

EXECUTIVE BRIEF

CSR and Quality:

A Powerful and Untapped Connection



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The Global Voice of Quality



Introduction

Much of what we call sustainability has deep roots in quality. Quality tools have been used by industry for decades to create lean operations, reduce waste, and improve efficiency, but they have not been widely recognized in the corporate social responsibility (CSR) space. CSR grapples with energy efficiency, supply chain metrics, supplier engagement several tiers away, reduced waste, and keeping a strong focus on customer value, which in the quality world can be viewed as old challenges put in a new context and for a new era of increasingly networked and globalized operations.

Quality tools have been used by industry for decades to create lean operations, reduce waste, and improve efficiency, but they have not been widely recognized in the corporate social responsibility (CSR) space.

Over a half-century ago, quality pioneers Edwards Deming and Joseph Juran encouraged organizations to ask better questions about corporate challenges and enabled companies to redesign systems for improvement. They started with a systems approach and then grounded quality in practical analytical tools to foster product, service, and organizational improvements. Today's CSR frameworks encourage businesses to ask better questions about impacts to stakeholders, society, and the environment, and they seek to develop the tools and measures needed to demonstrate improvements.

Often, where there is proactive management of quality, CSR is nearby. For example, activities to reduce GHG emissions are consistent with typical quality aims of zero-waste. At the same time, a lack of quality has shown to be detrimental to environmental and social performance, as the recent BP oil spill testifies. In this case, CSR and quality provide complimentary perspectives. CSR typically explores the business case of lower costs of avoidance (e.g., through implementing a culture of safety versus the cost of disaster) while quality hones in on the use of—or lack of—a robust failure mode and effects analysis (FMEA) to adequately address process shortcomings. Disasters provide a narrow but instructive example. Both CSR and quality frameworks arrive at the same place: corporate failures tied back to failed management systems and governance. There are signs of quality and CSR disciplines converging, in particular with the release of the ISO 26000 Guidance on Social Responsibility (SR). The international standard encourages voluntary commitment to SR and common guidance on concepts, definitions, and methods of evaluating SR efforts. ISO 26000 will attract the attention of those invested in other ISO frameworks, such as the ISO 9000 quality management framework. In the United States, The Malcolm Baldrige National Quality Award, the nation's highest recognition for organizational performance excellence, now incorporates "societal responsibilities" as a factor for assessing strategic challenges, governance, and leadership. The award and its criteria encourage companies to go "beyond a compliance orientation" and integrate CSR into strategic corporate planning to guide their operations, improve performance and achieve sustainable results.

However, a closer look reveals that the intersection of quality and CSR is even deeper.



Shared Concepts of CSR and Quality

Core values

Like CSR, quality is based on a set of values and beliefs at its center, such as “do no harm,” “zero-waste,” “make external costs visible,” and “driving out fear” between management and employees. While these sound like the latest ambitious mantras of CSR, they are core principles and definitions of the quality movement, defined by the quality gurus decades ago such as Feigenbaum, Crosby, Taguchi, and Deming, and at a time, much like today, when resource constraints were a growing concern. Then, quality was a frame that companies latched onto when they had to, but after periods of recession, the business case for quality became stronger and more integrated into organizations.

Like CSR, quality also has a very strong focus on people—not just customer satisfaction, but also quality of working life and employee satisfaction. The ISO 26000 standard makes a more deliberate connection between people and quality management systems with guidance provided for human rights, labor practices, fair operating practices, consumer issues, and community involvement and development.

Other concepts

There are other shared concepts between quality and CSR, including several areas below as revealed by common lines of thinking:

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	Quality Examples	CSR Examples
Making hidden costs visible	Costs that are hidden from obvious view in areas such as wasted materials, wasted energy, distracted employees, dissatisfied customers, and poor performing products can amount to 10–40 percent of total costs (Feigenbaum).	Lifecycle approaches highlight the impacts buried deep in the value chain, for example supplier and consumer energy use for the manufacture and operation of products. Eighty-six percent of CEOs see “accurate valuation by investors of sustainability in long-term investments” as important to reaching a tipping point in sustainability (United Nations Global Compact 2010 report, “A New Era of Sustainability”).
Corporate governance	Quality improvement starts from the top. Senior management is 100-percent responsible for the problems with quality and their continuance. Quality is made in the boardroom. The majority of quality problems are the fault of poor management rather than poor workmanship.	CSR success is directly related to CEO commitment.

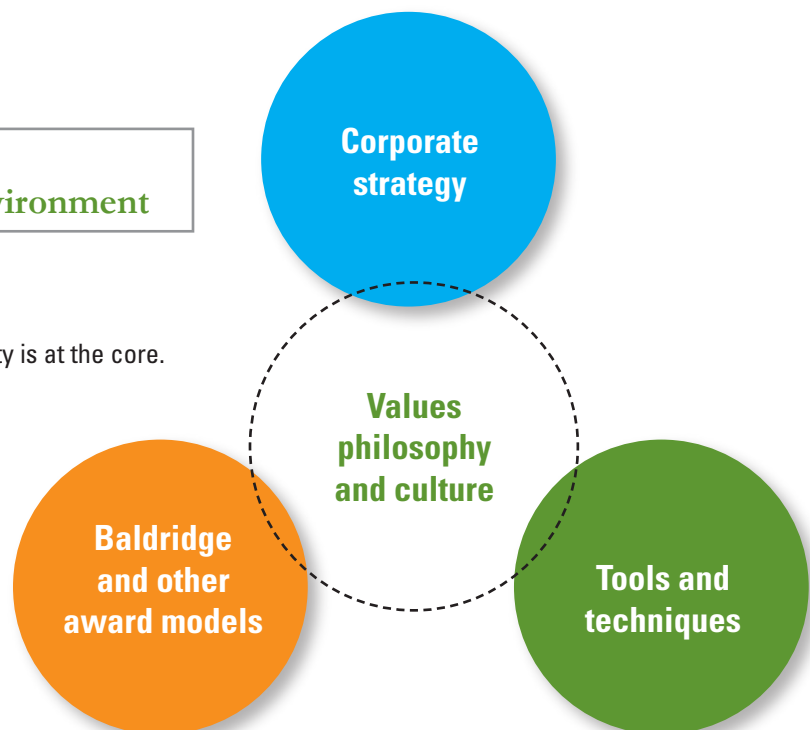


	Quality Examples	CSR Examples
Empowerment	<p>“Quality at the source” refers to workers being given authority to stop a production line if there is a quality problem or to give a customer an on-the-spot refund if the service is not satisfactory.</p>	<p>Empowerment is a primary pillar in promoting supply chain sustainability.</p> <p>Including worker voices and promoting an informed, participatory workplace will help to ensure fair working conditions.</p>
From reactive to proactive	<p>Prevention and continuous improvement are more effective than inspection.</p> <p>The system for causing quality is prevention, not appraisal.</p>	<p>Monitoring approaches when used alone for suppliers will fail to address root causes for social and environmental challenges.</p>
Internal alignment	<p>Each department must see other departments as internal customers. Barriers begin to fall when this is practiced.</p>	<p>Internal collaboration both vertically (i.e., from the CEO level to the factory floor) and horizontally (i.e., across departmental silos) are needed to identify and manage CSR issues, which are inherently cross-functional.</p>

FIGURE 1
The Quality Management Environment

Reference: “Corporate Social Responsibility, ASQ 2003.

Corporate social responsibility is at the core.





Defining Quality and CSR

Quality	CSR
<p>Total quality management (TQM): Managing the entire organization so that it excels on all dimensions of products and services that are important to the customer, with the goals of:</p> <ul style="list-style-type: none"> Careful design of the product/service. Ensuring that the organization’s systems can consistently produce the design. <p>Two components:</p> <ul style="list-style-type: none"> Design quality (“fitness for use”): Set of features-specified in design to meet the requirement of the customer. Dimensions can include performance, features, reliability, durability, serviceability, aesthetics, and perceived quality. Process quality (“conformance quality”): Reliability and freedom of defects in terms of dimensional tolerances and/or service error rates. 	<ul style="list-style-type: none"> Social, environmental, and governance issues, most commonly defined by GRI. Includes both outcomes and processes. Activities: Corporate responsibility activities can lead to concrete and even quick returns on investment. Systems: More generally, organization-wide management systems that embrace corporate responsibility often lead to better decision making, and ultimately a more economically efficient organization. Vision: Finally, there is the broad potential of aligning society and business, which is found in optimistic sentiments like: “Our goals are to make money, make it ethically, and make a difference,” (GE’s corporate citizenship website), as well as its criticisms, such as Milton Friedman’s manifesto and Aneel Karnani’s recent case against CSR.



Background: Evolution of Quality and Its CSR Foundations

In addition to a strong link in core values and concepts, CSR and quality already share an interest in several common issues. Additionally, there are a variety of CSR issues and applications that can benefit from a quality framework, including a range of tactical-level tools and approaches that can help CSR leaders develop stronger, business-aligned cases for action, and robust programs for improvement on a variety of CSR issues.





Issues	Intersection With Quality Tools and Approaches
<p>Waste reduction</p>	<ul style="list-style-type: none"> • Lean is the elimination of waste that starts with a customer trigger—the upstream processes only produce what has been ordered by the customer. • Just-in-time (JIT) and kanban: Efficient manufacturing layout and inventory controls reduce waste from overproduction including energy, waiting time, transportation, inventory, over processing, reduced factory footprints, excessive motion, defects and raw materials. • Reducing defects: The key method of quality control (QC) is statistical quality control (SQC), which has two main tools: (1) acceptance sampling and (2) process control. Six Sigma is one tool within this. <p>For CSR, waste minimization and pollution prevention addresses key issues related to resource use, energy, and significant environmental trends that affect a wide range of stakeholders, including consumers and communities. Waste reduction is often a catalyst for corporate CSR programs as the link to cost reduction requires only minimal analysis.</p>
<p>Worker empowerment</p>	<p>In the TQM framework, employees are expected to seek, identify, and correct quality problems. Workers are empowered by instilling quality management approaches and are provided incentives and rewards for identifying quality problems for both internal and external customers.</p> <p>For CSR, inclusive models for ensuring the rights of workers in global supply chains include secure communication channels, robust grievance systems, and worker education and skills development. These are common attributes for ensuring fair working conditions in the supply chain.</p> <p>Worker empowerment tied to quality can be an easier sell to management than a link to the broader sustainability agenda.</p>
<p>Governance</p>	<p>Use of quality control frameworks to build systems that lead to more informed senior accountability.</p> <p>For CSR, partnerships with quality departments to include CSR considerations, emphasizing the “perceived quality” element of “design quality” aspects, is important.</p>
<p>Health and safety</p>	<p>Approaches to modeling and mitigating disaster scenarios, such as the BP spill of 2010, include FMEA—a step-by-step approach for identifying all possible failures in a product or service.</p> <p>For CSR, when considering disasters, stakeholders may perceive it as irresponsible (i.e., lack of CSR) to not have high quality when lives are at stake.</p>
<p>Supplier engagement, accountability, and transparency</p>	<p>In quality frameworks, the supplier is seen as an extension of the business; most faults are due to purchasers themselves (Crosby).</p> <p>Lean shows that value must be defined jointly with suppliers for each product family with target metrics. Also, firms must work together with suppliers to identify waste, and when targets are met, new analyses should be made and targets set. All firms should have the opportunity for adequate return on investment.</p> <p>For CSR, sensitivities and a general reluctance to engage suppliers on social and environmental issues can be mitigated when quality-based approaches support stronger business cases for supplier action.</p>



Quality as a Role Model: What CSR Only Dreams Of

In the past 30 years, quality as a discipline has been well integrated into business operations. One indication of this is fewer corporate VPs and directors focused solely on quality. CSR may follow a similar path—some even argue that the success of CSR integration will be measured by a diminishing need for a corporate level CSR or sustainability function—and there are many lessons from the path that quality has taken. Relatively speaking, CSR is a young field, while quality is three times older. Investing in making products cheaper, faster, and more attractive is now seen as worthwhile business endeavors beyond just PR. Although now ingrained, it was not always this way. Today, quality is part of the business and widely understood and seen as valuable. Everyone is responsible for quality and the business case is embedded into management thinking; poor quality is simply not tolerated.

Fifty-four percent of CEOs surveyed in a 2010 United Nations Global Compact report identified a tipping point for CSR occurring within the next decade—a point at which sustainability/ CSR will be embedded in the core business strategies of the majority of companies globally (80 percent of CEOs believe this point will occur within the next 15 years). The survey also states that if a tipping point is reached such that sustainability is fully integrated into businesses globally, it will present an operating environment profoundly different from today, requiring a redefinition of high performance: deeper collaboration, CSR embedded in the culture, and new ways of measurement.

There are ways that quality has made itself part of business that CSR could do, too. Quality figured out how to win the conversation of the “business case” and the need for deep integration and robust measurement. However, also integrated away from corporate view are the tools and practices that have enabled quality to drive business value, demonstrate ROI, and create internal alignment. Today, CSR and sustainability teams, most often housed at the corporate HQ level, remain under-informed about the now mature and refined quality tools and approaches developed to address some of the same challenges. Greater alignment between CSR and quality functions can add momentum to CSR conversations that stagnate over questions such as how to drive performance into supply chains, create zero waste

organizations, and make changes in energy efficiency, all aimed at increasing customer value. It is this latter concept—creating alignment between upstream supply chain activities and downstream customer and consumer value—where CSR struggles and stands to gain from quality. CSR is tentative and self-effacing on the subject of monitoring, measuring, and driving continuous performance improvements in areas such as the supply chain—this is a realm that quality began to address decades ago with approaches, tools, and best practices that are mostly unknown to CSR professionals.

Ways Forward for CSR Leaders

The intersections between CSR and quality in shared core values and issues provide a strong foundation for more strategic alignment between the two functions. Using quality approaches to advance CSR can begin with CSR leaders taking some initial steps in this direction:

- Familiarize yourself with the common tools and approaches with an eye toward how to apply these to social and environmental issues:
 - **PDCA cycle (Plan-Do-Check-Act) or PDSA (Plan-Do-Study-Act):** A four-step model for implementing change:
 - **Plan** – Recognize an opportunity and plan a change—e.g., due diligence and an understanding of current initiatives, programs, and performance on key issues.
 - **Do** – Test the change. Carry out a small-scale study—e.g., pilot study to help support the business case.
 - **Study/Check** – Review the test, analyze the results, and identify what you’ve learned—e.g., stakeholder engagement to seek feedback from experts.
 - **Act** – Take action based on what you learned in the study step. If the change did not work, go through the cycle again with a different plan. If you were successful, incorporate what you learned from the test into wider changes. Use what you learned to plan new improvements, beginning the cycle again—e.g., implement changes as needed—e.g., to programs, processes, data collection.



How CSR Can Advance Quality

Responsibility for leadership of SR efforts is clearly seen as coming from the top as two-thirds of respondents point to the C-Suite, an executive committee or upper management team responsible for leading such efforts. When asked if their organizations' quality professionals are included in SR efforts, approximately 40 percent of respondents either state that they do not know or they did not answer the question, indicating a high degree of uncertainty.

Among those who did respond: 51 percent say "Yes," quality professionals are included in organizational efforts around SR; 21 percent say "No"; and 28 percent say they "Don't know." The overall picture is fragmented. Lacking clear directives and the involvement of quality, corporate efforts may not be maximizing potential benefits. Though respondents may lack an understanding of exact strategies, there is a general belief that SR is good for business and that this will continue to grow in importance.

Because of the distance between quality professionals and their organizations' SR activities, the results of the following chart may not accurately represent actual knowledge. Rather, they may speak to general perceptions about the likely impact on these areas.

Additional hurdles are created by the distance between quality and CSR. A 2008 ASQ survey of quality professionals found a lack of appreciation for CSR, a lack of understanding of the links. While CSR professionals may lack the skills and training to integrate quality tools, some in quality have a reluctance to focus on EHS and labor issues. The following are several areas where CSR can support the quality agenda:

- **CSR creates new room to grow for the quality professional.** Addressing underlying issues can potentially resolve "quality problems" with management of stakeholders and alignment.
- **CSR advances.** CSR has made inroads into the brand function in an effort to understand and appeal to consumer and stakeholder values. This provides a link to perceived quality and design quality.

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- Familiarize yourself with the Seven Basic Quality Tools: Cause and Effect Diagrams, Check Sheets, Control Charts, Histogram, Scatter Diagrams, Flowcharts and the Pareto Chart.
 - **Pareto chart:** An analytical tool and technique used to identify quality problems based on their degree of importance. The logic behind Pareto analysis is that only a few quality problems are important, whereas many others are not critical—e.g., CSR professionals can innovate this as a form of materiality analysis to identify CSR issues (presenting both risks and opportunities) that matter the most.
- **Six Sigma:** A fact-based, data-driven philosophy of quality improvement that values prevention over detection. It drives customer satisfaction and bottom-line results by reducing variation and waste, thereby promoting a competitive advantage. Six Sigma approaches rely on both qualitative and quantitative techniques to drive process improvement, with an emphasis on DMAIC. Tools include statistical analysis and FMEA. CSR professionals can bring a robust set of tools for new levels of analysis and insights.
 - **DMAIC cycle (Design, Measure, Analyze, Improve, Control):**
 - **Define** – Determining the problem statement and engaging with everyone involved with the process improvement.
 - **Measure** – Mapping the current state with sufficient detail to understand which process elements can be improved. Data is collected to show the current metrics and KPIs.
 - **Analyze** – Generating solutions and building logical arguments for why the solutions could work. Analyzing data and measuring the operational and financial impact. Analyzing the data to investigate and verify cause-and-effect relationships. Determine what the relationships are, and attempt to ensure that all factors have been considered—e.g., for new projects or initiatives.
 - **Improve** – Improving or optimizing the current process based upon data analysis using experiments or standardized processes to create new levels of performance—e.g., pilot projects to establish process capability.
 - **Control** – Implementing processes to maintain the future state and targets—e.g., continuous data reporting and transparency.

How CSR Can Advance Quality

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- **CSR tools for quality management.**
 - Stakeholder engagement: Existing CSR approaches and best practices for stakeholder engagement can help quality professionals collaborate and communicate with a wider range of internal and external stakeholders.
 - Transparency: CSR reporting has innovated a range of standard non-financial reporting metrics and indicators that quality professionals can use to build more holistic models.
 - Systems thinking: CSR approaches incorporate the interdependence inherent in ecosystems and can bring in important aspects of society and environment into business decision making.

- In making the business case for sustainability, explore how issues can be put into terms of quality, in particular, how perceived quality (governed by customer expectations) links to design quality and how risks, for example, can lead to interruptions in process quality.
- For supplier engagement or other initiatives where alignment is needed, consider selling CSR not to the procurement or other department directly, but rather to the quality department, which may be gatekeepers to the systems and enforcement.
- Seek integrated management systems where existing departments such as HR, CSR, and quality are looking at similar issues with very different approaches, and in the worst cases, with different messages to external stakeholders such as suppliers.

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A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross sector collaboration. With offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit www.bsr.org for more information.

About ASQ:

ASQ is a global community of people dedicated to quality who share the ideas and tools that make our world work better. With millions of individual and organizational members of the community in 150 countries, ASQ has the reputation and reach to bring together the diverse quality champions who are transforming the world's corporations, organizations, and communities to meet tomorrow's critical challenges. ASQ is headquartered in Milwaukee, WI, with national service centers in China, India, and Mexico. Learn more about ASQ's members, mission, technologies, and training at www.asq.org

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