1.2 Governance and Societal Contributions

Purpose

This item asks about key aspects of your governance system, including the improvement of leaders and the leadership system. It also asks how the organization ensures that everyone in the organization behaves legally and ethically, how it fulfills its societal contributions, and how it supports its key communities.

Commentary

Organizational governance. This item addresses the need for a responsible, informed, transparent, and accountable governance or advisory body that can protect the interests of key stakeholders (including stockholders) in publicly traded, private, and nonprofit organizations. This body should have independence in review and audit functions, as well as a function that monitors organizational and CEOs' or chief administrators' performance.

Legal compliance, ethics, and risks. An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) all legal and regulatory requirements, and (3) risk factors. Ensuring high performance in these areas requires establishing appropriate measures or indicators that senior leaders track. You should be sensitive to issues of public concern, whether or not these issues are currently embodied in laws and regulations. Role-model organizations look for opportunities to excel in areas of legal and ethical behavior. Role-model organizations also recognize the need to accept risk, identify appropriate levels of risk for the organization, and make and communicate policy decisions on risk.

Public concerns. Public concerns that charitable and government organizations should anticipate might include the cost of programs and operations, timely and equitable access to their offerings, and perceptions about their stewardship of resources.

Conservation of natural resources. Conservation might be achieved through the use of "green" technologies, reduction of your carbon footprint, replacement of hazardous chemicals with water-based chemicals, energy conservation, use of cleaner energy sources, or recycling of by-products or wastes.

Societal contributions. As the concept of corporate social responsibility has become accepted, high-performing organizations see contributing to society as more than something they must do. Going above and beyond their responsibilities in contributing to society can be a driver of customer and workforce engagement and a market differentiator. Societal contributions imply going beyond a compliance orientation. Opportunities to contribute to the well-being of environmental, social, and economic systems and opportunities to support key communities are available to organizations of all sizes. The level and breadth of these contributions will depend on the size of your organization and your ability to contribute. Increasingly, decisions to engage with an organization include consideration of its societal contributions.

Community support. Examples of organizational community involvement include

- partnering with schools and school boards to improve education;
- partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and
- partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as voluntary standards activities or sharing best practices to improve overall U.S. global competitiveness and ethical and societal well-being.

Some nonprofits may contribute to society and support their key communities totally through their mission-related activities. In such cases, community support includes any "extra efforts," such as partnering with other nonprofit organizations or businesses to improve the overall performance and stewardship of public and charitable resources.

SOURCE: 2019–2020 Baldrige Performance Excellence Framework Criteria Commentary - This commentary provides brief summaries of the Baldrige Criteria for Performance Excellence categories and items. It also includes examples and guidance to supplement the notes that follow each Criteria item in the Baldrige Excellence Framework booklet. For additional free content, and to purchase the booklet, see www.nist.gov/baldrige/publications.