

BrandPanorama

FROM INSIGHT TO OUTLOOK

Sustainability Performance Measurement: Down the Rankings Rabbit Hole, or a Race to the Top?

Many companies have recognized that incorporating authentic sustainability principles into their operating practices and brand promise is both consistent with their fiduciary profit imperative and necessary for continued competitive advantage. Consumers, employees and other key stakeholders all expect the brands they associate with to reflect their personal values and to do good for society, communities and the environment by being innovative and responsible stewards of natural resources.

As with any business or branding initiative, measurement is a central challenge for the sustainability of sustainable practices. What gets measured can be managed. What does not get measured cannot get funded. Measuring the ROI of a sustainability initiative - just like measuring the effectiveness of advertising - means demonstrating how and why it is effective against its intended strategic goals.

As brands begin to travel this path, a common question faced by many is: Can we rely on the published sustainability rankings and indexes to tell us what we need to know, or do we need to undertake our own measurement?

Leaving aside the obvious hurdle encountered by many of us, that our brand simply isn't large enough or well enough known to be featured in most of the annual rankings, the answer is often that studying the rankings is good, but it is not good enough.

Rankings and indexes are very useful in helping brands learn from competition and can be a valuable source of news for PR and publicity purposes. But their utility is limited as they are designed not by you but by third parties. They show how your company, organization or brand stacks up relative to others... but not necessarily relative to the competitors you benchmark or care about, usually at an aggregate level, and without regard to the particular strategy you are pursuing.

Custom measurement will trump the rankings reports because the metrics can be designed by you with your strategy and goals firmly in mind, so that you can monitor progress and demonstrate ROI in a way that makes sense to management, board and other relevant stakeholders, and helps drive the enterprise forward.

At the end of the day, custom metrics matter more than rankings reports.

Reading the Rankings The Dow Jones Sustainability Index (DJSI) is the most authoritative. It takes a different approach to other indexes, publicly reporting only the global leader in each of 24 industry groups, while making their detailed results available to each company included in the index. Most other indexes report companies' rank positions.

The current popularity of these rankings is an indication of just how salient a business issue sustainability has become. A quick overview of some of the more widely promoted rankings and indexes is instructive for several reasons. (Most of these indexes are "global" however for ease of comparison the table on the following page focuses on US-headquartered companies):

Rank position among US companies (2014)	Interbrand <i>Best Global Green Brands Index</i>	Newsweek <i>Green Rankings</i>	CR Magazine <i>100 Best Corporate Citizens</i>	Corporate Knights Capital <i>Global 100 Index</i>
1	Ford	Allergan	Bristol-Myers Squibb	Biogen Idec
2	Dell	Adobe Systems	Johnson & Johnson	Cisco Systems
3	Johnson & Johnson	Ecolab	Gap	Sigma Aldrich
4	Intel	Biogen Idec	Microsoft	Life Technologies
5	Hewlett Packard	Cardinal Health	Mattel	Monsanto
6	IBM	Baker Hughes	Weyerhaeuser	Coca-Cola Enterprises (CCE)
7	Xerox	Las Vegas Sands	Ecolab	Duke Energy
8	UPS	EMC	Intel	Motorola
9	Nike	Qualcomm	Coca-Cola Company (KO)	Prologis
10	Cisco Systems	Met Life	Walt Disney	Johnson & Johnson

Each of these indexes uses a different methodology and makes different assumptions about what is measured and why:

- Interbrand's index of 50 "best global green brands" is a subset of the 100 top brands in its annual Global Brands report. It combines consumer survey data (perceptions of authenticity, relevance, differentiation, consistency, presence, and understanding) with publicly available performance data (governance, operations, transportation and logistics, stakeholder engagement, products and services, and supply chain).
- Newsweek's "green ranking" measures overall environmental performance of large public companies based on eight KPI's (including productivity of energy, carbon, water, waste, and reputation and link to pay) based on publicly available data.
- CR Magazine's "corporate citizenship index" is based on publicly available and self-reported company data and uses a weighted average of ranks on dimensions of environment, climate change, human rights, employee relations, corporate governance, philanthropy, and financial risk.
- Corporate Knights Capital's "global 100 index" is oriented specifically towards equity investors and is based on sustainability KPI's such as energy, carbon, water, waste, innovation, tax paid, CEO pay as multiple of average employee, pension fund status, safety performance, employee retention, leadership diversity, and clean capitalism link to pay.

Clearly, each of these indexes has merit, but they each have a different purpose and therefore produce very different results. Four surveys produce 34 different "top 10" companies! Only one company (Johnson & Johnson) appears in the US top 10 on three of the four indexes, and only four (Intel, Cisco, Biogen Idec and Ecolab) appear on two of the indexes. It is also clear that certain sectors are more likely to rank highly: technology, pharma and biotech in particular.

Escaping the Rabbit Hole Appearing in these rankings is obviously desirable, improving the brand's rank position is often cause for a press release. The rankings appeal to our thirst for feedback, however they typically do not help the company to understand *how* it reached its current position or how to maintain or improve it. The rankings have limited functional utility because they are not diagnostic or prescriptive or instructive. In the same way that the act

of valuing a brand does nothing to add to the value of the brand, knowing the brand's sustainability or green or citizenship ranking does nothing to improve the ability to better manage the brand's environmental and social impacts and profitability.

In their race to the top, many brand owners will need to move beyond these rankings and develop their own metrics, which speak directly to their specific sustainability strategies and goals.

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Sources

Dow Jones Sustainability Index (2014)

Interbrand: Best Global Green Brands Index (2014)

Newsweek: Green Rankings (2014)

CR Magazine: 100 Best Corporate Citizens (2014)

Corporate Knights Capital: Global 100 Index (2014)