

Quality as a Social Responsibility



Gregory H. Watson, PhD.

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How will “Managing for Quality” change?

How will quality change in the emerging future?

Developing a concept of Macro-Quality for Humanity!

Session 1 Quality as an Environmental Mandate

Session 2 Quality as an Economic Imperative

Session 3 Quality as a Social Responsibility

Session 4 Quality as a Human Right

Session 5 Quality as a Political Policy

Session 6 Quality for our Manifest Destiny

Extending the lessons we have learned from Micro-Quality work to work effectively at a global level for the benefit of humanity.

Abstract of Session #15:

This talk discusses how quality responds to the necessities of humanity by paying attention to core human principles such as comprehensive inclusion, equity and a mandate for fairness, and social justice. Quality must become the guiding principle for assuring the mutual prosperity of humanity, peace among nations, and happiness for people so all have a joy in life.

In this webinar, you will:

- Understand the meaning of social responsibility and social justice.**
- Discover how quality has pursued human good since its beginnings.**
- Learn dimensions in which human life can be influenced to improve.**
- Recognize how to engage your organization in a global repurposing.**
- Consider issues that will drive social responsibility in organizations.**

What do we mean by “Responsibility”?

Responsibility: The duty or obligation to manage or control activities assigned or assumed to their successful conclusion or outcome.

The “new obligations” of management:

1. Establish constancy of purpose: strategic direction, vision, intent.
2. Establish a new philosophy of managing the organization.
3. Build quality outcomes into the system of routine working.
4. Expand business conditions beyond just economic results.
5. Improve processes for planning and execution of work.
6. Provide appropriate training for workers at all levels.
7. Lead to keep management obligations: leading at all levels.
8. Drive out fear and encourage experimentation.
9. Breakdown all barriers to communication and cooperation.
10. Engage everyone in the program to transform the organization.



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“The greatest waste ... is failure to use the abilities of people ... to learn about their frustrations and about the contributions that they are eager to make.”

~ W. Edwards Deming

What do we mean by “Social”?

Social relates to formal or informal interactions of humanity and it implies some organizing based on collective affinities.

- The word “social” is derived from the Latin word “*socii*” which means “allies.”
- According to Karl Marx, humans are intrinsically social beings who cannot survive and meet their needs unless they associate in some ways with others in a form of social cooperation. Marx took this to the extreme and defined such relationships as necessarily independent of the free will of the individual.
- Max Weber’s concept of social was the subjective meaning that is given by the actions of individuals as they work together.
- Social decisions define who gets to choose and who benefits.

Social questions deal with public interest and the allocation of “decision rights” or power to the various components of society at large.

What is implied by “Social Responsibility”?

It implies a “duty to act” in the best interests of everyone.

Social responsibility means that individuals and companies have a duty to act in the best interests of their environment and the social systems within which they operate. This can be perceived as a moral imperative to act for the “greater good” of the World and its citizens.

Social responsibility has become embodied in organizations as **Corporate Social Responsibility** (CSR), and involves acceptance of responsibility for acting in ways that not only obeys laws and regulations but provides multi-dimensional benefits to the social systems in which they operate.

Corporations must act in ways that accumulate social goodness across all sectors of society. It is not an option it is an obligation!

What do we mean by “Social Justice?”

Individuality yields to equitable distribution of opportunity, wealth, privilege within a social system or society.

- Social justice operates in a social system by applying the rule or principle of majority rule, while consistently upholding the rights of minorities.
- Social justice seeks balance and harmony between individuals and society.
- Social justice seeks to eliminate prejudice, discrimination, and oppression from society by distributing social power in a way that enhances the chance for all to have a comfortable, safe, and productive life.
- Social justice is informally recognized through a social contract which is established through custom, law, and regulation.



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To achieve “social justice” a nation must come to agreement on transparency of information, policy for equitable treatment, and fair laws.

What do we mean by “value”?

Value is typically considered to mean the “economic value” of something, which is then measured in monetary terms.

- From a quality perspective we can think of value either in the sense of goodness or badness.
- Badness in value represents a muda waste – it may represent an over-spending for something, investing more than is needed in a resource, or a financial loss that occurs from material leakage or bad production.
- Additionally, value may be described as “extrinsic” or “intrinsic.” The judgement of a monetary value in economic or commercial terms may be either category. An intrinsic value is something that is valued for its own nature – such as nature or morality judgments. Extrinsic values tend to be goods or services that are exchanged in markets.



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Monetary judgments and valuations are a poor indicator of merits and benefits of ideas, objects, or experiences with intrinsic value.

What is a “Social Contract”?

Stewardship and ownership are embedded in social contracts.

Jean-Jacques Rousseau’s books *Discourse on Inequality* (1755)¹ and the *Social Contract* (1762)² established the philosophical foundations for the current concepts of social management as written in the *Declaration of Independence* (1776) which declared that:

“all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men deriving their just powers from the consent of the governed.”

1. Jean-Jacques Rousseau (1755), *Discours sur l'origine et les fondements de l'inégalité parmi les hommes* [*Discourse on Inequality*] (Amsterdam: Marc-Michel Rey).
2. Jean-Jacques Rousseau (1762), *Du contrat social; ou Principes du droit politique* [*On the Social Contract; or Principles of Political Rights*] (Paris:).



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A “social contract” defines the boundary of the legitimacy of a state to impose its power over the rights of its individual citizens.

What do we mean by “Quality”?

“Quality is the relentless pursuit of goodness coupled tightly with the persistent avoidance of badness.”

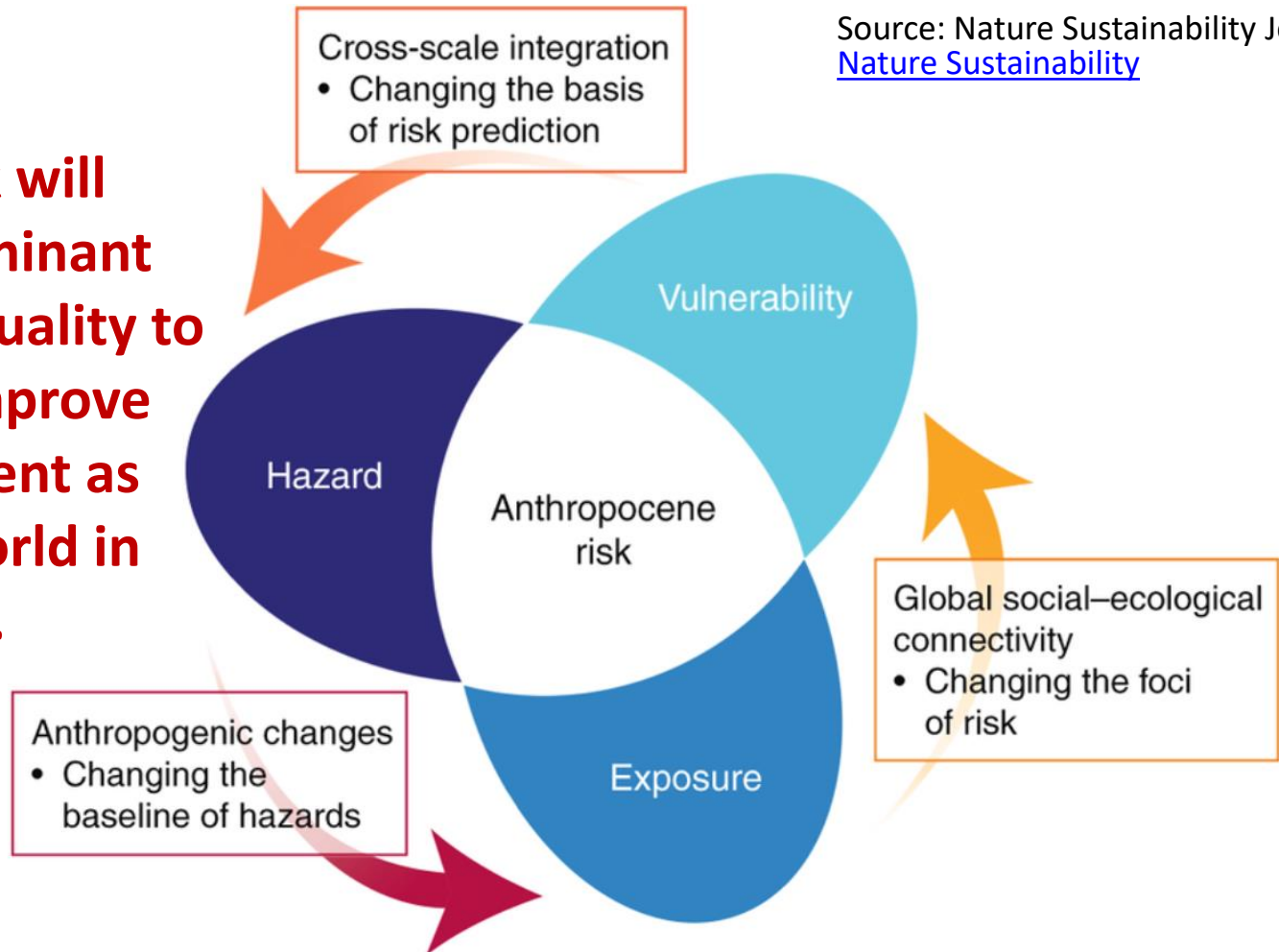
Core Principles of Quality as interpreted socially:

- **Respect people in their diversity of race, religion, and nationality.**
- **Respect scientific gains of those who have walked before us.**
- **Protect the environment which sustains all of us.**
- **Abstain from all intentional wrong-doing and harm.**
- **Practice two things in all activities ... either help or do no harm.**

Humanity Must Learn to Manage Risk!

Managing risk will become a dominant emphasis in quality to continually improve the environment as well as the world in which we live.

Source: Nature Sustainability Journal
[Nature Sustainability](#)



Quantum physicist Richard Feynman said: “If we want to solve a problem that we have never solved before, we must leave the door to the unknown ajar.”

An insufficiency of past “laissez-faire efforts:

Goals, without measurement and comprehensive collection of data that indicates progress, are only good intentions.

Managing by the Numbers [MBN] calculates and assigns a monetary value to evaluate the relative worth of all things.

This presents a conundrum when it comes to making economical value judgments about anything with inherently “intrinsic” value.

What is the value of a national park, like the Grand Canyon? Can it be reduced to the value of the minerals available for extraction, or water available for agriculture, or the tourist income that it can provide from bus tours?

What is the value of the peace of mind that comes from watching a glorious sunset from the deck of the El Tovar Hotel? **Priceless!**

From what perspective do we judge?



~ H. L. Mencken (1880-1956)
American Journalist

“The chief value of money lies in the fact that one lives in a world in which it is overestimated.”

Social value is based on equity and morality or moral economics; it is not based on monetary economics!

Apply a Moral Economy not a Money Economy:

Reconsider the business premise of “shareholder supremacy!”

Money Economy:

An economy where money is used as the mechanism for valuing the exchange of goods or services without any concern for ethical distribution of value or the quality of the exchange.

Moral Economy:

An economy based on goodness, fairness, and justice, as opposed to one where the markets are managed independently of such ethical concerns.



“Apart from values and ethics which I have tried to live by, the legacy I would like to leave behind is a very simple one: that I have always stood up for what I consider to be the right thing, and I have tried to be as fair and equitable as I could be.”

What is the value of peace, health or security?



“Price is what you pay, value is what you get.”
~ Warren Buffett

Quality as a Social Responsibility

Part 1:

Understanding the Quality Design Behind Corporate Social Structure

Decomposing the Definitions of Responsibility

Responsibility: The duty or obligation to manage or control activities assigned or assumed to their successful conclusion or outcome – in decreasing order of implementation priority:

1. **Economic Responsibility:** this is the responsibility to make a profit, or at least to recover costs. If a company does not receive more than it's cost of capital, it is essentially weakening its financial future.
2. **Legal Responsibility:** corporations are granted the right to exist by a government and they must obey all applicable laws and regulations.
3. **Ethical Responsibility:** a responsibility to do what is right, even if it is not required by law: requires ethical action and responsible culture.
4. **Philanthropic Responsibility:** contribute to advance society's projects even when they do not relate directly to generating financial benefit for the corporation.



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Typically, it is first things first: First make money, then obey the law, do good, and finally share the benefits.

Determining Perspective for Sustainability:

Sustainability: an ability to maintain or control an outcome to a certain level or range of performance; typically, it represents an intersection between economics and ethics.

1. **Economic or Business Sustainability:** this action places value on long-term stability and financial solidarity over volatile, short-term profits. This pathway avoids calamity and excessive risks to assure reasoned development and growth.
2. **Social Sustainability:** this cultural component values balance in the lives of its people and the way that its employees maintain stability. It seeks to distribute opportunities and wealth as broadly as possible.
3. **Environmental Sustainability:** this principle recognizes that resources of the Earth are limited and that if they deteriorate significantly, then it will destroy the quality of life for future generations.



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Macro-Quality:

All goodness, no badness for all on Planet Earth!

Revised Objective: The Triple Bottom Line:

The 3-Ps of the Triple Bottom Line: Planet, People, and Profit.

“Without question, the balance of power on the planet today lies in the hands of business. Corporations rival governments in wealth, influence, and power. Indeed, business all too often pulls the strings of government. Competing institutions-religion, the press, even the military-play subordinate roles in much of the world today. If a values-driven approach to business can begin to redirect this vast power toward more constructive ends than the simple accumulation of wealth, the human race and Planet Earth will have a fighting chance.”

~ Ben Cohen and Mal Warwick
Values-Drive Business (2006)



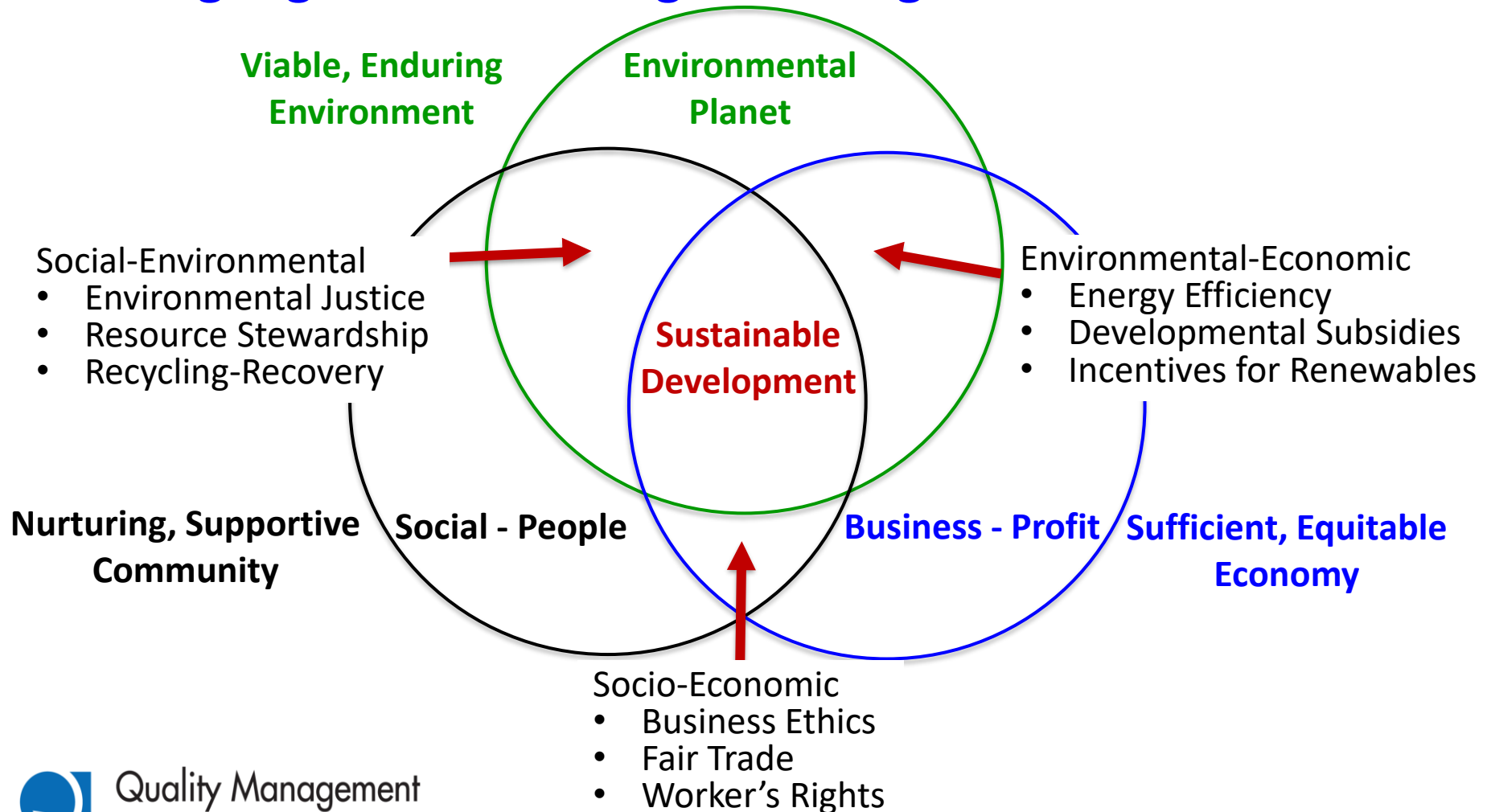
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Model of Corporate Sustainability:

Building organization strength for long-term success!



Revised Focus: Expanded Stakeholder Theory

Stakeholder theory is the mirror to sustainability obligations.

- Stakeholder theory operates by influencing corporations from the outside in as opposed to financial backers or shareholders who seek to optimize finances outward.
- Stakeholder theory asks the following questions:
 - What are the legitimate claims that external stakeholders can impose on a business?
 - What rights do external stakeholders have with respect to the decisions and actions of a corporation?
 - What are the kinds of responsibilities and obligations that external stakeholders can justifiably impose on business operations.
- Theory: Those whose lives are impacted by a corporation have a right to participate in the decisions that affect their lives.



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Models to Implement Social Responsibility:

What choices are available to consider establishing business conformity by choosing to manage social responsibility?

- 1. Conflict Model:** In the traditional approach CSR, social value, and benefits for society are believed to conflict with shareholder profits. In this model additional requirements see this as added costs and it is not reasonable to pursue such direction without governmental incentives (subsidies) or legal/regulatory requirements. They argue that business is a trade-off between economic and moral values.
- 2. Value-Added Model:** Seeking to derive revenues from CSR decisions and policies by appealing to a market segment of socially conscious consumers and managing the risks of negative press or publicity. It holds that managing CSR results in increased organizational profit.
- 3. Multiple Goals Model:** In a radical departure from tradition, there is a theory that socially-based decisions are not linked to economical values. Corporations have goals that lie beyond monetary gains.



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Macro-Quality:

All goodness, no badness for all on Planet Earth!

[illegible]

Design an Effective Macro-Quality Strategy:

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Understanding the Davos Manifesto:

World Economic Forum governance manifesto: The universal purpose of companies in the 4th Industrial Revolution:

The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities, and society at large. The best way to understand and harmonize the divergent interests of all stakeholders is through a shared commitment to policies and decisions that strengthen the long-term prosperity of a company.

[Home > The Davos Manifesto | World Economic Forum \(weforum.org\)](#)

“The World Economic Forum is releasing a new Davos Manifesto, which states that companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field.”

Klaus Schwab

Founder and Executive Chairman,
World Economic Forum



United Nations Sustainable Development Goals:

The UN SDG's define transcendental quality for all of humanity!



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Quality as a Social Responsibility

Part 2:

Accepting Responsibility for Improving Global Social Systems

Social Badness is Ignored in Keeping Score:

Gross Domestic Product (GDP) is the sum of all goods and services that are produced by a nation.

Weakness in the structure of GDP calculations:

- Genichi Taguchi's Quality as Loss: the loss that is caused to society after a product has been produced or service has been delivered.

Costs of Badness Counted as Goodness (i.e., "broken window" fallacy):

- Cost of correcting pollution are counted as economic goodness and are not recouped from the cost of production.
- Costs of war are counted as positive economic goods produced.
- Production of "inferior goods" counted as a good use of resources.
- Treatment of hospital-induced infection counted as "health" care.

Misallocation of costs results in the improper assignment of value in the microeconomic environment as the "true costs" of failure or corrective action are not borne by the producer of failure but by society in total.

Conceptualizing Macro-Quality:

Distinguishing between “Macro-Quality” and “Micro-Quality” domains.

Microeconomics is sometimes called the “theory of the firm” as it has a focus on the way that organizations operate. It is frequently reduced to Price Theory.

Traditionally, the key emphasis of quality has been on creating stability in production operations, eliminating waste, and reducing defects – all of which concentrates on the cost reduction component of pricing theory.

Macroeconomics refers to large scale systems – economic operations of an industry, specific society or nation, or global interrelations between them.

Macro-Quality elevates the concentration of quality to socio-technical systems that influence quality-of-life for humanity and of those factors that affect this condition. A shift from Micro-Quality will greatly increase the breadth and depth of quality activities.

Challenges in Implementing Macro-Quality:

What innovation must occur to make Macro-Quality become reality?

Macro-Quality must address weaknesses inherent in macroeconomics.

Macro-Quality must define metrics that fit the financial dilemma that is defined by the “broken window fallacy” – how to address repairs based on poor quality and how to address correction of social costs?

Macro-Quality must define an interface between the quality of the firm and the quality of society.

Macro-Quality must develop a “meta-standard” for quality of life that is suitable for all humanity that is based on sustainability and austerity, not on the model of conspicuous consumption which has fueled a consumer-based society and individual financial objectives.

Macro-Quality theory needs to be developed so it is coherent and to fit the modern concept – doing good while doing no harm – all goodness that is coupled with no badness.

W. Edwards Deming: Theory of Knowledge

Social systems have not been structured to capture and learn their cost.

Deming's comment on quality cost:

“The cost of quality may be unknown and unknowable!”

How can we count these costs?

- **What is the cost of loss in the “joy of work” or “pride in production?”**
- **What is the cost of resources spent for decision alternatives that are not in the best interest of society as a whole?**
- **What is the cost of obsolescence that is not borne by producers, but is borne by society to dispose of durable goods?**
- **What is the cost of providing unresponsive end-of-life healthcare?**
- **What is the cost of providing sub-standard education?**
- **What is the cost of loss of youthful optimism or enthusiasm with life?**
- **What is the cost of “unintended consequence’ of human activity?**

Moving Beyond Legal Compliance:

Corporations are treated like people with responsibilities.

Social responsibility means that individuals and companies have a duty to act in the best interests of their environment and the social systems within which they operate. This can be perceived as a moral imperative to act for the “greater good” of the World.

Social responsibility has become embodied in organizations as Corporate Social Responsibility (CSR), and it involves an acceptance of responsibility for acting in ways that not only obeys laws and regulations but provides multi-dimensional benefits to the social systems in which they operate.



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Corporations are considered as citizens: people with protected 14th Amendment equal rights.

Corporations have rights and obligations:

“We must strive to become good ancestors.” ~ Ralph Nader

1. Principle and Obligations of Ownership:

Develop strength for the long-term.

Constantly seek opportunities for improvement everywhere.

Manage work as a fiduciary trust – austerity delivers prosperity.

2. Principle and Obligations of Stewardship:

Treat all entrusted property as if it was your own.

Do unto others as you would they do unto you.

Seek to fulfil stewardship’s ethical code: integrity, service above self, responsibility, accountability, transparency, and excellence.

Quality policies for process owners and individual self-regulation:

- **Process Ownership:** Data integrity, target setting, work process review, and continual improvement.
- **Self Management (Jishu Kanri and Ji Kotei Kanketsu (JKK):** A self-regulated way to manage standard work and its improvement.

Who are the stakeholders of a corporation?

It is surprising how broad this definition can become!

Improving the quality of life for workers, shareholders, and local communities, as well as the Earth's environment. This should be done with inclusion, dignity, and equality. Stakeholders include:

- Owners (whether privately or publicly-held)
- Employees and workers (full-time and part-time)
- Customers and potential customers
- Suppliers and potential suppliers
- Citizens of the local community
- Creditors owed money due to financial obligations
- Governments owed regulatory compliance or taxes
- Local businesses supported by employees and their families
- Other organizations competing for market share
- Others subject to government action based on company acts.



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**The reach of stakeholder responsibility is wide,
and its depth is extensive!**

ISO26000: Guidance on Social Responsibility

Social Responsibility: The role of businesses in contribute in a positive way to the larger community in which it operates.

ISO26000 Core Subject Areas:

1. **Organizational Governance:** Embed accountability and transparency as core values in corporate culture.
2. **Human Rights:** Treat people with respect; especially vulnerable groups.
3. **Labor Practices:** Provide safe, just, healthy labor conditions.
4. **Environment:** Identify and improve the firm's environmental impact.
5. **Fair Operating Practices:** Respect laws, practice accountability, practice fairness in dealing with others – including suppliers.
6. **Consumer Issues:** Provide safe, healthy products and deal honestly.
7. **Community Involvement and Development:** Participate as a respected member of the local community through involvement.



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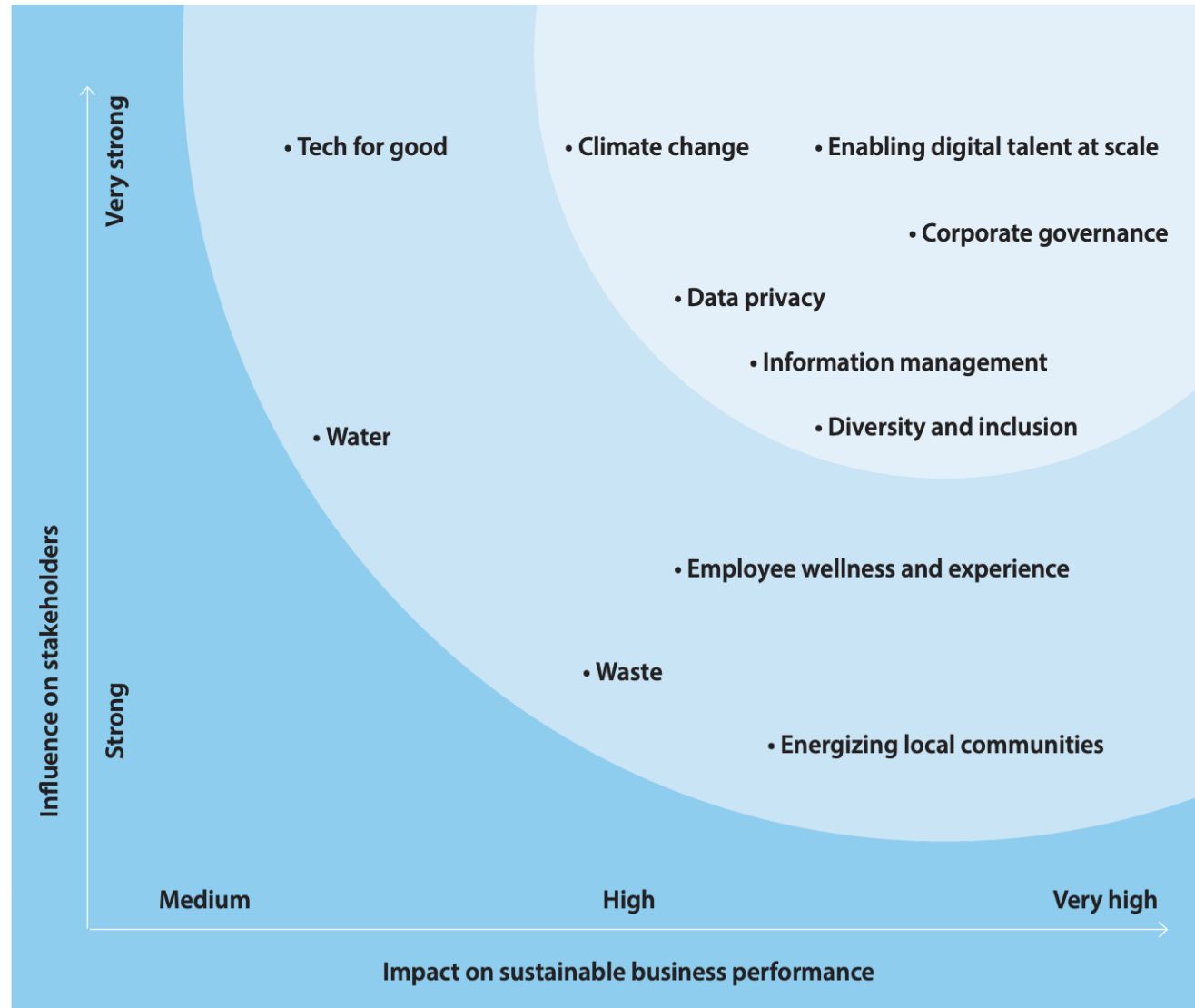
Develop Stakeholder to Focus Area Matrix:
Which CSR subjects are important to the key organizational stakeholders?

Policy Goals for Sustainability Breakthrough:

High impact stakeholder initiatives:

The Davos Initiative has identified some strategic directions that will help shape social responsibility decision-making.

How is the future direction of your organization doing with respect to this set of initiatives?



Take-away Lessons Learned

“The first person who, having enclosed a plot of land, took it into his head to say this is mine and found people simple enough to believe him was the true founder of civil society. What crimes, wars, murders, what miseries and horrors would the human race have been spared, had some one pulled up the stakes or filled in the ditch and cried out to his fellow men: ‘Do not listen to this imposter. You are lost if you forget that the fruits of the Earth belong to all and the Earth to no one!’”

**~ Jean-Jacques Rousseau
Discourse on Inequality (1755)
Enlightenment Philosopher**

Critical take-away observations:

How should organizations address the needs of societies in which they operate which also grants them opportunities to succeed?

Summary statement:

Social responsibility is becoming a larger emphasis of executives and expansion in the meaning of quality to be compatible with a Macro-Quality emphasis requires mastery of the moral economy by quality professionals.

This webinar addressed the following learning objectives to help you discover the challenges your career will face in the future:

- Understand meanings of social responsibility and social justice.
- Discover how quality pursued human good from its beginnings.
- Learn dimensions in which human life can be influenced to improve.
- Recognize how to engage your organization in a global repurposing.
- Consider issues that will drive social responsibility in organizations.

Mandate: Quality requires the moral operation of the economic institutes of society so they will serve the democratic advancement of humanity.



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Thank you

Gregory H. Watson, PhD.

greg@excellence.fi

Future QMD Webinars:

Managing for Quality ASQ QMD Webinar Series by Dr Gregory H. Watson:

- No. 16: “Quality as a Human Right” March 11, 2021; 1500 ET
- No. 17: “Quality as a Political Policy” April 15, 2021; 1500 ET
- No. 18: “Quality as our Manifest Destiny” May 6, 2021; 1500 ET

ASQ QMD Webinars: (1700 ET)

- “Transformando la cultura organizacional: un enfoque PDCA” (español) 25 de febrero de 2021 por Eileen Serrano
- “Transforming organizational culture: a PDCA approach” (English) April 8, 2021 by Eileen Serrano
- “Applying Leading Indicators in CoQ and Quality space using technology monitoring and data gathering” March 18, 2021 by Guillermo Ciudad
- “Assess and Improve your Healthcare QMS with these tools” May 20, 2021 by Pierce Story and Grace Duffy

Vital Questions ASQ QMD Webinar Series by Ann-Marie Flinn: (1700 ET)

- No. 1: “Where are you putting your focus? Shifting problems to outcomes” June 2, 2021
- No. 2: “How are you relating? Shifting drama to empowerment” June 16, 2021
- No. 3: “What actions are you taking? Shifting from reacting to creating” July 21, 2021

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