

COMMUNIQUE

Trends, Best Practices, and Opinions on Community Involvement

CSR rankings, ratings and indexes— what's the big deal?

There has been an explosion of for profit and nonprofit organizations in the past decade that rate, rank or create indexes of companies on a subject or issue: sustainability, corporate citizenship, governance, environmental sensitivity, etc. Lately, the terminology employed for a lot of these rankings is ESG: environmental, social, governance. The term CSR rarely comes into play. When it comes to outsiders evaluating companies on criteria they consider important, clearly we are not in Kansas anymore.

In many cases, you, the corporation, are evaluated on these criteria whether you like it or not. And you are probably fielding quite a few requests for information from these rating organizations—requests that are time-consuming and with an uncertain return. That makes you like Dorothy, caught in a tornado of information requests and not sure where you will land. If you “do well” on a list that is important to you, are you in the Emerald City? Did the wizard grant your wish?

Oh, wait—there was no wizard. Not really, anyway. It was all an illusion, smoke and mirrors to make a simple man from Kansas look important and powerful.

What do the rankings actual measure?

The answer is—*it depends*. It depends on the ranking or rating itself. Not all rankings are created equal. Each has its own data set it considers important, and its own methodology for evaluating that data.

Case in point: Rarely do the same companies appear in the top 10 of the various lists. We looked at 11 different top 10s. Altogether, 77 companies appear on these lists. Only 16 of those companies, or 21%, appear on more than one list. (Intel and IBM, by the way, appear on seven and six lists, respectively.)

Look closer at the methodologies and you see why. They are measuring different things or evaluating the same things in a different way. The organizations out there evaluating you have decided what they consider to be important, and developed their own criteria for inclusion that you can't change.

You can, though, make a decision about with which organizations you want to engage, find out what data they want, and publish it where the rating organizations can find it. To decide the ones that matter to you, consider these points:

- Is the target end-user of the rating, ranking or index one that you want to influence?
- Is the organization credible?
- Is the methodology clear and transparent?
- Does it collect data that are meaningful to your company and your industry?
- Does it attempt to evaluate your data in the context of your industry?
- What does the organization reward? Some rankings reward disclosure for the sake of disclosure. Others reward positive changes in metrics year over year.

Once you've chosen your list of lists, compile a database of the data required. Make the data public and easy for researchers to find and only engage with the most important companies. Hopefully, then you'll make it to Oz! ❖

LBG Associates can help you sort through the various rankings and determine the ones most important for your business. We can also handle data input and relations with the ranking companies. Call us for more information at 203-325-3154.

About LBG Associates

LBG Associates is a woman-owned consulting firm focused on designing, implementing, and managing corporate citizenship and community outreach programs and initiatives. Founded in 1993 by Dr. Linda Gornitsky, LBG Associates drives social change through advice, implementation, research, and training. Find more information at: www.lbg-associates.com.

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