Sustainability ROI

How to Quantify & Communicate It

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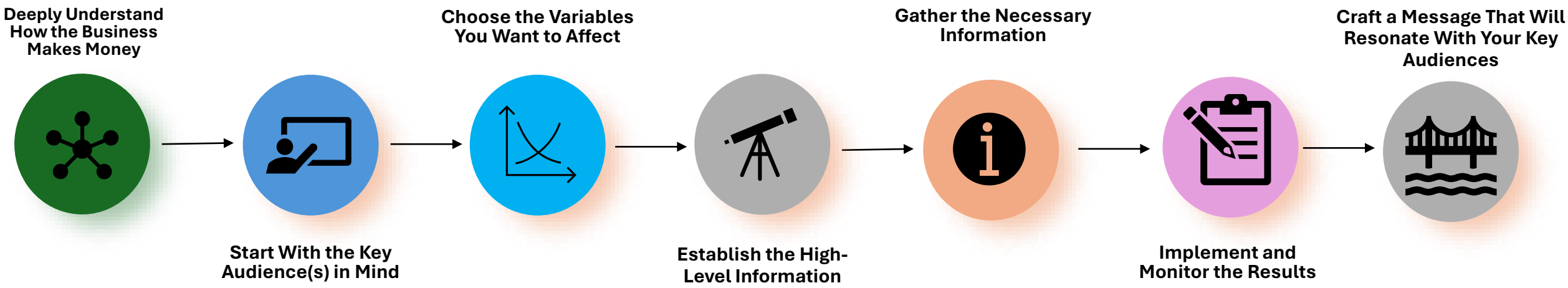
Sustainability ROI Process



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How the Business Competes

What is the Core Competitive Engine of the company?

Examples:

- Innovation
- Customer Relationships
- Low Cost/ Efficiency
- Quality
- Performance

What are the Key Competitive Metrics for the Company as a Whole?

These are the operational variables the company focuses on and that drive financial success. Examples:

- Customer loyalty (for a company that relies on subscribers)
- Product performance (for a performance-focused company)
- Manufacturing efficiency (for a cost-focused manufacturing company)

Note that these metrics don't include stock price or profits – those are the **results** of doing well on these measures. (For example, high customer loyalty increases profits.)

Need Help?

Here is a free resource with some core questions for understanding the business.

Focus on the Key Audiences

Use AIM (Audience, Information, Message) to shape your thinking.

Who is the Key Audience?

Who is it most important for your message to resonate with? Which audience needs to find your ROI results credible?

What Information Does the Key Audience Want to See?

This is usually driven by what their KPIs are, how they're judged, and what most influences the performance of their part of the business.

What is the Right Messaging?

For example, for a sales executive, a customer quote might be extremely powerful, while a CFO would be much more interested in quantitative numbers.

Need Help?

Valutus has free resources on AIM and how to use it.

Here's a primer on AIM, and here's more on how it can help clarify what terms to use.

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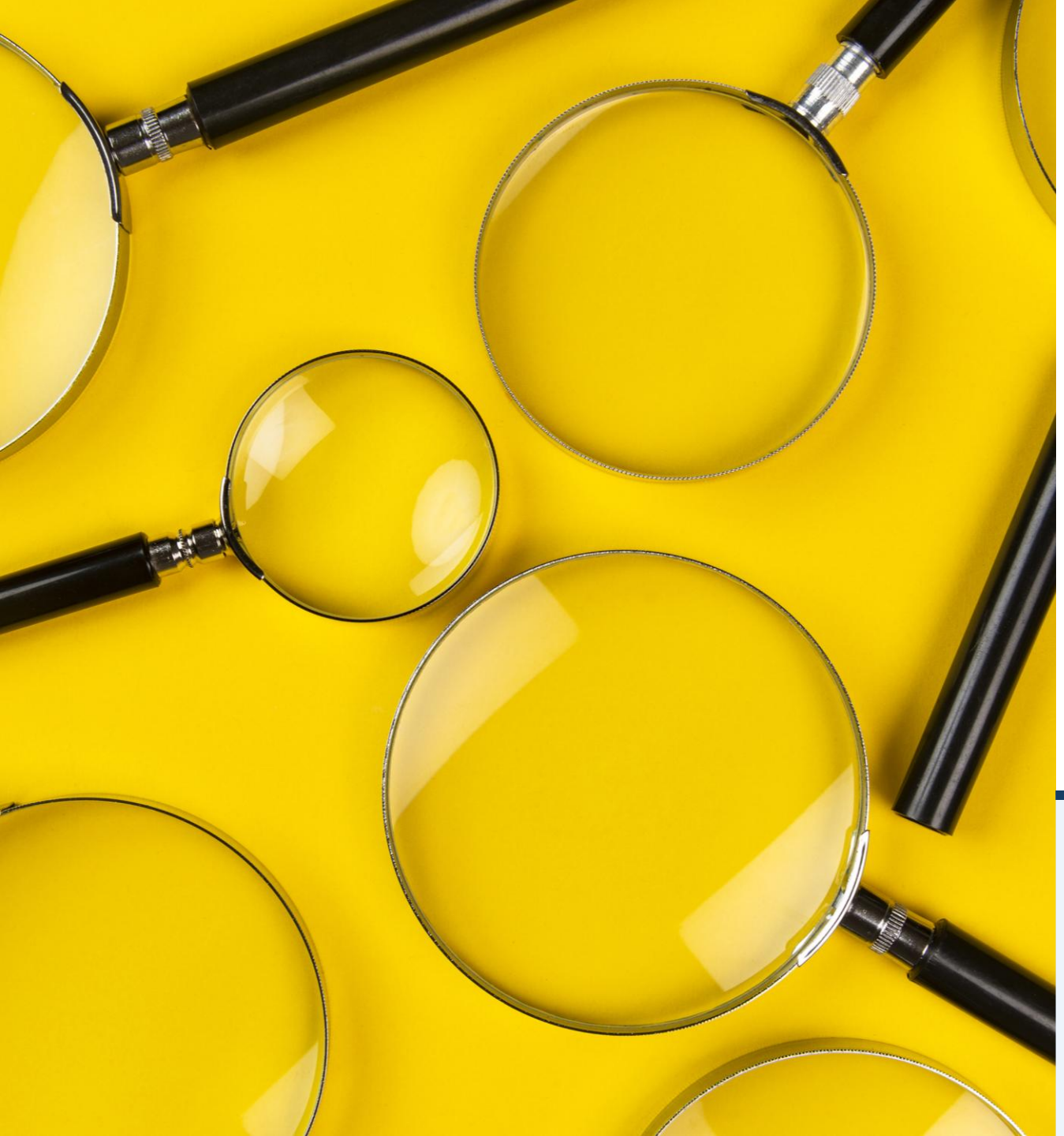

Choose the Metrics You Want to Affect

Think about the key variables for both the company and for the key audience you identified in the last step.

Identify the business variable(s) you want to affect through your sustainability efforts.

For example, can you use sustainability to decrease manufacturing costs, increase customer loyalty, or improve capital productivity?

Make sure you define those variables the same way that your key audience does.

For example, your audience could measure customer retention using churn rate, average customer lifetime, or another way. Use the same measure your audience uses.

Need Help?

Look back at the key metrics for the company and your key audiences. What are the key data points for each? What variables are important to both?

Sustainability creates business value in four CORE ways – by changing the behavior of Customers, affecting Operations and Risks, and influencing how Employees behave. Think about these areas of sustainability value creation as you decide what key metrics you want to affect.

For more on CORE, see this MIT article.

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Establish the High-Level ROI Calculation

Start by following the calculation the rest of the business uses.

For a key business variable (e.g., customer retention or manufacturing efficiency), the business will almost always have a calculation they currently use.

Example: In a manufacturing organization, there's probably already a calculation tying material efficiency to cost. In a subscription business, there's normally an established figure for how much a decrease in customer churn is worth.

Whenever possible, use existing tools and templates.

Avoid "reinventing the wheel," which makes things take longer and introduces more possibilities for error. If your organization has an existing template, see if you can use it.

Need Help?

Valutus has free resources to help you ask for the calculations and templates you need.

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Gather Essential Information

Identify who has the information you need and talk to them.
Various departments can have the information, but it's almost always someone's job to know how much improving a key variable is worth.

Ask for the numbers you need and how difficult they are to collect.
There are multiple ways to get what you need while not asking too much of people. Then have a conversation about what you receive; it's essential you understand how the numbers are collected and used.

For information that's not available, find out who can make a credible estimate and what research exists.
You'll always be missing some data. For example, most HR departments don't have data on how employee awareness of your sustainability programs affects engagement.

When this happens, talk to the people who have the expertise to make a credible estimate.

Also find out what research can be used as guidance. Often there's something that can help, even if it's imperfect.

Need Help?

Valutus has extensive data that can help when information isn't available. For example, we have over half a million experimental data points about how sustainability causes changes in customer behavior.

We can also help design experiments, so you get credible results that are specific to your organization.

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Implement and Monitor the Results

Determine how you'll know if changes are just correlations.

Identify how you'll know changes in the key variables you identified earlier (e.g., capacity utilization or customer lifetime) are caused by sustainability versus just correlated with it.

This usually means creating an experiment, or finding a natural experiment you can use.

For example, you can ramp up sustainability efforts and awareness in one facility but not another and see if attrition rates diverge.

Monitor the key variables and talk with people in the business about them.

For example, if you're monitoring machine uptime, talk with the people responsible for that about what's happening

Need Help?

Valutus can help you design measurements systems that are powerful and easy to use. We can also help you conduct experiments that produce credible results specific to your organization.

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Craft a Message That Resonates

Use AIM as a guide to help structure the message.

For each audience, consider which information or metrics will be most important and what messaging will resonate the most.

This includes choosing the right messenger, even if that's not the sustainability team. For example, some executives will be more open to your message if it comes from someone in operations, finance – or even from a key customer.

Test the message.

Get the opinion of someone who knows the key audiences well and is supportive of your efforts.

Be open to changes when presenting.

When talking to a key audience, offering to make changes to the calculations and numbers right then and there really helps make your audience more receptive.

Need Help?

Valutus models are built to help you connect with your key audiences. We build the models so you can make adjustments and change numbers in real time. And we can configure the interface to align with your messaging, helping you be more persuasive to your key audiences.

Get in touch to learn more.

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