense of meaningful contribution is the reason people get satisfaction from mentoring and teaching others.

For an organization to unleash its fullest potential, it must help people experience the power of this kind of



service and purpose-based leadership. After all, leadership development is meant to improve how executives serve their teams, customers, organizations, and themselves. Far too many people have been conditioned to take care of themselves first, however—whether for survival, financial reward, or ego boosts. The pendulum must swing in the other direction now for leaders to be effective.

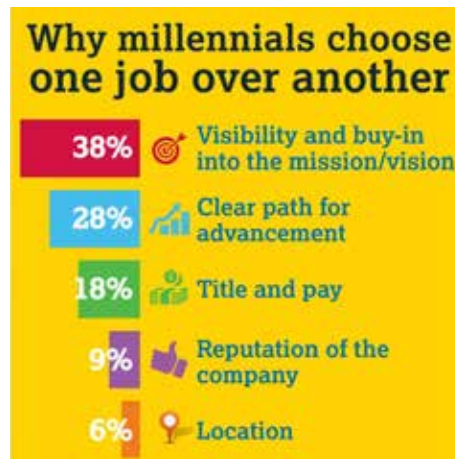
When combined, purpose and service fuel transformation. As Henry Thoreau said, “What you get by achieving your goals is not as important as what you become by achieving your goals.”²

When people put their purposes and values first, the right results follow; however, many times today leaders put those in the wrong order and then wonder why they lack meaning in their lives (it is the same with organizations). Leadership development efforts can help leaders discover their purposes and put those purposes into action.

If service is critical to leadership development, then the next question is how to provide leaders with the opportunity to serve and to develop this side of themselves. To do this, it makes sense to capitalize on the organization’s existing (or evolving) service platform.

The following cases describe how three organizations put service at the center of their leadership

Figure 1



models and help develop a purpose-driven approach to leadership.

Community Service as a Path to Leadership Growth

Most organizations donate financially to any number of worthy causes. Sometimes these causes align with a core business. Food companies address hunger. Engineering organizations target infrastructure or water. Financial institutions support community development. Many

organizations, however, simply donate funds to a clearinghouse that channels their money to groups in need of support. This is a missed opportunity for leadership development and for creating emotional connection between employees, the organization’s purpose, and the community.

Exelis, an aerospace and defense company, takes a more focused approach to community service. CEO David Melcher says, “I would advise anyone to try to find a cause that your employees can feel connected to.”³ Through its Exelis Action Corps (EAC), the company uses the skills of employees to serve members of the military, veterans, and their families. EAC also trains employees to organize and lead volunteer efforts.

Although financial giving is part of EAC’s philanthropic strategy, the company also aims to create sustainable programs in the veteran community. “We emphasize those things here because, at the end of the day, it makes for a better employee and a better company,” Melcher explains.³

Exelis employees are encouraged to give their time and talents to sponsored projects. They are also trained to lead projects and take initiatives into their local communities. Not only are they volunteering, but they are also leading. Additionally, Exelis incorporates EAC projects into its formal leadership development and high-potential programs. This delivers the message that service is a critical part of the overall leadership model. “I guess service leadership, to me, means being a whole person and understanding that it’s about your work life, your personal life, your family life, your social life, [and] your philanthropic life,” Melcher says. “All those things have to come together in a way that makes sense and is balanced.”³

Creating Effective Service Programs

- *Align community service to business strategy*—harness the skills of your employees to make a real difference in your unique areas of expertise.
- *Provide opportunities to serve and learn*—this must filter down from the top, so it’s important that senior executives set the tone and demonstrate their service leadership behaviors.
- *Link service to the company purpose*—make sure that service is part of your company’s mission statement and something in which you strongly believe.
- *Create an altruistic environment*—service leadership is about putting others first and what can be accomplished as a group.

Service Over Self

Service leadership is, first and foremost, about putting aside personal concerns to prioritize the needs of others. As Nelson Ford, president and CEO of LMI Government Consulting, says, “The desire to help other people accomplish something is how I define [it]. It’s not about me; it’s about what we can accomplish together. I think that’s what maybe distinguishes leadership from service leadership.”³

Ford points out that the workforce at LMI comes largely from a service background. Most employees are from the military, civil service, and/or the non-profit sector. Because of this, service is part of LMI’s organizational makeup.

LMI has a mission of “improving the management of government” and tries to help employees act on a desire to serve the community. The company emphasizes the meaning and value of that service as opposed to the bottom line.³

As a leader, Ford emphasizes the need to both clarify the organization’s direction as well as establish clear values for its employees.³ Service to others provides the organization’s employees with the structure to learn, live, and articulate those values. Ultimately, service defines the organization.

Inspiring Others to Serve

For Max Stier and the Partnership for Public Service (PPS), the concept of service leadership is integral to the organization. PPS is “a nonprofit, nonpartisan organization that works to revitalize our federal government by inspiring a new generation to serve and by transforming the way government works,” he explains. Instead of thinking of service leadership as a formal concept, Stier embodies the company’s mission of inspiring and serving others through his own actions as a leader.³

PPS has the federal government as its customer—a formidable task for a small organization. Part of what motivates Stier and his colleagues is the notion that what they do for the government has a profound effect on people in need. PPS’ employees do not tackle hunger issues directly, for instance, but one of the organizations they help does.³

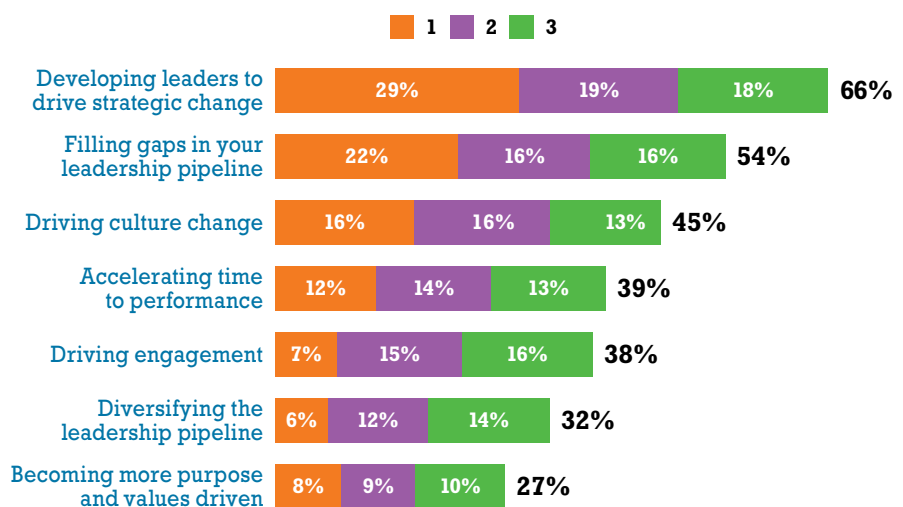
Stier says, “The best leaders recognize that the whole point of the organization is that you can achieve more [as a unit] than you can as an individual. Your greatest value really ought to be in helping others have the environment and support to achieve what they’re capable of doing.” To him, service leadership gives employees motivation to reach “a higher good that’s meaningful to them.”³

Stier emphasizes the effect service to the government has on his organization. Coaching, providing feedback, collaborating, and even listening actively are all ways individuals at PPS are encouraged to serve one another. Stier comments that it’s “highly motivating to see individual talent excel,” but adds, “there are a whole bunch of people who have come through here that are dispersed across a whole set of different organizations that are really making a difference and will be long after I’m retired. That’s a great thing; that’s a very motivating thing for me.”³

Conclusion

The opportunity to contribute beyond one’s self activates inherent leadership capability, and there are clear ways to create effective service programs in organizations (see the sidebar, “Creating Effective Service Programs”). When asked about the most important leadership development priorities in their organizations, survey respondents to the Korn Ferry “Real World Leadership” study were crystal clear. “Developing leaders to drive strategic change” had an overall ranking of 66 percent, as shown in Figure 2.⁴ “Driving engagement” and “becoming more purpose and values driven” received substantial ratings, and the approaches described in this article show ways to link these areas together.

Figure 2: Most Important Leadership Development Priorities



Integrating service learning opportunities into leadership development helps leaders reconnect with the purpose of the firm and also rediscover why they themselves lead. As can be seen in Figure 2, however, there still is ample opportunity for organizations to pay more attention to this influential factor.⁴ This area is therefore both a problem and an opportunity. Service learning makes it possible for organizations to differentiate themselves by building a stronger culture of mission and purpose.

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This excerpt from the e-book, *ISO 26000 in Practice: A User Guide*, offers insights for organizations at the starting point of their social responsibility journeys.

Building the Social Responsibility Foundation



Michelle S. Bernhart and Francis J. “Sonny” Maher

“Opportunity is missed by most people because it is dressed in overalls and looks like work.”

Albert Einstein

Two men and one woman entered the executive conference room at Midget Widgets and settled around the polished table. They greeted one another warmly, as they did every Monday morning for their usual briefing with the CEO. Phil, the executive vice president, reported on his daughter’s softball game that weekend, noting with pride that the team was headed to the playoffs. Suzanne, the chief operating officer, was about to respond when she noticed a thick stack of documents in the center of the table. “What’s this?” she asked, picking up a neatly bound copy. “International Standard,” she read aloud, “ISO 26000, Guidance on Social Responsibility. “I’ve heard of that,” said Phil, reaching for a copy. “They had a speaker from Price’s Devices talking about it at the chamber of commerce meeting a couple of months ago. Apparently, Price’s Devices was involved in developing the standard and plans to

use it in a big way.” Mike, the chief marketing officer, quickly turned to the table of contents. He whistled, “Wow. And it is big. There’s a lot here.”

“Oh, good,” came a voice at the door. “I see you’ve found our discussion topic for today.” In walked the CEO, David, who explained, “Ted [the EHS director] bought a copy because he thought it might have implications for our environmental management, and when he looked it over, he called to say I should take a look. Turns out it’s a gold mine of information.”

“Yes, it seems awfully comprehensive,” said Suzanne. “Look at all the issues it covers.”

“Right,” said David, “and I’d like us to take a close look at ISO 26000 to see if it can help us figure out what to do about social responsibility. I know we need to pay more attention to it, but I haven’t been sure where to start.”

Mike nodded. “Last month we got questions from some of our biggest customers about our social and environmental commitments. And lately we’ve been noticing new questions in supplier surveys about the environmental impacts

of our products. To tell you the truth, they're hard to answer. I've been meaning to bring this up."

"I heard from Linda [human resources director] that a few job candidates have asked what our stance on sustainability is and whether we give time off for volunteering. It's a great idea, but volunteering is not built into our cost model—that's for sure. Are we missing out on the best talent because we don't provide opportunities like that?" asked Phil.

"Since we're discussing this, I have to say I'm getting worried about those two places in Malaysia. As you know, we started contracting with them for components in 2008 and I'm not sure our quality audits would pick up on some of the issues I see here in ISO 26000," Suzanne volunteered, thumbing through the document.

The group took a few minutes to browse the standard in silence. Then the questions and comments came rapidly.

"We've already got environmental and quality policies, a good compliance record, and strong core values. How much more would we need to do?"

"Cratchett Gadgets has started down this road, but they're bigger than we are. I don't know what they've gotten out of it yet besides some positive press, but maybe we should look into it."

"My top sales rep told me on Thursday he's worried we'll lose the Fabricators Inc. account to Cratchett. Could this be why?"

"How would we make social responsibility work with our business strategy? I believe in doing the right thing, but we're not a nonprofit."

"Right, and I'm not a tree hugger, but climate change is a factor. There may be some real risks we haven't considered yet, like higher energy costs. We haven't determined how that might affect our margin."

"Our facilities are top-notch. I don't think we have much to worry about there."

"What about in our supply chain? Think about the two Malaysian companies. Their quality and price are good, but how do we know they're on top of this?"

"We're already doing some things with social responsibility. Did you hear about the water conservation program someone got going in Lexington? It's making a difference."

"And Ted and Brian [quality management director] got that great health and safety program started—the early intervention initiative. They've seen some impressive results."

"I'm glad to hear it, but we're pretty lean and our employees have enough to do already. We can't ask

everyone to take on social responsibility initiatives without some compelling purpose. How would we get 300 employees on board?"

"If we dive into social responsibility, who's going to lead this? I'm not sure we have the right expertise in house."

"I'd definitely like to see the communications and marketing department involved. I know social responsibility has a lot to do with our engagement and reputation. What other expertise do you think we'd need? EHS for sure. Maybe legal?"

"Speaking of communications, Fabricators Inc. published a social responsibility report last year. I have a copy in my office. Should we be thinking about doing that?"

"It seems likely we have responsibilities we haven't yet realized. Most companies do. How can we learn what they are?"

"Good point. I'll bet there are some opportunities, too. I wonder what we could get out of this? How could we—not to mention our employees and customers—benefit if we get this social responsibility thing right?"

"Philosophically, social responsibility is appealing, but we run a solid operation already. Is there a compelling business case for doing more?"

"There may well be," David concluded. "The first step is to sit down with this standard and do a closer read. When we reconvene next week, we'll compare notes. Come prepared to share your best ideas about moving ahead with social responsibility on a larger scale and how ISO 26000 might help. I think we've hit on something important here."

This scenario, though fictional, is grounded in real conversations about social responsibility taking place in many organizations. It reflects the level of commitment, involvement, and decision making required of each organization's senior leadership to implement social responsibility. Often from these initial questions come still more questions that begin the social responsibility implementation and change management process. How do we use the ISO 26000 principles and expectations to set strategy? How do we create the necessary emotional appeal for change while also providing the specific direction? How do we determine where we want to go with social responsibility? What is the path to get there? This chapter helps answer these questions, drawing from the guidance in ISO 26000 to support you in building the necessary foundation for social responsibility implementation.

Determining Your Social Responsibility Destination

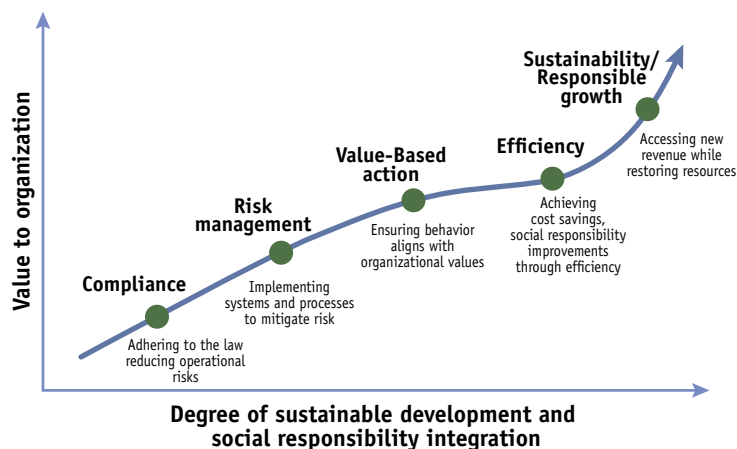
In their initial discussion about social responsibility, Midget Widgets' executives wondered what their organization's responsibilities and opportunities might be and how social responsibility implementation could benefit their organization. They hadn't yet determined what's already been done or how far they want to go with social responsibility, but they will.

For Midget Widgets and every organization, social responsibility implementation is a challenging journey. See Figure 1 for an overview of this journey and the typical milestones along the way, and the sidebar, "Sorting Out the Terminology," for clarification on terminology.

Organizations move from one phase of social responsibility implementation to the next and may straddle several points at the same time because social responsibility performance often reflects a combination of these milestones. As the social responsibility change management process takes hold and the organization begins practicing sustainable development, it advances along the continuum toward a state of sustainability or responsible growth. (We are aware of the debates among ecological economists and others about the apparent contradiction between growth and sustainability. Consider, however, a company that replaced gasoline-powered vehicles with ones that ran on solar power. It could experience growth consistent with sustainability provided that the vehicle's other components and life cycle uses were sustainably realized.)

As shown in Figure 1, the degree to which the organization is integrating social responsibility correlates with its location on the journey, and the greater the degree of integration, the more value the organization receives from social responsibility. The implementation journey includes five key milestones:

Figure 1: The Social Responsibility Continuum: Where Do You Want to Go?



Source: Adapted from IBM Institute for Business Value study "Attaining Sustainable Growth through Corporate Social Responsibility."

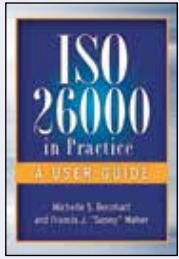
Sorting Out the Terminology

The terms **social responsibility**, **sustainable development**, and **sustainability** are often misunderstood and used inconsistently, which is why one of the aims of ISO 26000 is to help create uniformity of language. Clause 3.3.5 of ISO 26000 describes the relationships between social responsibility and sustainable development:

"Social responsibility has the organization as its focus and concerns an organization's responsibilities to society and the environment. Social responsibility is closely linked to sustainable development. Because sustainable development is about the economic, social and environmental goals common to all people, it can be used as a way of summing up the broader expectations of society that need to be taken into account by organizations seeking to act responsibly. Therefore, an overarching objective of an organization's social responsibility should be to contribute to sustainable development."

It may also help to think of social responsibility as an organization's responsibility to reach sustainability—an end point, the ultimate destination on the continuum—while sustainable development is the means of getting there. Of course, getting there involves myriad interdependent factors, including social responsibility principles, core subjects, and integration processes, as outlined in ISO 26000.

ISO 26000 in Practice: A User's Guide



Authors: Michelle S. Bernhart and Francis J. "Sonny" Maher

Abstract: ISO 26000 is a voluntary guidance standard that consolidated the fundamental expectations of organizations regarding their responsibilities

to society into one source. The standard was developed by a global, multi-stakeholder group—representing more than 90 countries, and it addresses the broad landscape of social responsibility and provides valuable context for implementation in all types of organizations. This book is structured to help readers navigate ISO 26000 and to provide succinct, practical information for implementing its guidance. The book is akin to a GPS that offers point-to-point guidance to help organizations set and execute their social responsibility goals, based on the broader framework that ISO 26000 provides.

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Price: \$27 (ASQ member); \$46 (nonmember)

- The journey is underpinned by legal compliance, which ISO 26000 identifies as a fundamental prerequisite.
- It also includes risk management, although ISO 26000 points out that social responsibility should not be treated only as a form of risk management (Clause 7.8.2). While risk mitigation is one outcome of (and may be one of the initial drivers for) social responsibility implementation, effective risk management alone does not indicate that an organization has met all of its significant social responsibilities.
- Most organizations also have in place a set of core values, expectations for associated behaviors, and processes to ensure accountability to these expectations. Some of these values may overlap with the ISO 26000 principles.
- Many organizations have also implemented efficiency initiatives and may maintain systems for

continually optimizing operational efficiency, although these may not have traditionally focused on social responsibility.

- The ideal is achieving sustainability or responsible growth, where the organization grows by practicing sustainable development, meeting its responsibilities, and supporting the health and welfare of society. In the case of Midget Widgets, sustainable or responsible growth would occur when the company's devices replaced unsustainably produced alternatives or where new products

(Continued on page 40)



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(Continued from p. 34)

could be generated in ways that are sustainable. However, not necessarily every organization will want or be able to achieve sustainability or responsible growth. Some organizations may be satisfied with achieving efficient operations that neutralize or minimize impacts.

Ideally, senior executives are driving the overall implementation process (as is the case at Midget Widgets). ISO 26000 explains that when the organization's leadership has "a thorough understanding of the principles, core subjects and benefits of social responsibility," it "will greatly assist the integration of social responsibility throughout the organization

and its sphere of influence" (Clause 7.2) and that "commitment and understanding should start at the top of the organization" (Clause 7.4.1). Determining the organization's destination on the journey is definitely a job for senior leadership. Whatever the desired endpoint on the journey, they will need to make the case for social responsibility with employees and have a plan for managing the change.

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More Online

To learn more about how to achieve the desired social responsibility destination by significantly shifting thinking and strategy, read the supplemental online article, "Beginning the Paradigm Shift," at <http://www.asq.org/pub/jqp>.

Beginning the Paradigm Shift

Michelle S. Bernhart and Francis J. “Sonny” Maher

Implementing social responsibility is a transformative process that entails, among other things, clearly understanding the fundamental expectations of society (described throughout Clause 6 of ISO 26000) and the organization’s particular responsibilities. For most organizations, recognizing these responsibilities and achieving the desired social responsibility destination involve significant shifts in thinking and strategy. Some businesses, for example, may need to cast off the notion that making money and implementing social responsibility are mutually exclusive. In fact, they go hand in hand. As ISO 26000 observes in the introduction, “In the long run, all organizations’ activities depend on the health of the world’s ecosystems.” The concept of shared value, an approach that provides benefit for both society and an organization’s own competitiveness, aptly describes the interdependence of organizations and society. (The concept of shared value was first described by Michael Porter and Mark Kramer of the Harvard Business School in “Strategy and Society—The Link Between Competitive Advantage and Corporate Social Responsibility,” published in the *Harvard Business Review* (2006).) Translating this concept into action may well require thinking of your organization in new ways and devising new strategies for its operation.

Of course, ISO 26000 is intended “to be useful to all types of organizations” (Introduction), and organizations in all sectors can leverage social responsibility for strategic success and responsible growth. (One point of clarification: if you are part of a government entity, it may be easy to misinterpret a note on the ISO 26000 definition of organization regarding the role of government (Clause 2). The note intends to clarify that nothing in the standard is meant to interfere with government’s ability to execute its regular duties. It does not imply that governments should not implement social responsibility using ISO 26000;

in fact, government operations can benefit greatly by doing so.) While ISO 26000 does not provide guidance specifically for setting social responsibility strategy, it does assert that all organizations must be strategic in their social responsibility thinking, decision making, and actions, making sure social responsibility becomes an integral part of core organizational strategy, policy, processes, and activities (Clause 3.3.4). It is not an afterthought, an add-on, or a short-term initiative. The strategic integration of social responsibility is about more than launching a few local recycling projects or installing a photovoltaic system in one location while running old and inefficient equipment elsewhere. These improvements may be good early actions, but they do not mean you have made the essential shift, adopted a new way of thinking, a fresh approach to making decisions, or a considerable change in operations.

Most importantly, Clause 4 of the standard provides the fundamental principles (accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights) for use in determining your destination, direction, and strategies. They are central to the necessary paradigm shift by serving as a beacon to point you in the right direction, inform new strategies and objectives, and provide the basis for assessing decisions and actions. Clause 6 outlines the expected behaviors and actions that align with these principles once you have begun implementing social responsibility, and Clause 7.4.2 says an organization should set its direction by making social responsibility an integral part of its policies, culture, strategies, structures, and operations.

At the planning stage, however, the principles help you determine where you want to go on the continuum and how you want to get there, building the base on which long-term social

responsibility implementation will occur. The rest of this chapter provides the necessary steps for building this foundation.

Many good resources are available on change management, so we have not covered the details in this book, but we would be remiss if we didn't at least point out that change management requires three basic elements:

- An emotional appeal or case for the change.

- Attention to the specific activities required to effect the change.
- A path for the change.

The role of senior leadership in each of these is paramount. This topic is discussed in more detail in Section 2.4 of the e-book, considering how senior leadership sets the social responsibility direction, makes the case for it (by communicating early, clearly, and frequently), and guides overall implementation.

Bad Relationships Trump Good Ideas

Rick Maurer

I work with many people who come up with good, very good, and sometimes even great ideas. On the other hand, I work with very few people who are able to turn those ideas into something that actually works. Why is that? Sometimes our ideas can get the better of us. Once an idea begins bouncing around in our brains, it just starts sounding better and better. As we think about those blossoming and seemingly profound ideas, we are amazed by our own foresight and brilliance. We get caught up in the specifics of the idea and forget that ideas must be implemented to generate real value.

What's missing in those fits of brilliance are the people who must say, "Yes," to us in order to bring the idea to fruition. Those are the people with money and other resources, the people who will be involved in implementing the idea, and the long list of other critical stakeholders.

If you're at risk of getting ahead of other people with an idea, I encourage you to ask yourself the following questions:

- *Who needs to support us?* Cast a wide net when you consider this area. I worked with a software development company once that was six months into a project, and the mail room staff balked, stopping the project dead in its tracks. The project team hadn't intended to ignore the good people of the mail room; the team members just hadn't thought of the mail room staff at all.

Begin your planning process by focusing on one of the possible supporters. Select an individual or a group that not only will be critical to your project's success, but also one about whom you are concerned because you wonder if you'll get the support you need. Keep in mind that there is little to gain by going through the commitment-building steps if you

already know you're going to get all the support you need from this stakeholder.

- *What level of support do you need?* The Energy Bar™ tool—something I developed and have explained in several previous columns—can help you deal with this stakeholder. Consider the three levels of support that you're likely to need to drive successful implementation of your project, and select the one that fits your requirements. The sidebar, "Energy Levels," offers six options, but only levels four through six lay the groundwork you'll need to get this stakeholder onboard.
- *What level of support are you likely to get today?* Assign a score from the energy bar scale to see the gap between the stakeholder's current perspective and what level is needed to move the project forward. You may want to draw a horizontal line on a whiteboard to represent the energy bar visually for the project team members. Show level "6" on the far right of the line and a "1" on the far left with the other numbers evenly spaced between these anchor points. Indicate the level of support you need as well as the level of support you're currently likely to receive. The bigger the gap, the more work you have to do to build support for your idea.

Energy Levels

- 6 Ally or strong supporter
- 5 Willing to go along
- 4 Interested in what you're talking about
- 3 Not interested in what you're talking about
- 2 Grumbling
- 1 Likely to actively oppose what you're doing
- ? Don't know where their energy is today

Suppose your evaluation generated a score of "6" for the needed level of support and a score of "2" for the current level. This indicates that you're likely to hear a lot of grumbling when you propose your idea and comments such as "What are they thinking?" "This is a flavor of the month." or "Here we go again!"

When the current support is at this level, you've got to understand why the stakeholder is grumbling. If you're a regular reader of this column, you may recall that I generally ask the

three questions below to learn what's behind this energy level:

- To what extent does the stakeholder understand (or not understand) your idea and proposal?
- Are the stakeholder's personal reactions primarily positive (excitement, willing to get engaged) or fearful ("I could lose my job.")?
- To what extent does the stakeholder have trust and confidence in you?

Your strategies for shifting support depend on the answers to these questions. For instance, if there is something about your idea that scares the stakeholder, then going over the details of your plan one more time probably is not going to make things better. If the stakeholder thinks you and others in the organization can't be trusted, then you have to begin building support by trying to develop the stakeholder's trust and confidence in you. By the way, another PowerPoint presentation on the project specifics won't solve this issue.

A score pairing of "5" for the needed level and "4" for today indicates that you need people who are willing to go along with your idea or to try some new things and that the stakeholder is at least interested at this point. This stakeholder isn't volunteering to help you, but it isn't going to fight you, either. I would advise you to ask the same three questions described above and to focus most closely on the question that deals with personal reactions. Something about this idea interests the stakeholder, and you must identify that interest. With that information, you may be able to

talk with the stakeholder about ways this project could be beneficial. Remember: What constitutes "beneficial" is not defined by you, but by the stakeholder. It's usually perceived to be arrogant when you try to tell other people what's going to be good for them!

When project teams use The Energy Bar, it's often an eye-opening experience. Knowing what the gap is between what you need and what you're likely to get allows you to look at your strategies through the lens of the stakeholder's energy level. For example, if you were planning an eight-hour, all-hands meeting with many speakers, panel discussions, and slides packed with details, you might ask yourself, "How likely would that approach be to shift stakeholders' energy levels in the needed direction?" Often, this simple, quick assessment can help people see the challenges and the best action to take.



Rick Maurer

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This humorous allegory paints a clear picture of why it takes all five S's to attain a sustainably efficient operation.

Solving the Mystery of the Missing Fifth "S"

Bruce Bader

One day the five "S" quintuplets showed up at the door of Jim's department. They were looking for a home, but Jim's associates' feelings were mixed. The manager thought they would be good for business, but some associates thought there was not enough room or resources for five more demanding mouths. Jim's manager said, "I've decided that we are now parents of the 5S quintuplets. Find a place for them." With that, he went back to hide in his office.

Everyone loved Sort; she was the child who got rid of all the unwanted stuff, saved money, and brought them the things they needed. Set-in-order was a more difficult child; it seemed everyone had an idea where she should be, but she kept asking, "Why?" The response, "Because that is the way we have always done it," seemed to wear thin after a while. People were very comfortable with Shine. They actually could see progress when they worked with him, and he kept reminding them, "Isn't cleaning inspection, too?" and "Don't forget behind the ears in the corners." People soon labeled Standard the "intellectual one." With her checklists

and pictures, she sometimes just seemed to be a high-maintenance member of the family. Many associates thought they had enough to do working with these four of the quintuplets, so Sustain just sat there.

One day the childcare auditor came to visit to see how the quintuplets were doing. People kept giving Sort stuff she did not want. Set-in-order was still in the same place, but people kept ignoring her, putting her things in a place where she could not find them. Shine was sitting in a dirty heap in the middle of the place, and most people just worked around him. Standard was sitting in the corner malnourished, dusty, and saying things that few understood such as, "Who keeps moving Set-in-order's things?" Sustain could not be found anywhere. They looked on the communication board, but nothing was posted about him leaving. They tried to find records of the last time someone had worked with him, but there were none.

It was a mystery! Everyone kept asking, "What happened to Sustain?" The Hearsay Police were called in to investigate with Inspector Muda, whose name was based



on the Japanese word for waste,¹ taking the lead. It quickly became clear that he was the traditional inspector who wastes time, energy, and resources. He generated reports with mistakes or that had nothing to do with the case. In fact, one case report had his shopping list for the week in it! The department leader figured out that Inspector Muda was not going to solve the mystery anytime soon, so he called on Sherlock Hansei, whose name was based on the Japanese word for relentless reflection.¹

Sustain was the shy, unassuming child, and he had made no requests at the beginning of his time in the department. Sort, Set-in-order, and Shine were the focus of attention the first few days. The health and welfare of Standard had been discussed, but most people assumed that Sustain would take care of himself. Had he just walked off or had someone removed him from the department?

Inspector Muda rounded up the usual suspects—senior management, the training department, frontline leaders, and department associates. One of the things that Inspector Muda did do well was to establish motive. He asked, “What is different about Sustain that someone might want to abduct him from the department or that would cause him to just walk away?” People described Sustain as someone who advocates for discipline, practice, and repetition of the 5S activities until they become a way of life.² This information baffled the inspector, but Sherlock Hansei noticed three key words—discipline, practice, and repetition. He discerned that Sustain had been abducted because he reminded people constantly that they needed to be disciplined and practice self-control, which some people did not want to do. Hansei suspected that those people had come to the conclusion that eliminating Sustain also would eliminate the need for them to practice self-control.

Hansei stopped to consider whether self-control really was important. He concluded that it was critical under most circumstances. Just thinking about his teenage daughter and her boyfriend was sufficiently compelling proof of this assertion for him! He also remembered an old letter to the Hebrews that had discussed how to prepare for life by saying, “We don’t enjoy discipline ... But later on, those who learn from that discipline have peace that comes from doing what is right.”³ Hansei realized that self-control is doing what is best for everyone, even if it means not doing what feels good at the time.

Hansei began to search for clues regarding who had the motive and might have seized an

opportunity to abduct poor little Sustain. Inspector Muda decided to interview senior management, and Hansei went along to listen. He recognized that senior management is responsible for everything, and he wondered if Sustain would have been more likely to be abducted if senior management was not watching him. Then Hansei recalled that the customer service department had sustained its 5S efforts for four years without senior management’s direct involvement—no auditing, no formal reports, no informal reports, and no one assigned to oversee the process. The senior managers had set objectives and turned the program over to the team. Although Inspector Muda continued to grill the senior managers, Hansei decided to investigate the other suspects.

The training department was another “usual suspect.” People often say that a lack of formally trained associates may allow Sustain to wander off, but Hansei didn’t accept that premise. He had evidence from prior efforts that relying on a simple training program taught by peers could be adequate. When existing associates taught new employees how to maintain the necessary supplies to do a day’s work, as well as the 5S process for forms and email usage, success could be attained. In fact, the customer service department demonstrated this clearly when another organization had been acquired, and the new personnel were trained and integrated successfully into the 5S program. Sustain was present after that change, and he was even a welcome member of the team. Hansei thought that the training department had no motive for or anything to gain by abducting Sustain.

With that in mind Hansei decided to assess the potential involvement of the frontline leaders. During their interviews, he noticed that they had many alibis. They claimed that people really don’t care if their areas are organized or that they had been busy making sure people were working. One supervisor said that she had been too busy to take Sustain, and another said that he had wanted to work with Sustain, but meetings took up most of his time; therefore, Sustain must have been kidnapped while a meeting was underway. Another leader said he had to fix so many people problems that Sustain must have gotten lost in the crowd. The frontline leaders concluded that they could not have taken Sustain because they had been working so hard on other things.

The way they blamed others reminded Hansei of what the great detective Hiroyuki Hirano had

discovered when studying frontline leaders from other organizations, who actually had protected Sustain and kept him engaged. Hirano reported that by establishing an environment where constructive criticism was freely exchanged, Sustain felt comfortable and flourished.⁴ Hansei learned that the customer service department held regular meetings where everyone shared feedback. The leader made everyone feel like part of the team and owners of the 5S process. Even when he was busy with other duties, the team watched Sustain.

Could the frontline workers have abducted Sustain? After all, at the beginning there were some associates who thought there was not enough room or resources for five more demanding mouths. Looking again at the customer service department, there is evidence that the associates tie the presence of *all* the 5S quintuplets into organizational success as well as personal satisfaction. Associates in that department also said they like having everything feel clean, fresh, and welcoming at the beginning of each day. When working in common-use areas, individuals assumed the responsibility of taking care of Sustain. Associates found that flexible rules about what is kept in personal areas were not restrictive. It appears that when properly motivated, frontline workers look out for Sustain.

Then Hansei asked if Sustain could be so hard to see that no one even noticed if he was there. Could the culture of not focusing on Sustain have caused him to just walk away? Evidence from the customer service department showed that it actually took very little effort to keep Sustain happy; in fact, he seemed most satisfied when attention was paid to the other four quintuplets.

Interviews of the customer service department associates showed that they talked about not neglecting their area because they clearly understood that others were counting on them. For instance, candid photos displayed clean desks at the end of each day that demonstrated the uniform color-coded folder system which indicated the status of each open job. This system had been developed in the past and still was used by all team members. Any team member could slide into another's cubicle and work as if they were in his or her own space. It was obvious to Hansei that Sustain had changed the customer service department's culture and that he even was respected.

This reminded Hansei of the case of Pittron Steel where Wayne Alderson discovered that most

of the quintuplets were missing. By using Theory R management, he changed the culture to increase respect. Success existed when people treated Sustain with dignity rather than negativity.⁵ In contrast, in cultures where Sustain was missing, he observed an attitude of disrespect and blaming others.

Inspector Muda did come across some baffling facts during his investigation, however. Because Standard and Sustain often were found together, Muda decided to question Standard to obtain clues. Standard only wanted to talk about the person who was taking her place. Even though Muda could not find any documentation that Standard had been replaced, he did see evidence that management and associates were ignoring Standard. He observed that the areas which were distressing Standard had checklists, but no one was following them. There also were photos in those areas, but they did not match the real surroundings. Associates kept talking about Betty N. Before (also known as Better Than Before) and Good E. Nuff (also known as Good Enough). Standard claimed that Betty N. had replaced her in the minds of associates and that Good E. had replaced Sustain. This was not the case in the customer service department, however, where associates knew exactly what Standard looked like, and they were not being fooled by a substitute.

When Hansei heard Muda's report on Standard, he decided to review all the facts, as listed below:

- Although never popular, Sustain had been present when all the quintuplets were first brought into the organization.
- Sustain had not been missing even when management and/or training had not been doing all they might have, so Hansei removed them from the suspect list.
- Frontline leaders all had alibis and seemed conveniently absent when Sustain disappeared.
- He ruled out the associates because he had learned that they had not been acting alone to kidnap Sustain. Culture seemed to be fairly stable, even when management was not actively fostering it, but it could work together with others to drive Sustain away.

Hansei concluded that the frontline leaders had conspired with Good E. and Betty N. to find a way to dodge responsibility. They allowed Standard to be pushed aside by Better Than Before and Sustain to be replaced with Good Enough. Culture was convinced that these look-alikes were the real Standard

and Sustain, and the associates followed because the frontline leaders had not resisted the change.

How does it happen that an area can go from unorganized to organized and back again? Remember that the motive for kidnapping Sustain was the desire to eliminate discipline, the repeated practice of self-control. Much is happening at all times in organizations, so leaders may be tempted to allow associates to be undisciplined and give in to “good enough” and “better than before.” When that happens, there is no way to sustain the 5S effort.

The leader who wants to implement a 5S-based continuous improvement program must emphasize that “better than before” is not the standard. Everyone must be accountable for sustaining the proper standard or there will be drift.

Help is available, though. Frontline leaders should join forces to share ideas and to help solve each other’s problems. Friendly competition can also work under carefully controlled circumstances. There is no mystery involved. Self-control must be used to develop discipline in order to help each other and improve. Frontline leaders can hang onto Sustain with or without the help of senior management.

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Social Responsibility Should Be a Participation Essential

Holly A. Duckworth

Social responsibility (SR) isn't just corporate philanthropy or internal auditing. A holistic view of SR includes seven subjects—organizational governance, human rights, fair operating practices, fair labor practices, the consideration of consumer issues, environmental protection, and community involvement and development.¹ SR considers impact to stakeholders through any of these seven subjects, and employees are an important stakeholder group.

Employees are SR stakeholders in many ways. They can be owners or shareholders of the organization. Employees can be labor participants. Employees and their families also are community members. At a minimum, socially responsible organizations consider employees as stakeholders. At best, though, these organizations *involve* employees as integral participants in the SR effort. SR can foster employee participation, and participation can benefit SR performance.

An organization's SR efforts should be in alignment with business strategy. For example, a pharmaceutical company that promotes minimizing the use of paper in its administrative processes for environmental protection, while at the same time increasing the price for its life-saving products because of a lack of competition, does not reflect a legitimate SR effort. Organizational members can see through this hypocrisy. Unethical decisions; lack of accountability within the organization; and/or disregard for the rule of law, human rights, or consumer protection yield disengagement by employees. Social irresponsibility leads to a lack of participation.

Furthermore, research has documented that the converse is true.² An organization actively involved in achieving SR performance yields more engaged employees. People want the ability to have a positive social impact through their work. In fact, according to surveys, employees are willing to take a pay cut in order to have more positive social influence. A socially responsible organization can attract and retain employees and increase employee engagement.

Even more can be achieved to connect SR to participation and improve outcomes for the

organization and satisfaction for employees, however. Deeply involving employees in SR initiatives is one way to achieve mutual benefit. Don't relegate SR to the sustainability or corporate affairs departments. Take a cue from quality; involve everyone in SR for the benefit of the organization and the benefit of the team member.

There are some easy actions that most organizations can readily take to involve everyone in SR. Here are a few ideas.

- *Treat employees as stakeholders.* Employees may be owner stakeholders, labor stakeholders, and/or community stakeholders. Ensure that employees are considered in the voice of the stakeholder for each of the roles in which they are involved. For example, when town hall meetings are held for community stakeholder dialogue, ensure that employees are invited. When owner/shareholder meetings are held, ensure that employees are participating.
- *Encourage employee ownership of SR efforts.* When decisions and actions are determined for SR strategy, ensure that employees are involved in those activities. Create employee-led teams for defined SR activities. For example, when developing a project to improve the accessibility and readability of consumer information, allow employee teams to participate in the editing of new product information and safety brochures.
- *Involve employees in Continual Improvement for Social Responsibility (CISR®) projects.* These projects are similar to Six Sigma projects. They are team-based, discrete efforts of performance improvement led by organizational members. Training team members in formal SR performance improvement methods and then giving them the leadership responsibility is one way to involve everyone in SR.
- *Let employees be cheerleaders.* Many organizations do not operate at the very end or the beginning of the value stream. Most have customers and suppliers. Customer expectations of SR

performance are increasing continually. Prepare employees to be cheerleaders of SR during customer sustainability or social compliance audits. This will help increase the appreciation of SR for employees and impress customers.

- *Allow a voice for employee interests.* Employees are community members. They can be engaged in community involvement and development. Each employee may have specific community interests. One person may be interested in community gardens and another in a 5K run to benefit diabetes research. Having an organizational means to foster employees' involvement in their community interests on the organization's behalf can increase involvement in SR efforts.

There are ways to sincerely include employees at every level of the organization in the SR effort. Too often, SR initiatives are relegated to an executive team for corporate affairs or the environmental, health, and safety organization. When SR becomes a niche, opportunities for employee participation and engagement are missed. Bringing the SR effort out of a department and to the whole team, benefits both the organization and its employees.

To achieve SR performance, as with attaining product and service quality performance, organizations need the participation and engagement of employees. This relationship has two-way benefits. When employees feel that they are contributing to positive social impact through their work, they are more engaged and satisfied with the organization. A final thought is to go beyond this beneficial, but

superficial, symbiosis. Integrally engage all employees in the SR performance improvement of the organization. Build employee engagement, through participation and ownership, in the SR performance improvement process.

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