



ASQ®



Seeking Sustainable Success:

ASQ Integrates Quality and Social Responsibility

in *MANUFACTURING*

Summary

Organizations that seek to be better positioned for the future need to understand the importance of addressing social responsibility through quality management and improvement tools that help reduce costs, improve efficiency, and have a positive impact on their communities.



Johnson & Johnson: The Credo
In 1943, long before anyone ever heard of corporate social responsibility,

Robert Wood Johnson II, Johnson & Johnson chairman from 1932 to 1963 and a member of the company's founding family, crafted Our Credo. The Fortune 29 firm says the statement of belief is "more than just a moral compass. We believe it's a recipe for business success." www.jnj.com



Cherokee Pharmaceuticals
This division of minority-owned PRWT Services, Inc. holds public

forums in communities to address issues such as rural health and access to healthcare.

www.cherokee-pharma.com

Social responsibility (SR) is defined as the “responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that:

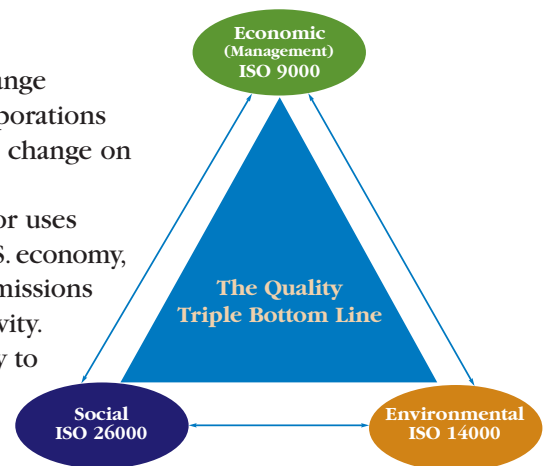
- Contributes to sustainable development, including health and the welfare of society;
- Takes into account the expectations of stakeholders;
- Is in compliance with applicable law and consistent with international norms of behavior; and
- Is integrated throughout the organization and practiced in its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

No matter the size or focus of the company—whether it’s making cars, clothing, or computers—those that seek to be better positioned for the future are working to understand the importance of addressing SR through quality management and improvement tools.

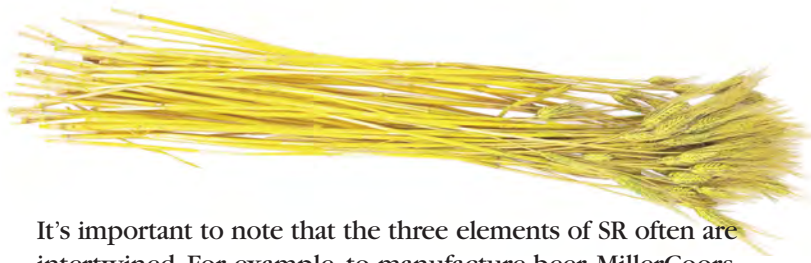
Manufacturing Sector Impact

SR’s key elements often are referred to as the triple bottom line—social, economic, and environmental measures. These issues profoundly impact the manufacturing community. That’s especially true in difficult economic times when they need to do more with less while at the same time attract qualified workers and comply with regulations. For instance:

- **Economic:** The U.S. Securities and Exchange Commission is considering requiring corporations to assess and reveal the effects of climate change on their financial health.
- **Environmental:** The U.S. industrial sector uses more energy than any other part of the U.S. economy, and nearly a third (27 percent) of CO2 emissions are produced as a result of industrial activity. Energy efficiency is a cost-effective strategy to reduce both energy costs and greenhouse gas emissions (GHG).ⁱⁱ
- **Social:** The U.S. manufacturing sector employs 11.8 million people (July 2009)ⁱⁱⁱ and impacts the social development in thousands of communities.



ASQ refers to the quality triple bottom line as the integration of social, economic, and environmental measures. Performance and results improve as the view and cultural integration of quality expands.



It's important to note that the three elements of SR often are intertwined. For example, to manufacture beer, MillerCoors knows it needs local supplies of fresh water and grain at a competitive price. The company partners with The Nature Conservancy to help local barley farmers increase the efficiency of their irrigation systems, increase water conservation, and improve water quality. At the same time, several MillerCoors brewery locations are training employees to identify innovative ways to save money and waste by reducing the amount of water used in the production process.^{iv}

The key is demonstrating how SR has evolved from what may have been considered public relations into a business quality and improvement strategy and competitive advantage for manufacturers. According to a February 2009 McKinsey report:

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

Thanks to improved technology and processes, businesses are finding tremendous opportunities in addressing the issues, including lower utility costs, healthier employees, and stronger communities. And combining SR with quality tools that reduce waste and errors can provide an integrated solution for tackling challenges and driving performance that result in multiple benefits for companies, employees, and society.

Growing Interest

Addressing SR in a clear and consistent way is growing in importance for many reasons.

- **SR can contribute to productivity.** Panasonic is reducing CO2 emissions by improving productivity across all manufacturing processes, such as R&D, procurement, manufacturing, sales, logistics, recycling, and administration.^{vi}
- **Suppliers are increasingly demanding SR accountability.** Wal-Mart's Sustainability Index, an effort to involve its 100,000 global suppliers in development

of a simple rating for consumers about the sustainability of products, sets the stage for a global transformation in the way consumer products are made.

- **Government is getting involved.** Increasingly, governments are seeking ways to promote corporate responsibility and good governance practices by implementing policies, fiscal incentives, and voluntary guidelines.^{vii} Global, federal, state, and local government regulations may require institutions and companies to measure, report, and reduce GHG emissions, and voluntary efforts are giving those entities a head start.
- **Instant online communications means instant information.** Customers, suppliers, the media, investors, and others can quickly and easily learn about an organization's good reputation and practices—as well as bad decisions, scandals, and poor policies—and spread the word. Stakeholders want demonstration of SR measurements and transparent reports on environmental, social, and economic factors.
- **SR is an important factor for employees.** More than one-third of respondents to a survey conducted by *Personnel Today* said that working for a caring and responsible employer was more important than the salary they earned. As many as 44 percent of respondents said they would discount an employer that had a bad reputation, while nearly half said SR policies should be compulsory.^{viii}

Multiple Benefits

As ASQ promotes quality to improve operational performance in manufacturing, SR is playing an important role in helping organizations:

- Attract and retain employees.
- Contribute to better working environments and outcomes.
- Improve operations in key areas of efficiency and cost reduction.
- Develop a consistent approach to triple-bottom-line issues.
- Provide reporting and transparency.
- Encourage quality practices through measurement and continuous improvement.
- Strengthen a company's brand image and awareness.
- Improve and diversify the supply chain.
- Improve risk management.
- Better understand and serve the local community.

It's important to involve a diverse group of stakeholders in planning SR efforts. Results from one study showed that initiatives that are voluntary and strategic, as opposed to coerced and/or non-strategic, generate the most sustainable mutual benefit to the firm itself and its social beneficiaries.^{ix}

ASQ Tools

Here are some ways ASQ tools can help manufacturers connect their operations to quality and SR through models, standards, and data-based decision making:

- **Continuous Improvement:** Evaluating SR in terms of efficiency and effectiveness and developing targets for improvement.
- **Lean Methods:** Showing how creating more value with less work and less waste can reduce environmental and social impacts on employees, the supply chain, and communities.
- **Six Sigma:** Developing statistical methods to identify and remove the causes of defects and errors in social, environmental, and financial issues, and creating a special infrastructure of people to address the concept within the organization.
- **Baldrige Award:** ASQ administers the Malcolm Baldrige National Quality Award under contract to the National Institute of Standards and Technology. The Award criteria ask for information about how businesses and organizations consider the well-being of environmental, social, and economic systems to which they contribute. The criteria is increasingly used as a guide for best practices. * (See page 4 for an example of a Baldrige-winning manufacturing organization and its commitment to SR.)
- **Education:** ASQ holds an annual Quality in Sustainability Conference to inform professionals about SR issues. It also helps those involved in environment, economics, and SR to engage in quality principles and practices. Other training, conferences, and online courses provide the tools,



Harvard Business Review

“Why Sustainability Is Now the Key Driver of Innovation”

Five Phases of Change

Stage 1: Viewing Compliance as Opportunity

Stage 2: Making Value Chains Sustainable

Stage 3: Designing Sustainable Products and Services

Stage 4: Developing New Business Models

Stage 5: Creating Next-Practice Platforms^{xi}

technology, and resources necessary to carry out the voluntary guidance and measure effective results in areas such as:

- Developing and communicating the economic cost of sustainability
- Integrating quality and environmental management systems
- Building a quality management program around the LEED® rating system

- **Leverage partnerships:** Globally, ASQ has formed relationships with other organizations that have comparable missions and principles. Its international strategic alliances are helping to address SR needs of organizations and individuals worldwide.

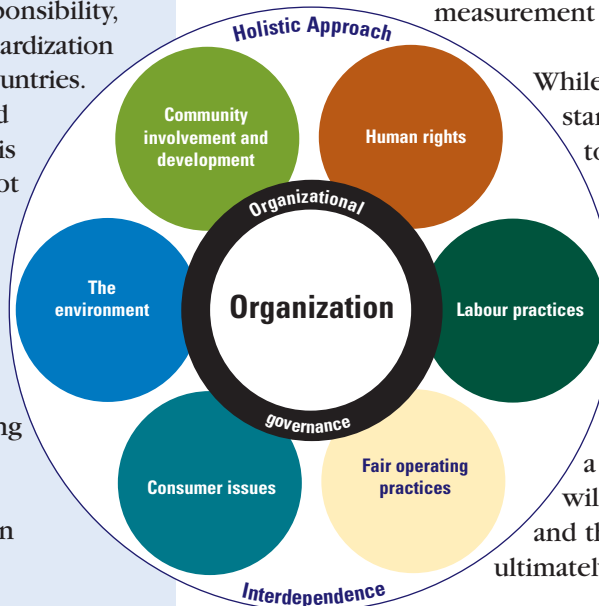
Conclusion

A growing body of evidence asserts that SR helps organizations be more productive, differentiate their brands, and attract top talent. Additionally, an increasing demand for transparency, tracking of environmental issues such as GHG emissions and water use, preparation for climate change impacts, and other potential challenges are making organizations understand the need for measurement and management.

While the idea of quality and standards may seem daunting to manufacturers, especially small and medium enterprises, if they take responsibility for engaging the people and communities in which they operate by tapping into ASQ resources, the sector as a whole will benefit, as will individual companies and their suppliers. And that ultimately benefits society.

ISO 26000: Guidance on Social Responsibility

ASQ serves as the U.S. Technical Advisory Group secretariat for ISO 26000: Guidance on Social Responsibility, which the International Organization for Standardization (ISO) is coordinating globally with 90 other countries. ISO 26000 is a guideline that can be integrated into best practices—not a certification; and it is intended for all organizations and sectors—not just corporations. While ASQ embodies and supports all seven subjects, initially it is concentrating on the areas that will deliver the greatest value to the quality community by focusing on three elements: organizational governance, environment, and community involvement and development. ASQ is aligning its body of knowledge and competency in waste reduction and customer advocacy to provide information on areas that quality can truly impact.





Online Resources

ASQ/SR

The Socially Responsible Organization

www.asq.org/manufacturing
www.TheSRO.org

Fosters a sense of community and connection around SR through sharing stories, experiences, and values, and by providing printed and online successful practices, case studies, and tools.

The Environment

Climate Leaders

www.epa.gov/stateply

Energy Star

www.energystar.gov

GreenBiz

www.greenbiz.com

Social Responsibility

Business for Social Responsibility

www.bsr.org

Business Ethics

www.business-ethics.com

Institute for Supply Chain Management

<http://www.ism.ws/sr>

Baldrige Award

www.baldrige.nist.gov

ISO 26000

www.iso.org/sr

Cargill Corn Milling North America^{xii} — 2008 Baldrige Award Winner in Manufacturing

Cargill Corn Milling North America (CCM), a business unit within the United States' largest privately held company, manufactures corn- and sugar-based food, animal feed, and fermentation products. More than 2,300 employees work across CCM's headquarters in Wayzata, MN, nine manufacturing facilities, and 11 distribution terminals located throughout the United States.

According to its 2008 Corporate Responsibility Review, Cargill defines corporate citizenship as its total impact on society and the environment. The company's commitment is built on four cornerstones:

- **Business practices:** How we behave as a company
- **People practices:** How we treat our employees
- **Environmental practices:** How we treat the world around us
- **Community involvement:** How we interact with communities and other stakeholders

Cargill's responsibilities as a corporate citizen extend not only to its own operations but to the wider communities it impacts. The company works with business and community partners to foster sustainable economic development, provide meaningful impact in communities, and promote responsible business practices in its supply chains.

Cargill's results are aligned with many aspects of the SR triple bottom line:

Economic: CCM's team-based culture and matrix organization foster an environment of cooperation, communication, skill sharing, and leveraging of diverse ideas. Since 2006, CCM has saved more than \$15 million from ideas generated by employees. Additionally, at one plant, workers are turning off the lights, fixing leaky steam pipes faster, and making sure water hoses aren't allowed to trickle—just a few of many behavior modifications that are adding up to cost savings of \$42,000 a week in utility costs or \$2 million annually.

Social: With partners such as The Conservation Fund, The Groundwater Foundation, and Living Lands and Waters, thousands of Cargill employees have participated in more than 350 local water-quality protection, preservation, and education programs in communities where it does business.

Environmental: CCM made a voluntary but legally binding commitment to reduce absolute GHG emissions from its U.S. locations by joining the Chicago Climate Exchange®. That commitment requires them to reduce emissions by 6 percent by 2010 from a 1998-2001 baseline. They're doing it partially by improving energy efficiency by 20 percent and increasing the use of renewable energy to 10 percent of energy demand.

ⁱ ISO 26000 Draft International Standard, September 2009 – <http://www.asq.org/knowledge-center/standards/index.html>

ⁱⁱ EPA Energy Star – http://www.energystar.gov/index.cfm?c=industry.bus_nam_epa

ⁱⁱⁱ U.S. Department of Labor – <http://www.bls.gov/iaq/tgs/iaq31-33.htm#iaq31-33emp1.f.p>

^{iv} The SRO – <http://thesro.org/wp-content/uploads/2009/04/millercorrsstory.pdf>

^v "McKinsey – "Valuing Corporate Social Responsibility: McKinsey Global Survey Results" – www.mckinseyquarterly.com/Surveys

^{vi} Panasonic Implementation of Corporate Social Responsibility – <http://www.lkdi.org/cms/about-lkdi/organization-structure/mas-achmad-daniri/>

^{vii} Public Policy and the Promotion of Corporate Social Responsibility – http://www.bsr.org/reports/Public_Policy_Promotion_of_CSR%20final.pdf

^{viii} *Personnel Today* – <http://www.personneltoday.com/articles/2008/06/12/46285/employers-show-caring-side-with-lobby-group-launch.html>

^{ix} Emerald Insight: "Corporate social responsibility: an avenue for sustainable benefit for society and the firm?" – www.emeraldinsight.com/1746-5680.htm

^x Baldrige Criteria – <http://www.baldrige.nist.gov/Criteria.htm>^x

^{xi} *Harvard Business Review* – Why Sustainability Is Now the Key Driver of Innovation – <http://hbr.harvardbusiness.org/2009/09/why-sustainability-is-now-the-key-driver-of-innovation/es>

^{xii} Cargill – www.cargill.com