



# The Benefits of Utilizing Enterprise ESG Performance Data

Exploring Results of the 2022 McNees  
Group-Florida State University Jim  
Moran College of Entrepreneurship ESG  
Reporting Survey

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# The State of Play

## Assessing Companies' ESG Performance Measurement, Management, and Reporting Competencies

The development and standardization of Environmental, Social, and Governance (ESG) criteria for enterprise management and investment decisions has been years in the making. But, to many observers, it feels as though their advent on the corporate agenda and subsequent incorporation into enterprise performance measurement, management, reporting and verification processes have occurred in the blink of an eye.

Such an impression is understandable. The construction of metaphorical ESG information edifices in the United States and elsewhere is indeed accelerating, and the contours and features of their component parts are growing increasingly sophisticated.

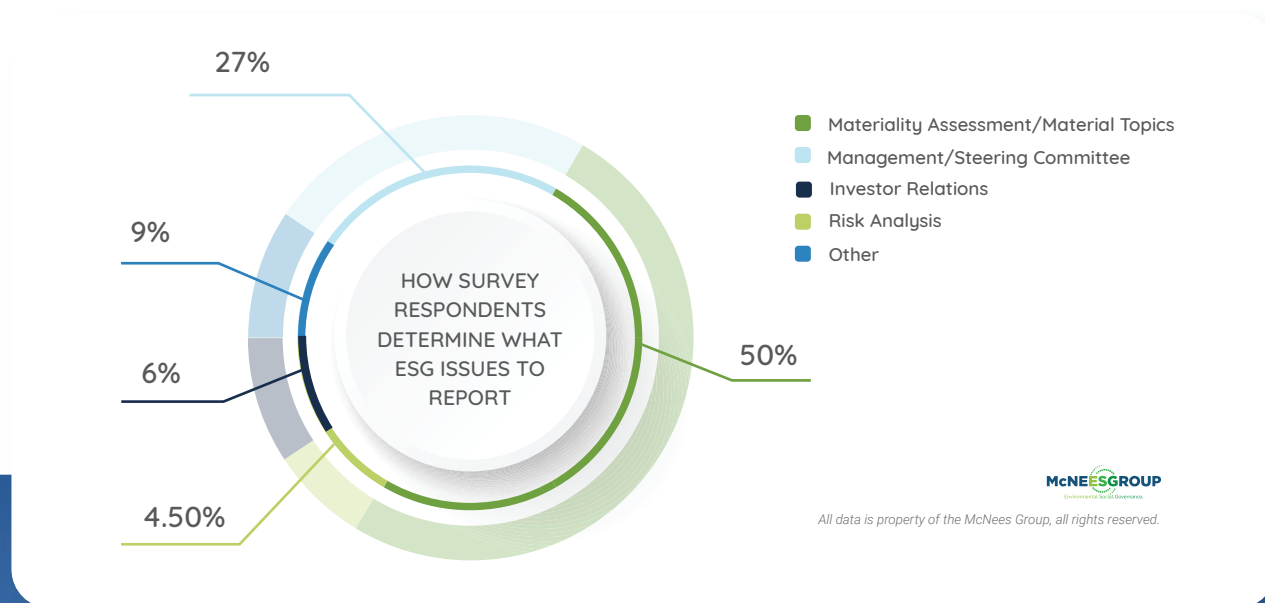


The foundations of these illustrative structures are the ESG performance data that companies self-report. Without this information, the international investment community—our ceiling in this example—would surely collapse. And that's precisely the outcome that global government regulators, nongovernmental ESG disclosure standard-setters, ESG rating agencies and index providers, and other stakeholders—the walls of these ESG information edifices—are endeavoring to prevent.

Metaphors aside, key is the continuous collection and regular disclosure of accurate, contemporary, complete, financially relevant, and traceable (i.e., auditable) operational data that describes how a company is handling its portfolio of bottom line-relevant sustainability issues. These exercises, at least, will help to accommodate the expectations and, increasingly, compulsory demands of companies' stakeholders, including their investors, regulators, customers, suppliers, vendors, employees, and host communities.

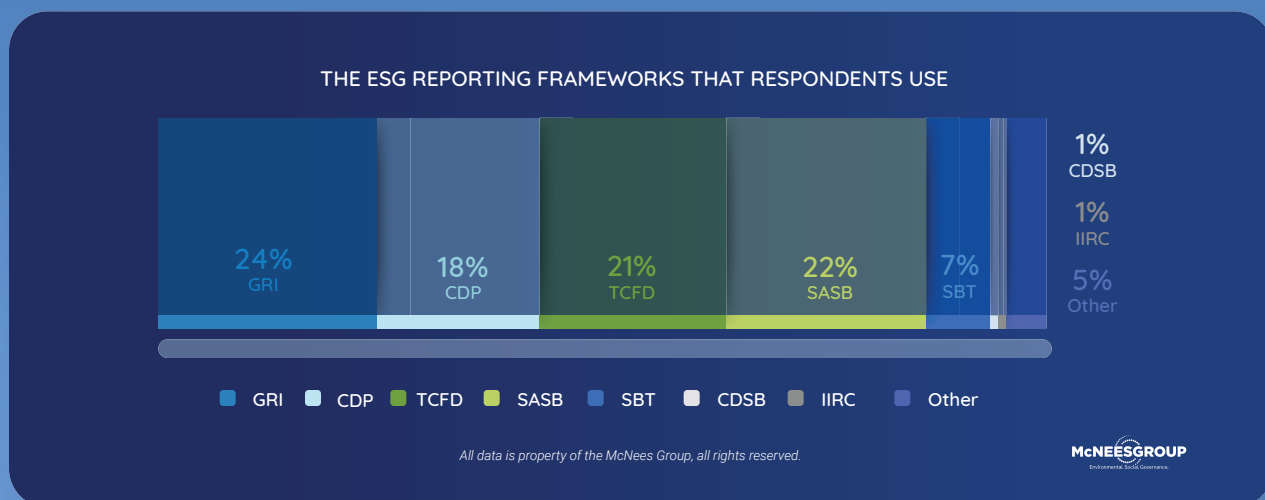
Fortunately, findings from a May 2022 survey of corporate Sustainability Directors and ESG Directors conducted by the **McNees Group**, a boutique enterprise ESG performance measurement, management and reporting consultancy, together with the **Florida State University Jim Moran College of Entrepreneurship (FSU JMC)** suggest that major corporations spread across the U.S., U.K., E.U., and other markets are rising to the occasion.<sup>1</sup>

But the value of these data collection and reporting exercises largely depends on how well they are adapted to address the specific needs of the stakeholders they're meant to inform and serve. The trouble, however, is that these distinct groups often have divergent, even competing expectations. As a result, business leaders are left to reconcile the discrepancies between their reporting obligations, which survey data from the McNees Group-FSU JMC suggests is a rather bespoke and unstandardized process.

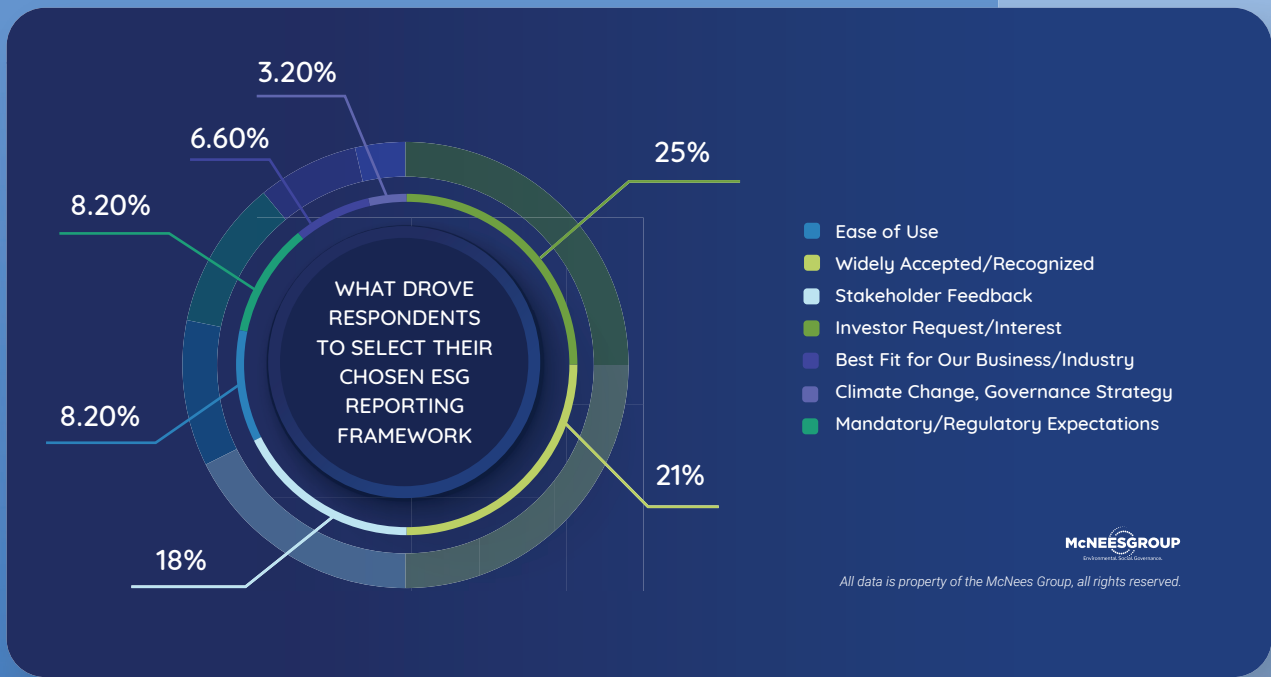


Companies' independent and uncoordinated attempts at compromise can yield incomparable disclosures, even among companies in the same industry. For companies' investors and other stakeholders, these are vexing circumstances.

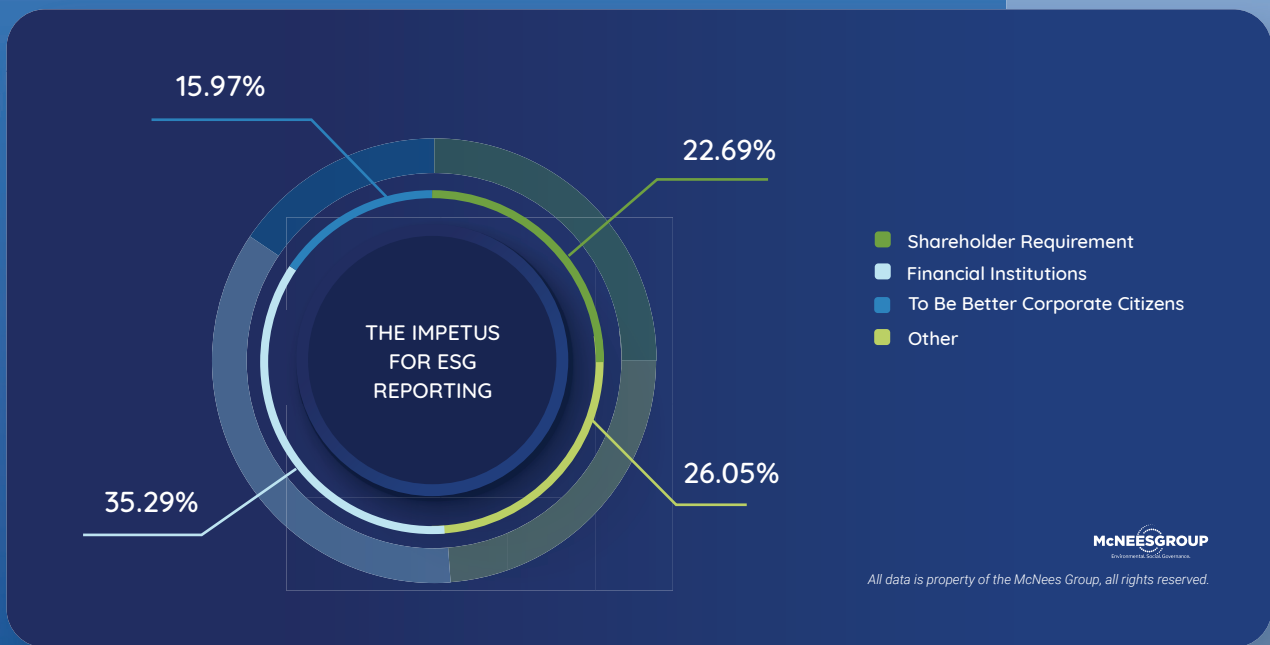
The maturation of voluntary frameworks for ESG materiality definitions, performance metrics, and reporting methodologies developed by non-governmental standard-setting organizations do succeed in bringing accuracy to and comparability among the ESG disclosures issued by companies who use them. However, as the findings from the McNees Group-FSU JMC survey suggest, there's evident variability among the voluntary frameworks that companies use.







Encouragingly, there’s evidence that companies see ESG as more than a convoluted “tick-the-box” data output exercise—a plurality of respondents (35.29%) to the McNeess Group-FSU JMC survey said their primary reason for producing an ESG report was to be “a better corporate citizen.”



This lends credence to a promising trend that **Benchmark ESG**, the leading provider of cloud-based ESG software solutions, has observed among its global subscriber community.

*Effective ESG performance data collection and reporting provide the means to build a more sustainable, resilient, and financially successful enterprise.*



This framing, of course, is the fundamental ethos of ESG-principled corporate strategy and decision-making. While servicing the broad expectations of the increasingly sustainability-conscious capital markets is an attractive incentive, and avoiding the penalties of regulatory noncompliance is a substantial obligation, they are not the strongest determinants of an enterprise ESG program's lifecycle ROI.

Instead, the lifecycle ROI of an enterprise ESG program depends on the comprehensiveness of its design and the effectiveness of its operationalization. As detailed in the following sections of this Benchmark ESG eBook, the success of a company's enterprise ESG program—regardless of the evaluation methodology employed—will largely be determined by two variables.

The first is the extent to which the program's design, development, implementation, and management are completed with expansive and thorough stakeholder input.

The second and more influential of these variables is how well the companies' leadership uses their ESG performance findings to inform management and investment decisions in line with stakeholder expectations. While straightforward in principle, successfully assembling, taxonomizing, collating, storing, retrieving, and analyzing the troves of operational data needed to confidently and demonstrably serve stakeholders' ESG objectives is anything but.

1. Visualizations of McNeese Group-FSU JMC survey response data featured throughout this Benchmark ESG eBook may not display percentages that sum to 100% due to rounding.

# The Hidden Costs of Conventional Approaches to ESG Performance Data Management & Reporting

## Setting the Foundation of the Enterprise ESG Program

Regardless of a company's size, sophistication, or industry, fundamental to the success of its enterprise ESG program is the "materiality assessment" performed at the outset. In layperson's terms, this is the process by which companies identify and prioritize management of the environmental, social, and corporate governance hazards, risks, and opportunities that stand to either positively or adversely affect their bottom lines.

On the approach to the materiality assessment, there are numerous options, each of which must be carefully considered. Put simply, whether companies' "financially relevant" (i.e., material) ESG risks and opportunities are revealed by in-depth consultations with key investors and customers or comprehensive anonymized surveys of suppliers, vendors, and employees doesn't matter.

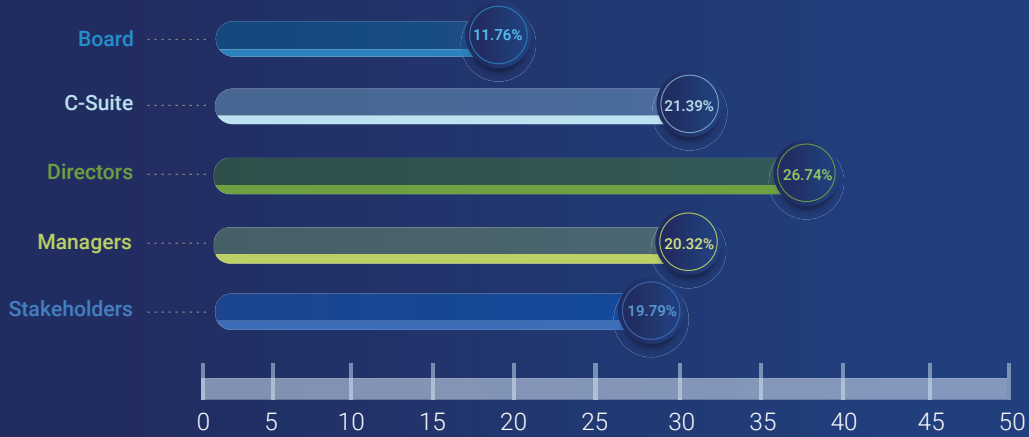
As long as companies can verify that the findings of their materiality assessment accurately reflect the views of their mission-critical stakeholders, they have their lode star.

**The trouble is that too few companies engage their myriad stakeholders in the materiality assessment phase of their enterprise ESG programs.**

**As the McNeese Group-FSU JMC survey findings suggest, companies may be overweighting the input of their Directors (26.74%) and C-Suite (21.39%) personnel, instead of taking a more balanced, stakeholder-influenced approach.**

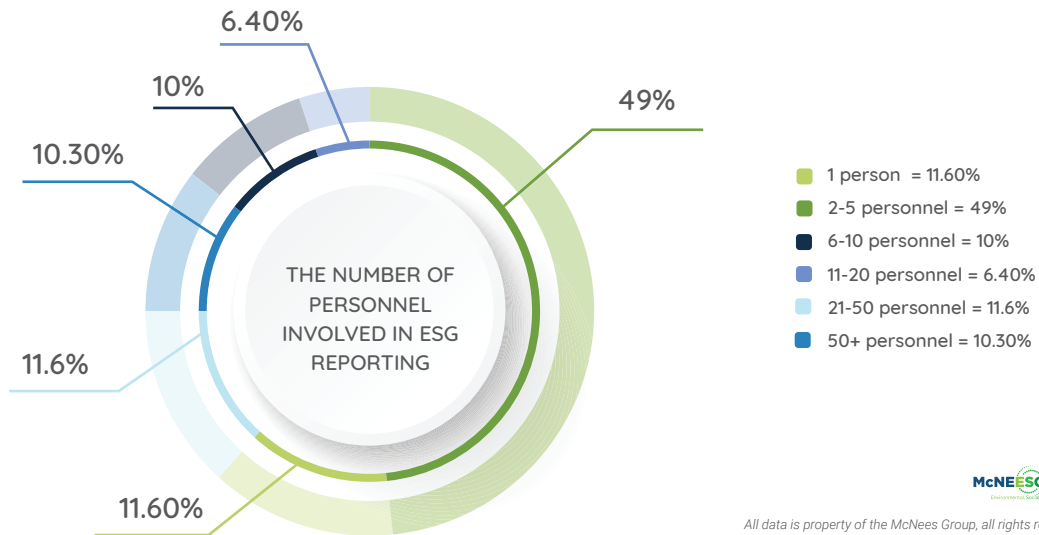


### WHO GETS A SAY IN THE MATERIALITY ASSESSMENT?



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Unfortunately, findings from the McNees Group survey suggest that an overreliance on the input of select personnel is a practice that extends beyond the materiality assessment phase of companies' enterprise ESG programs. When asked to estimate the number of personnel currently involved in their companies' ESG reporting exercises, more than 70% of respondents said 10 or fewer were involved.



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Taken together, these evidently hyperlocalized and presumably siloed functions risk undermining the effectiveness of these companies' enterprise ESG programs for a number of reasons.

First, an improperly scoped materiality assessment will cause a company to focus on too few issues that matter to their stakeholders, or allocate resources toward managing too many ESG issues that are extraneous to stakeholder priorities.

Second, by involving too few cross-functional employees and other stakeholders in the development, implementation, and eventually, operationalization of their enterprise ESG programs, executives risk unnecessarily limiting the program's scope, scale, and precision. In tandem, these approaches will curtail stakeholder buy-in.

**Thankfully, assessing the materiality of ESG issues and setting consensus management goals and action plans, performance evaluation metrics, and reporting methodologies (i.e., frameworks) is simply a matter of proactive, responsive, and importantly, expansive and structured stakeholder engagement.**

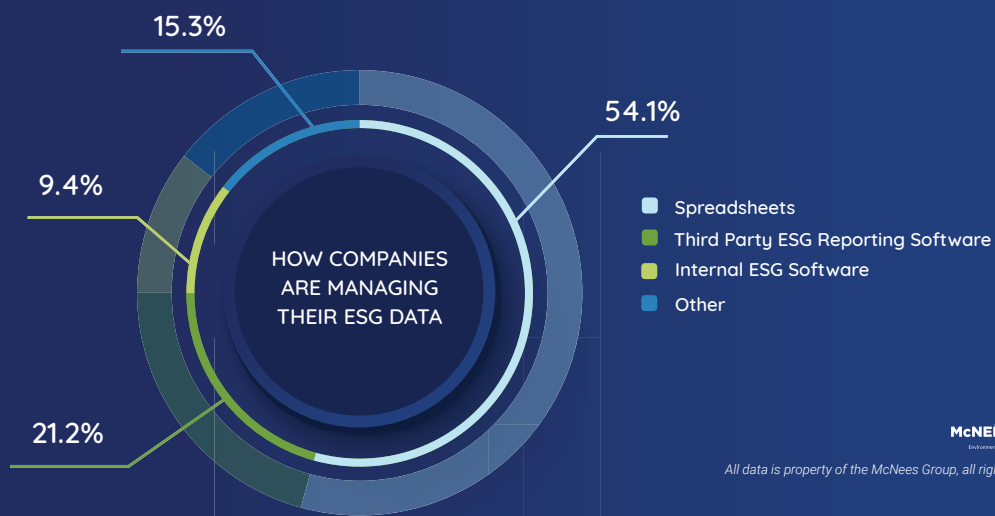
These processes are critical to securing the buy-in of those persons and organizations whose relationships with the enterprise are vital to its success. But sustaining that confidence and leveraging it to operationalize an enterprise program capable of driving continuous ESG performance excellence—without compromising the bottom line—is an altogether separate and more challenging endeavor.

## Operationalization of the Enterprise ESG Program

The most challenging aspects of the enterprise ESG program have to do with its operationalization. In this sense, operationalization is the implementation and administration of transparent, distributed, adaptable, and even quasi-autonomous processes for ESG performance data management, utilization, and reporting.

Operationalization, then, is synonymous with activation, whereby cross-functional employees and processes are equipped with the resources they need to reliably execute enterprise ESG performance measurement, management, and disclosure in a manner that supports programmatic objectives.

At present, findings from the McNees Group-FSU JMC survey suggest that the majority of companies (54.1%) issuing ESG disclosures rely on digital spreadsheets to manage their reports' constituent ESG performance data and, presumably, analyze it to inform ESG performance-related enterprise management and investment decisions.





# Where the Shortcomings of XLS Are Laid Bare

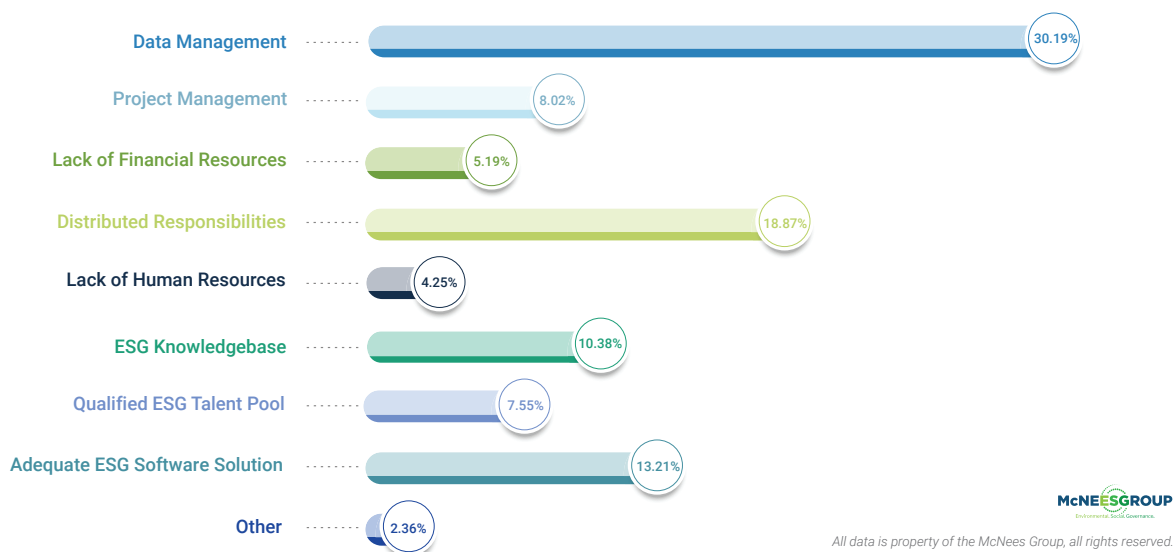
## Operational inefficiencies raise financial, reputational, and sustainability risks and opportunity costs

To the credit of the McNeese Group-FSU JMC survey's respondents, manually administered, spreadsheet-driven ESG performance data management and reporting processes enable business leaders to at least execute the "tick-the-box" components of an enterprise ESG program.

However, such analog processes are prone to financially and operationally deleterious human error and delay in data entry, taxonomization, retrieval, and reporting. This proclivity, along with its associated costs, will only intensify as businesses grow and become more sophisticated, and as companies face more exacting stakeholder expectations for both enterprise ESG performance outcomes and verifiable, substantiating evidence thereof.

In short, the scalability of these processes' capacities to support the operationalization of an enterprise ESG program is limited. Unsurprisingly, a plurality of respondents to the McNeese Group-FSU JMC survey (30.19%) cited "data management" as the most challenging aspect of their ESG reporting processes, with "distributed responsibilities" being the second-most cited challenge at 18.87% of respondents.

WHAT CORPORATE SUSTAINABILITY LEADERS SAY ARE THE MOST CHALLENGES ASPECTS OF ESG REPORTING



Exacerbating these shortcomings is the lack of data-driven, forward-looking insight into companies' ESG performance that spreadsheets alone are able to credibly support. Spreadsheets are, at best, merely a data storage mechanism rather than a tool for enterprise-wide workflow management and decision-useful ESG performance data analytics.

An overreliance on these legacy technologies leaves the onus of analytically deriving a financially advantageous course toward targeted ESG performance outcomes with designated individuals and teams. The trouble is that the effectiveness of these designated parties is contingent upon the often dubious integrity of the ESG performance data at their disposal.



***The pitfalls of spreadsheet-driven ESG performance data management, utilization, and reporting processes open companies up to considerable financial, reputational, and sustainability risks and opportunity costs—for two key reasons.***

First, manually administered spreadsheets typically lack adequate functionality regarding stakeholder responsibility assignments, data governance and controls, and data traceability. As a result, the primary operational ESG performance data<sup>1</sup> and supplemental information<sup>2</sup> housed in these spreadsheets are subject to corruption, misinterpretation, and misuse. Such vulnerabilities make it more difficult for a spreadsheet-driven enterprise ESG program to withstand sharpening scrutiny of their performance data outputs.

Second, without the capacity to support formally structured and immutable ESG performance data collection, entry, management, analysis, and reporting processes, spreadsheet-reliant enterprise ESG programs run the risk of misallocating time and resources toward the achievement of ESG performance goals.

**Overcoming these challenges will require that business leaders migrate their enterprise ESG performance data collection, management, analysis, and reporting processes to more adequate technological systems.**

1. "Primary operational ESG performance data," i.e., rates of energy and water consumption derived from utility service provider invoices; worker safety incidents from EH&S; diversity, equity, and inclusion (DEI) metrics from HR, etc.
2. "Supplemental information," i.e., provenance (origin) of primary operational ESG performance data; records of previous ESG performance management interventions and their corresponding outcomes; records of performance data entries and modifications, records of methodologies employed for trend analyses of ESG performance data and their corresponding results, etc.

# Work Smarter, Not Harder

## Charting a Course of Corrective Action

Before executives can embark on a course of corrective action and maximize the ROI of their corporate sustainability efforts, it's important that they confirm the aspects of the spreadsheet-driven enterprise ESG program that stand to be improved. In review, these are:



### The Materiality Assessment:

Maximizing the lifecycle ROI of an enterprise ESG program requires that business leaders first confirm which sustainability hazards, risks, and opportunities will have the greatest bearing on their bottom lines. To do this, executives will need to consult with a diversity of internal and external stakeholders, establish their respective priorities, and prioritize management of those ESG issues found to be “intersectional.”



### Program Development & Implementation:

Once the organization's financially material ESG issues have been assigned stakeholder-agreed priority, executives will then need to work with internal and external stakeholders to determine how the subsequent enterprise ESG program will be developed and implemented.

In program development, there's the need to set consensus ESG performance goals, metrics for evaluating ESG performance, and the reporting methodologies (i.e., disclosure frameworks). And on program implementation, there's the need to assign responsibilities to qualified stakeholders for management of ESG performance data collection, identification and assessment of ESG performance failures and achievements, and preparation of ESG performance data disclosure inputs.



### Program Operationalization:

The operationalization of the enterprise ESG program is most integral to an organization's achievement of its established ESG performance goals. Executives must install and activate transparent, configurable, and reliably controllable mechanisms for streamlining the collection, management, storage, analysis, and disclosure of investment-grade ESG performance data. Without these mechanisms, the risk grows that incidents of human error and delay will go unremediated and compound over time, scuttling any pursuits of ESG performance excellence.



## Leveraging Advanced Software to Bring Resilience, Efficiency, and Effectiveness to the Enterprise ESG Program

Successfully executing each stage of the enterprise ESG program—the materiality assessment and program development, implementation, and operationalization—will require technological reinforcements.

There are three categories of cloud-supported digital solutions that are proven capable of driving improvements in operational data collection, workflow management, and ESG performance analysis.



**Multidirectional,  
Cross-Functional  
Communication**



**Centralized, Remotely  
Accessible Digital  
Systems of Record**



**Artificial Intelligence  
(AI) Enabled Data  
Analytics Capabilities**

*Together, these software solutions offer functionality that will bring resilience, efficiency, and effectiveness to each component of the enterprise ESG program.*

When equipped with dedicated **cross-functional communication channels**, business leaders and their enterprise ESG program administrators will be able to more reliably and efficiently disseminate programmatic information and respond to stakeholder inquiries.

In the case of the materiality assessment, for instance, this technology enables organizations to seamlessly conduct inquiries of stakeholders' sustainability priorities and elevate their responses to relevant parties.

And on program development, implementation, and operationalization, these communication channels afford their end-users greater transparency into their assigned responsibilities, enable them to escalate ESG performance concerns, relay corrective action instructions and records, and report ESG performance outcomes to internal and external stakeholders.

Strengthening these advanced communications channels is the **cloud-supported digital system of record**. This is the solution set that will most significantly substitute legacy spreadsheets.

More specifically, these are data management and storage tools that can be configured to automatically collect, digitally tag (i.e., taxonomize), and collate (i.e., organize) ESG performance data in real-time, as well as records of correspondence among enterprise ESG program administrators. Moreover, these digital systems of record are complete with data governance and control, traceability, and retrieval features that ensure data integrity, facilitate audits, and enable more seamless and substantive communications among enterprise ESG program administrators.

Yet, on the effectiveness and resilience of the enterprise ESG program, it's **artificial intelligence (AI)** that stands to provide the greatest advantage.

For instance, when integrated within an automatically filled digital system of record, AI can be configured to monitor the alignment of an organization's recorded ESG performance outcomes with the performance goals enshrined in their enterprise ESG program. The AI software can then automatically generate and disseminate alerts to responsible parties when incidents of divergence are identified or anticipated ahead of time via performance data trend analysis.

This, at least, is the principal application of artificial intelligence in enterprise ESG programs. But the adaptability of this revolutionary technology affords their end-users seemingly countless advantages.

In the materiality assessment phase, AI can be employed to distill stakeholders' descriptions of their priorities for a given enterprise ESG program. It can then render suggestions for how stakeholder input may be incorporated in the subsequent program development, implementation, and operationalization phases.

For these secondary and tertiary phases, too, AI can bring effectiveness and resilience. The software can be leveraged to automatically translate ESG performance records into financial terms, forecast the likely outcomes of a given ESG performance management intervention, and identify discrepancies between an organization's ESG performance disclosures and their corresponding quality criteria.





# The Results Speak for Themselves

## Cultivating an ESG Culture To Drive Continuous Results

Transitioning from manually administered, spreadsheet-driven processes for ESG performance measurement, management, and reporting to an enterprise ESG program powered by a suite of advanced cloud-based software may seem daunting.

But executives need not be intimidated. Driving these improvements in data collection, workflow management, and ESG performance analysis will significantly advantage efforts toward ESG risk mitigation and opportunity capture while advancing the bottom line. Plus, achieving such a transformation of the enterprise ESG program is part and parcel with the fundamental principles of ESG.

*By equipping their enterprise ESG program administrators with the tools and resources they need to deliver for people and planet, business leaders will be graduating from stakeholder engagement to stakeholder empowerment and activation.*

Indeed, the enterprise ESG program most capable of delivering continuous results is one that's built upon enduring stakeholder buy-in and support.

