Template: Value Chain Framework

Original Resource: *Continuously Manage XM Value with the Realize Competency*

SUMMARY

To secure the resources and support necessary for achieving their XM program objectives, Experience Management professionals must demonstrate how they are creating value for their organizations. Based on [our experience with thousands of XM professionals](#), however, very few do this effectively. The most common reasons for this struggle are a lack of knowledge of how to do this, data challenges, and a failure to drive meaningful action. We developed this Value Chain Framework to address these issues and help you transform your XM insights into quantified, defensible outcomes for your organization. For additional guidance on how to complete this framework, review the supplementary material provided at the end of this tool and watch the accompanying video.

FOUR STEPS TO COMPLETE A VALUE CHAIN

This Value Chain Framework will help you identify gaps in the way you manage your program, drive meaningful action, and communicate the impact of your work. Creating value for your organization and then demonstrating that value is critical for securing buy-in and resources, expanding your team's influence, and engaging stakeholders to act on the insights you produce. To complete a Value Chain, follow these steps:

+ **Step 1: Get an insight ready for action**. Prioritize an insight and ensure it has been fully developed so that the organization can take action on it. This often requires prioritizing and hardening your insights with further investigation. Find additional guidance for this step on page 4.

+ **Step 2: Take action on the insight**. Once you have a fully developed insight, help your organization act on it. This typically requires working with your business stakeholders, securing support and resources, and designing a thoughtful deployment. Find additional guidance for this step on page 5.

+ **Step 3: Measure KPI improvements**. Determine which metrics were affected by the action, the size of the impact, and the supporting evidence. This often requires you to assess the performance of your treatment group vs. your control group. Find additional guidance for this step on page 6.

+ **Step 4: Calculate the business impact**. Translate the KPI improvements into outcomes that your organization values. If needed, seek support from your Finance team to ensure you are doing this correctly. Find additional guidance for this step on page 7.

HOW TO USE

Consider using this tool in the following ways:

+ **To transform insights into business impact**. This framework can be especially useful in helping you determine which actions to take in response to insights and how to deploy those actions so you can drive and quantify a defensible business impact.

+ **To retroactively assess the impact of actions**. It can help you measure the impact of historical actions that required significant investment from the organization.

+ **To get budget for actions**. This framework can be used to help you [secure budget](#) for future initiatives by filling it out with [estimated values](#).

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In this document, you will find instructions on page 1, example value chains on page 3, and additional guidance on pages 4-7.

INSIGHT	ACTION	KPI IMPROVEMENT	BUSINESS IMPACT
The insight(s) you brought to your organization	The action(s) your organization took based on this insight	The KPIs impacted by the action, the size of impact, and the supporting evidence	The monetary equivalent of these KPI improvements, net of the cost to take the action
VALUE CHAIN			
VALUE CHAIN			
VALUE CHAIN			

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EXAMPLE: Completed Value Chain

INSIGHT	ACTION	KPI IMPROVEMENT	BUSINESS IMPACT
The insight(s) you brought to your organization	The action(s) your organization took based on this insight	The KPIs impacted by the action, the size of impact, and the supporting evidence	The monetary equivalent of these KPI improvements, net of the cost to take the action
VALUE CHAIN — Based on our voice analytics and contact center data, we learned that **40% of support volumes were coming from customers who recently had billing issues** and that the most frequently cited issue was a lack of clarity in the bill sent to customers	In response to this insight, we worked with the billing team to **design & implement an easier to understand billing document**, including links to an FAQ for customers	This action resulted in a **15% reduction in support volumes** related to billing issues	This equates to a cash flow impact of more than **$4.0M**
VALUE CHAIN — Based on our employee exit survey data, we learned that the **#1 reason for leaving was a lack of career development opportunities**	In response to this insight, we worked with our executive and enablement teams to **design a set of possible career paths and develop accompanying self-service training materials** to assist employees at each level, regardless of their path	This action resulted in a **10% reduction in voluntary attrition** among our treatment group relative to our control group	This equates to a cash flow impact of more than **$7.5M**
VALUE CHAIN — Based on a recent awareness and consideration study, we identified an underserved portion of our market that was **not participating in our category primarily because of language barriers**	In response to this insight, we worked with our marketing and product teams to **provide in-product language support** and **deploy a communication plan to drive awareness** among the underserved groups	This action resulted in us **acquiring 25% of the underserved market** as new customers	This equates to a cash flow impact of more than **$11.0M**

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These pages contain supplementary guidance to help you fill out the Value Chain Framework template on page 2.

STEP 1: GET AN INSIGHT READY FOR ACTION

Why this matters: While insights can come from a variety of sources and in many shapes and sizes, they should always point toward an opportunity or risk that the organization needs to act on. Improving the quality of decisions is one of the primary ways in which XM teams can help create business value.

How to do this: Upon identifying an insight, <u>investigate it to ensure it has been fully developed</u>. This means answering questions like which customers or employees are affected, when along their journey they are affected, how it changes their behavior, and <u>what this behavior change means to the organization</u>.

Which traps to avoid:

+ *Choosing quantity at the expense of qualit*y. While XM professionals often have a large quantity of insights, many insights aren't ready for action. A small number of high-quality insights are often more likely to drive meaningful action.

+ *Neglecting responsibility to drive action*. Some XM teams pass insights over the fence to other teams, hoping that they will take action. Instead, take appropriate steps to maximize the likelihood that high-quality action is taken based on your insights.

Who to involve: Work with your customer and employee experience data collection and analysis partners. You might also work with individuals from your organization's Finance team to help you understand what the financial implications are of a given insight.

What this looks like: "*Based on [information], we learned that [insight]*"

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STEP 2: TAKE ACTION ON THE INSIGHT

Why this matters: Actions transform insights into value. Put differently, no action = no value. Once you have a fully developed insight, you need to help your organization take action on it.

How to do this: This often includes working with your business stakeholders to design the right action and making tradeoffs between ideas. Prior to putting your action into place, ensure you have well-defined success metrics, a way to measure these metrics, and a control group that matches your treatment group.

Which traps to avoid:

+ *Working in isolation*. In their excitement to drive action, some XM teams design solutions without involving the relevant stakeholders, which can make it difficult to secure their buy-in to the action. Involve your stakeholders early by sharing the insight and an invitation to design a solution together.

+ *Treating "insight" activities as "actions."* Some teams mistakenly believe that the launch of a new survey, an analysis project, or report distribution are sufficient to drive action. While these can be useful activities, they don't qualify as actions. Actions are the changes the organization makes to the way it serves its customers and employees.

+ *Omitting a control group*. While many teams run pilots, proofs of concept, phased rollouts, etc., they typically don't do so with a control group. This makes it extremely difficult to attribute KPI improvements to the action.

+ *Not including business value metrics*. Some teams incorrectly conflate CX or EX metrics (like NPS or Engagement) with business value metrics. Set yourself up for success in the next step by specifying metrics that represent outcomes your organization values.

Who to involve: Work with whoever might be affected by the insight and whoever would be involved in implementing actions to address the insight. If you have experimentation professionals in your organization, you may want to involve them to optimize the way you deploy your action and design your control group.

What this looks like: *"In response to this insight, we [action]"*

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STEP 3: MEASURE KPI IMPROVEMENTS

Why this matters: To demonstrate that you are creating value for your organization, you need to be able to show defensible improvements to metrics that represent value to the organization.

How to do this: If you deployed your action with a well-defined control group, your KPI improvements will simply be the delta between the performance of your treatment and control groups. If you didn't have a control group in place, you may need to look for natural experiments and leverage more advanced analysis techniques in combination with assumptions about your data generating process. This typically results in a higher level of uncertainty in your KPI improvement estimates.

Which traps to avoid:

+ *Assuming metric improvements are attributable to your work*. When an important metric – like customer churn or employee attrition – improves, individuals are often eager to attribute these changes to their work. In reality, however, many factors influence these metrics, and more rigor is required to establish causation. Using a control group will help you do this.

+ *Skipping the "action."* Some teams want to attribute KPI improvements to their insight activities, like launching a new survey or providing role-based dashboards. However, these activities by themselves do not change the experience for your customers or employees, and we do not consider them "actions." Making changes to the business is necessary to defend any claims of causing a KPI improvement.

Who to involve: Work with the data and operations teams who can help you gain access to the necessary metrics to measure improvements. If you didn't have a control group in place, you may need to involve analysis professionals in order to estimate a KPI improvement.

What this looks like: *"This action resulted in an [%] improvement to [specific metrics]"*

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STEP 4: CALCULATE THE BUSINESS IMPACT

Why this matters: To help your organization understand the relevance of your KPI improvements, convert these improvements into units that the organization values. For corporations, this is cash flow. For organizations that do not consider themselves businesses, this may mean something else. For example, a government agency might value citizen trust or participation in government programs.

How to do this: If you have measurable improvements to business metrics, like customer acquisition or employee retention, these can be equated to a monetary impact with minimal effort. While you can't convert non-business metrics (e.g. CX metrics, EX metrics, trust) into monetary outcomes, you can often convert them into non-business outcomes that make sense for your stakeholders. For example, "As a result of this initiative, 500 customers moved from "not likely" to recommend our organization to "likely" to recommend our organization."

Which traps to avoid:

+ *Doing the calculations alone*. Some teams spend far too much time on this step. If you aren't sure how to do this, ask your colleagues who would know what your KPI improvement is worth. The Finance team is often a good partner for this.

+ *Conflating business impact with XM metrics*. Some teams try to convert improvements to CX or EX metrics (like NPS, CSAT, or Engagement) into a monetary amount. This is a mistake. In order to demonstrate business value, you need to show a direct impact of your action on business metrics.

Who to involve: Typically, the Finance team is a great partner to help you calculate the monetary value of specific KPI improvements.

What this looks like: *"These KPI improvements equate to [$] to the organization"*

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