Next Step Living: Framework and Recommendations for Sustainable Partnerships

Sustainable Strategies for Business Lab

Team:
Alessandra Mak
David Feliciano
Ammar Asfour

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**Background**

Next Step Living ("NSL") was founded in 2008 with the mission to implement energy-saving solutions for homeowners in an easy, affordable and rewarding way. NSL is a one-stop resource for residential energy efficiency solutions. NSL partners with over 400 community organizations to connect with residential customers and deliver services such as home energy evaluations, weatherization work (air sealing and insulation), roofing and windows, heating and cooling, and solar panel installation. The community-facing partners ("CFPs") include state agencies, municipalities, civic organizations, and leading corporations. The CFPs give NSL access to their employees, customers, or larger communities, which in-turn are converted to NSL customers. NSL’s CFP relationships are developed and maintained primarily by Regional Outreach Managers and Outreach Leadership (together, the “Outreach Team”). Leveraging this community based outreach model NSL has served more than 50,000 homes in New England and achieved almost $10 million in energy savings.

The community based outreach model is key to NSL’s business strategy. NSL’s financial success relies on two factors: the number of home energy audits they complete (i.e. number of leads), and the rate of follow-up services delivered to these customers (i.e. lead conversion rate). NSL recognized that while their solutions provide tremendous financial and environmental value to customers, it is nonetheless difficult to win the trust of homeowners and motivate them to take the first steps to improve home efficiency. Therefore, NSL’s partners with CFPs to build legitimacy & credibility, increase community access, and increase the success rate of reaching out to local communities. In summary community partnerships are critical to driving leads and revenue.

**Problem Statement and Objectives**

NSL would like to build stronger partnerships that maximize the value that CFPs receive so they are more engaged, resulting in a relationship that creates more value for NSL, primarily with regard to revenue generating leads. However, as NSL has grown rapidly in recent years, they noticed persistent challenges with their partnership model. First, CFPs are rarely proactive, any engagement or lead generation is often solely driven by NSL. Secondly, CFP engagement often decreases dramatically after initial involvement with NSL. This “Sizzle and Fizzle” pattern results in low value yield for NSL relative to their investment in building the relationship. Finally, NSL has been unable to fully capture value from several partnerships which seem to represent high potential and high mission alignment. Together these three challenges result in a suboptimal investment of time and money into building and maintaining partnerships that yield sub-par value.

The objective of the MIT S-Lab team (the “STeam”) was to create a more sustainable framework for partner engagement. More specifically, the STeam’s goal was to determine the factors that NSL and CFPs value in partnership relationships and identify strategies for prioritizing and nurturing partnerships so that these values are maximized. To this end the STeam developed a simple CFP management tool that will allow NSL to: i) assess and prioritize partnerships, and ii) build and manage partnerships based on their priority. By helping NSL prioritize their efforts the STeam expects this tool will help
NSL manage partnerships so they continuously drive maximum returns for both parties. In addition to this partnership management tool, the STeam also developed more general recommendations pertaining to NSL’s partnership engagement and communication practices, and recommendations pertaining to maintaining consistent quality of service across NSL’s value chain.

This paper first explains the methodology the team used to collect data and conduct interviews. Next we present the analysis of those interviews focusing on insights pertaining to value the partnerships create for different CFPs, the value the partnerships create for NSL, partnership challenges and risks, partnership growth opportunities, and key elements for successful partnerships. In this section we will also discuss the implications of these insights for NSL’s partnership strategy and present a framework that organizes these insights into three elements of a successful partnership model. In final section, we present and explain the decision tool and recommendations, which directly address the three key elements of a successful partnership model that we identified through our analysis.

**Methodology**

After defined the scope and objectives of the project, the STeam conducted a series of interviews with various NSL internal divisions such as: outreach, canvass, report management and sales. The purpose of these interviews was to better understand NSL’s operations, partnership management, and outreach strategies.

After harvesting insights from inside the organization, the STeam conducted interviews with retailer and non-profit and municipal partners (collectively known as community partners). The partnership interviews focused on the relationship between the partners and NSL; the values NSL delivers to their partners; the values partners bring to NSL; and the interviewees opinions on improvements necessary to expand NSL’s operations in their community.

All the interviews were conducted in pairs. In order to ensure consistent data collection the same interview guide was used for each interview. Finally, the team debriefed shortly after each interview.

**Analysis and Results**

The STeam analyzed the information gathered using a simple framework that organizes the information into five categories. Table 1 below summarizes the analysis categories and explains their significance. This framework was applied to information collected from internal interviews as well as external interviews and it serves to contrast NSL’s perception of partnerships with the feedback received from the CFPs. The CFPs were separated into two categories: retail and community partners.

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1 Community partners are composed of non-profit and municipal organizations.
<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for CFP</td>
<td>NSL’s value proposition to CFPs</td>
<td>Is NSL delivering on their presumed value proposition?</td>
</tr>
<tr>
<td>Value for NSL</td>
<td>Value gained by NSL through partnerships</td>
<td>Is NSL able to capture the full value CFPs offer?</td>
</tr>
<tr>
<td>Challenges and Risks</td>
<td>Challenges that were faced by the partnership or risks faced</td>
<td>Are the challenges and risks symptoms of larger systematic challenges?</td>
</tr>
<tr>
<td>Growth Opportunities</td>
<td>Political, geographical, or personal network growth potentials</td>
<td>What growth potential does a CFP offers to NSL?</td>
</tr>
<tr>
<td>Key Elements of Success</td>
<td>Unique characteristics of successful partnership</td>
<td>How can NSL adapt its relationship approach to each CFP?</td>
</tr>
</tbody>
</table>

Table 1 - Summary of the Analysis Categories

*Analysis of Retail Partners*

Table 2 summarizes the analysis of the retail partner category. This category has included, generally, the most successful partnerships recently. They view the partnership with NSL as a way to advance their sustainability mission as well as provide services and benefits to their employees and customers. A unique distinction of corporate and retail CFPs is the seemingly small pool of new people to which they provide access as a result of their limited employees and frequently returning customers. This fact can lead to oversaturation of the market if table events are conducted too often. One of the retail partners said “… the customers get tired of saying ‘no’.” (CFP interview)

Overcoming this challenge will require innovative ways of engaging the target audience. NSL has recognized such a challenge and responded by helping some CFPs, for example, organize an environmental campaign on Earth Day. Despite this challenge, retail CFPs still offer large growth potential as a result of their large geographic reach. Quality, however, was an important factor in potential growth. This sentiment can be summarized in the following quote from one of the retail CFP; “*But to expand [NSL] has to continue to bring value to relationship. Make sure that the quality of the service [NSL] provide[s] remains high. [NSL] must ensure that they keep up with the pace of technology/innovation and continue to offer the latest and greatest. Quality of service is key!*”
<table>
<thead>
<tr>
<th>Category</th>
<th>OVERALL - Internal Interviews</th>
<th>OVERALL - External Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value for CFP</td>
<td>• Monetary value (energy savings for employees and customers)</td>
<td>• Mission alignment and supporting sustainability brand and goals</td>
</tr>
<tr>
<td></td>
<td>• Practice the sustainability and education part of the mission</td>
<td>• Service to employees and customers</td>
</tr>
<tr>
<td></td>
<td>• Receive reports</td>
<td>• Educating employees and customers to instill a sense of environmental awareness</td>
</tr>
<tr>
<td>Value for NSL</td>
<td>• Legitimacy</td>
<td>• Access to leads</td>
</tr>
<tr>
<td></td>
<td>• Source of events</td>
<td>• National expansion</td>
</tr>
<tr>
<td></td>
<td>• Important for Scaling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High volume foot traffic</td>
<td></td>
</tr>
<tr>
<td>Challenges and Risks</td>
<td>• Poor customer experience</td>
<td>• Maintaining the quality of service</td>
</tr>
<tr>
<td></td>
<td>• Requires a champion from a higher leadership</td>
<td>• Innovative ways of providing value to CFPs</td>
</tr>
<tr>
<td></td>
<td>• Set expectations up-front</td>
<td>• Adequately trained staff and representation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tactful management of relationship at all levels and tiers</td>
</tr>
<tr>
<td>Growth Opportunities</td>
<td>• Marketing</td>
<td>• Geographically and product offering growth</td>
</tr>
<tr>
<td></td>
<td>• Geographic reach</td>
<td>• Must continue to align product offering and services with the sustainability positioning and</td>
</tr>
<tr>
<td></td>
<td>• Lead generation</td>
<td>mission of corporate and retail</td>
</tr>
<tr>
<td>Key Elements of Success</td>
<td>• Provide high value energy solutions</td>
<td>• Mission alignment</td>
</tr>
<tr>
<td></td>
<td>• Driven by the mission</td>
<td>• Trust</td>
</tr>
<tr>
<td></td>
<td>• Care about brand value</td>
<td>• Personal relations with internal champion</td>
</tr>
</tbody>
</table>

Table 2 - Analysis Summary for Retail Partners

Analysis of Community Partners

Community partners pose different set of values, challenges, and opportunities, which are summarized below in Table 3. The community partners were unique in that they require NSL to attune to their context, environment, and needs. One community partner noted that “… [NSL] speaks non-profit language, they understand the language, and they understand sustainability.” (CFP interview) Furthermore, community partners emphasize the importance of reporting for “… writing grant proposals. And, most importantly, we have targets we need to meet.” (Community CFP Interview)
<table>
<thead>
<tr>
<th>Categories</th>
<th>Overall - Internal Interviews</th>
<th>Overall - External Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Values for CFP</strong></td>
<td>• Providing expertise for turn-key environmental solutions</td>
<td>• Providing monetary reward</td>
</tr>
<tr>
<td></td>
<td>• Getting homeowners to take action</td>
<td>• Delivering data reports of progress towards goals</td>
</tr>
<tr>
<td></td>
<td>• Providing financial reward</td>
<td>• Providing turn-key solutions and technical capacity</td>
</tr>
<tr>
<td></td>
<td>• Improving environmental awareness</td>
<td>• Accomplishing sustainability goals</td>
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<tr>
<td></td>
<td>• Delivering analytical and detailed reports</td>
<td></td>
</tr>
<tr>
<td><strong>Values for NSL</strong></td>
<td>• Adding legitimacy</td>
<td>• Providing access to leads</td>
</tr>
<tr>
<td></td>
<td>• Giving access to venues for events</td>
<td>• Enhanced credibility and reputation</td>
</tr>
<tr>
<td></td>
<td>• Connecting to new partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Deriving access to homeowners</td>
<td></td>
</tr>
<tr>
<td><strong>Challenges and Risks</strong></td>
<td>• Motivating partners to drive traffic to NSL</td>
<td>• Maintaining price sensitive offerings</td>
</tr>
<tr>
<td></td>
<td>• Requiring lengthy time to build trust</td>
<td>• Delivering adequate and consistent communication and reporting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Maintaining quality of service provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Training canvassers and event reps to maintain relationship</td>
</tr>
<tr>
<td><strong>Growth opportunities</strong></td>
<td>• Setting expectations and long term plan up-front is critical for growth</td>
<td>• Building strategically on personal networks of involved professional</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improving brand management amongst communities</td>
</tr>
<tr>
<td><strong>Key elements</strong></td>
<td>• Providing high value energy solutions</td>
<td>• Providing excellent service quality</td>
</tr>
<tr>
<td></td>
<td>• Person-to-person and local efforts</td>
<td>• Speaking the gov't/non-profit/community language</td>
</tr>
<tr>
<td></td>
<td>• Target people who share the mission</td>
<td>• Staying tuned to the community's needs and pet-peeves</td>
</tr>
<tr>
<td></td>
<td>• Social based community marketing</td>
<td></td>
</tr>
</tbody>
</table>

*Table 3 – Analysis Summary for Community Partners*
The Pillars of a Sustainable Partnership

Given the analysis above, we identified that successful partnership rely on three main pillars:

1 - CFP Portfolio Management – Having a strategic set of partnerships is key to generating and expanding. Partnership portfolios must be created and nurtured so they generate leads and also provide NSL access to new partnerships. Portfolios must be built and nurtured carefully since it becomes difficult to cultivate strong relationships as resources are spread thin when the portfolio is too large. In addition to choosing the right number of partners, it is also important to choose the right types of partners since they lend credibility, generate leads, and can enhance market reach for NSL. In summary, the portfolio should emphasize quality and long-term relationships rather than quantity of partners. Currently, the NSL outreach team struggles to adapt to each partner’s specific needs and as a result is struggling to develop certain relationships to a mature and fruitful level. We believe this is because their partnership portfolio is large and they have no way to prioritize their engagements.

2 – Management of CFP Communication and Engagement – Once the partnership is initiated, the relationship requires tactful and continual communication. The CFPs should feel free to provide continuous feedback in order to maintain improvement cycles that benefit both sides. Some CFPs interviewed, especially non-profits, felt “lost in the rapidly growing process” of NSL and felt the ever-changing point of contact had damaged the relationship. This category of partners also felt they were frequently the party proactively providing feedback and that this should be a two-way process.

“Soft benefits that keeps us in [the CFP’s] good graces are transparency, responsiveness, availability and meeting with them regularly.” (internal interview)

“[With small partners] its about facetime and building the relationship genuinely. Showing the value equals building the trust.” (internal interview)

“It is hard to keep track of the point of contact. Communication could be more structured.” (external interview)

When the partnership begins there is an underlying assumption of mission alignment and mutual agreement on values provided by both sides. But as the relationships grow the things valued by both sides evolve as well.

If the types of engagements that NSL propose don’t also evolve to meet these changing needs, then the partnership may decline.

3 - Service Quality – It is important for NSL to be aware of the quality across its entire value chain, from the partnership building to marketing, home assessments, sales, and contract work. The quality of all of these experiences is representative of the company in the eyes of CFPs and low quality in any area can impact the partnership. A recurring
theme during many partner interviews was that the perceived quality of service had declined, perhaps as a result of rapid growth.

“Poor customer experience, poor expectation setting, it just takes one person to sour a relationship.” (internal interview)

When NSL or contractors visit a home, they represent NSL and also the partner that supported NSL for the campaign. If any part of the homeowner’s experience is low quality they will often provide feedback to the CFPs (especially community partners). Poor customer experiences hurt the reputation of both partners and can quickly damage the partnership. Therefore it is imperative to CFPs that NSL delivers high quality service.

Examples of low quality experiences that stood out during interviews included:

- Reports that were unpolished and difficult to utilize
- Setting unrealistic expectations at the beginning of a campaign and not realizing them
- Marketing and PR materials that exclusively promoted NSL rather than the partnership
- Aggressive in sales tactics
- Poor communication with contractors resulting in contractors showing up with the wrong equipment
- Uninformed sales representatives and contractors (i.e. limit knowledge about the partnership, the campaign, the mission of NSL, or the prior services provided to the customer).

“Some homeowners in Lexington were upset with our sales process. It is part of the sales process to offer a discount at the end if they agree to sign up right away. Some homes found it “pushy”. ” (internal interview)

“We feel NSL is a sales organization.” (external interview)

The Capability Trap

The challenges associated with the pillars explained above were repeatedly raised within the context of NSL’s significant growth. This lead the STeam to believe that there is an underlying dynamic at work related to growth, which is causing these challenges. We have identified a system dynamic model known as the “capability trap” which explains the relationship between growth and company performance. This dynamic is likely at work in many parts of the organization but to illustrate the model we will focus on the outreach group specifically.

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2 The Capability Trap is a phrase coined by professors Nelson Repenning and John Sterman, from the Sloan School of Management, in their paper No-body Ever Gets Credit for Fixing Problems that Never Happened published in California Management Review in summer of 2001.
The capability trap model is illustrated in Figure 1. This model contains four main balancing and reinforcing loops\(^3\). The "work harder" loop illustrates a situation where a performance gap leads to more time spent working in order to close the gap. This loop results in the "shortcuts" loop in which pressure to work leads to less time for improvements and more time spent working to close the gap. However, the side effect of the shortcuts loop is an erosion of capabilities that increases the performance gap, and more time in the work harder loop. This vicious cycle is known as the capability trap.

Alternatively, this model shows the "work smarter" loop where the performance gap leads to time spent improving, increased capabilities, and increased performance which closes the gap. Closing the gap in this way reduces the pressure to do work resulting in more time for improvement and ever-greater capabilities, a loop known as the "reinvestment" loop. This is a virtuous cycle. Next we will illustrate how NSL is currently in the capability trap and in the next section provide tools to help NSL get into the work smarter cycle.

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**Figure 1 - System Dynamic Diagram of Capability Trap**

\(^3\) Balancing loops refer to loops where an increase in one variable later leads to the decrease in that same variable as you follow the loop around. Similarly, reinforcing loops refer to loops where an increase in a variable later leads to a further increase later. These loops are represented by curved arrows and denoted with either a “B” or “R”.
NSL is motivated by its urgent mission to reduce climate change. NSL also believes that their for-profit model is well suited for this mission. Combined, these two factors result in a fast growth organization. For outreach managers, whose main business goal is to generate leads, this means their targets are always increasing. Increasing targets effectively create a performance gap, which drives managers to work harder by pursuing partners harder to generate leads. Outreach managers are in the work harder loop.

As outreach managers spend more time pursuing leads with current partnerships and adding new partnerships they have less time to maintain current partnerships. This may close the gap in the short-term but in the long term decreases their capabilities by damaging partnerships resulting in more time working harder. Outreach managers are in the shortcut loop and feeling the effects of the capability trap.

This capability trap means that less time is spent pursuing and nurturing strategic partnerships (i.e. partnerships that don’t generate significant leads but are strategically critical success in the long-term). Not investing in these relationships may not have an immediate impact but eventually it will inhibit long-term growth.

The capability trap also can lead to rapidly increasing the size of the outreach team in order to close the performance gap. Increased team size requires greater resources and leads to a turnover of CFP point of contacts within NSL. This turnover diminishes the personal connection with the CFP and can diminish relationship.

Finally, the capability trap can also lead an outreach manager to overcommit to a partner and under deliver as pressures to perform increase but time to perform decreases. This may increase leads in the short run, but also lead to low quality experiences that damage relationships in the long run.

**Application to the company and Recommendations**

In the previous section we presented a framework, which summarized the elements of a successful partnership model into three broad categories and introduced the concept of the capability trap to describe the underlying cause of challenges NSL faces. In this section we present a CFP management tool we designed to address the first element of a successful partnership model: CFP portfolio management (i.e. choosing CFPs, prioritizing CFPs, and basing the engagement strategy on this prioritization). This tool will help NSL begin to escape the capability trap by helping the Outreach Team to work smarter not harder. However, recognizing that the use of this tool alone will not fully address the capability trap or guarantee successful partnerships, we also present general recommendations related to the other two elements of a successful partnership model. Some of these recommendations fall outside of the original scope of this project and some even fall outside of the scope of the NSL Outreach Team; but since we believe they are essential elements of a sustainable partnership model we have included them in the report.
The CFP management tool is designed to allow NSL to: i) assess and prioritize partnerships, and ii) build and manage partnerships based on their priority. Currently managers lack a tool to help them categorize their CFPs so they can better prioritize time devoted to the various CFPs. Interviewing the CFPs we learned that the inability to prioritize partners can result in uneven communication, missed or late deliverables, overpromising, under execution on commitments, and ultimately a weakening of the relationship. By using the CFP management tool the NSL Outreach Team will be able to better manage partnerships so they continuously drive maximum returns for both parties.

The first part of the decision tool is based on the BCG growth-share matrix developed by Bruce Henderson to analyze and prioritize business units based on their market share and growth rates (“The Product Portfolio”, Henderson). This 2x2 matrix categorizes business units into four categories based on their relative market share (proxy for cash generation) and market growth rate. The position of a business on the matrix indicates its cash generation and its cash consumption, which dictates how the business unit should be prioritized and managed. This methodology can be modified to evaluate products or any other cash-generating entity. CFPs can be thought of as cash-generating entities since the leads they drive generate sales. Therefore, we modified the growth-share matrix so that NSL can use it to analyze current or prospective CFPs and determine how to manage those partners and how many resources to commit to them.

In our matrix the two axis are “Current Value Creation” and “Growth Potential” and based on how a CFP is ranked along these two axis they are placed into one of four categories. Current Value Creation measures the amount of revenue the CFP currently creates or could be expected to create in the near term. Growth Potential measures how much value the CFP could create in the future if the relationship is strengthened. Both of these axis can be quantified using a combination of quantitative and qualitative metrics. The Current Value Creation axis value is a function of traffic at the CFP location/event, leads generated each month, revenue conversion factor, and political capital. The Growth Potential axis value is a function of undeveloped market reach, mission alignment, quality of community involvement, reputation, and unexplored connections with potential CFPs, and maturity of relationship. More detail about the definition of each of these metrics and further and explanation about how they are combined to calculate the axis values is provided in the appendix of this report. For the purposes of this section it is more important to explain the four categories in the matrix and how CFPs in each category should be managed.
Secondary – These partners do not currently generate, or are not expected to generate, much value in the short term. They also have low growth potential as a result of having a small market reach, poor mission alignment, low quality community involvement etc. CFPs in this category should be considered lower priority and have fewer resources devoted to them since they do not generate value and have a low probability of generating value in the future regardless of investment. CFPs in this category can yield a small amount of value but the Outreach Team should be careful not to over-invest at the expense of investing in Stars or Question Marks.

Question Marks - CFPs in this category show potential for value creation, and therefore are likely to have a lot of time invested in them; however they do not currently generate large value for NSL. A question mark has the potential to become a Star and later a Foundation (once the partnership relationship matures). However, despite the great outlook for these CFPs they may continue to deliver low value despite large investments. These partners must be analyzed carefully in order to determine whether they are worth the investment required to develop a relationship that creates value. The metrics, which determine how much value these partners are generating, should be carefully tracked to determine if the CFP is progressing toward a Star or declining towards Secondary. Continuous investment in a Question Mark, which is not progressing, will sap time and energy that should be more effectively invested in Stars. This category will initially describe many new partners and time should be taken to determine if they are Stars or Secondary partners.
Stars - Stars generate a large amount of value, they have great growth potential, but since the relationship is in the growth stage require time investment. If a Star can continue to generate a large amount of value while requiring minimal effort as the relationship matures and settles into a rhythm, then it will become a Foundation partner. The CFP portfolio should always contain Stars that can eventually become Foundation partners. Although it is possible for a new or potential partner to be categorized as a Star, it is not likely since a certain amount of time and energy must be invested in a relationship before it begins to yield value.

Foundation - Foundation partners form the bedrock of the CFP portfolio. These partners generate a large amount of value but since the relationship is mature and well defined they do not require as much time investment as Stars. The roles of NSL and the partner are well defined, efficient processes are in place to communicate and plan events, and the values that each side reaps from the partnership are well understood and balanced. These partners “subsidize” the investment that is required for Stars and Questions Marks. Without Foundation partners, a CFP portfolio risks deterioration since Outreach teams will be forced to make suboptimal time investments in low performing partners (Secondary or Question Marks) in order to meet their lead targets. This suboptimal investment may suffice in the short run, but in the long run it becomes unsustainable as the team is forced to work ever harder while quality suffers and threatens the ability to grow relationships further (i.e. the team remains stuck in the capability trap).

The specific method used to calculate each axis is essential to the efficacy of the framework itself. The metrics must be defined and measured carefully and they must be combined thoughtfully to yield meaningful axis values. The methodology we present in the Appendix is meant as an initial draft that must be refined through discussions between the Outreach Team and NSL leadership. In general, we propose that each axis be calculated using a weighted sum of qualitative and quantitative metrics. Outreach managers should be given easy access to quantitative metrics through NSL’s IT group. Proper guidance should be given to all managers to ensure that qualitative metrics are determined consistently across partners. An illustrative example of how to calculate each axis is also provided in the Appendix.

Recommendations Pertaining to CFP Engagement and Communication Strategies

As presented in the Analysis and Results section, communication and appropriate level of engagement is key to delivering the same level of services throughout the value chain. It is important for the communication flow to have a clear path between the links of the chain before the service is provided as well as during and after the work has finished. It is crucial that this path be clearly defined and understood by the CFPs and the outreach team. By managing the communication flow and process, the outreach team can also better manage the type and quality of engagement with each CFP. Our recommendations for the communications and engagement strategy are:

- **Standardize communication through protocols and guidelines**: it is important to have a key set of actions such as recommended frequency of contact, means of contact and language pre-determined for each stage of the CFPs (given the tool
described earlier) so that the team can shift their focus more on relationship building and reaching out for new partners, while keeping current partners well cared for.

- **An organizational structure to support outreach:** data reports and metric updates should be provided to the outreach group per request. Further, it should be a standardized process where the outreach group receives such reports in a standardized manner. This effort will allow the outreach managers and group to attend to the individual needs of the partners rather than standard metrics and reports.

- **Incite appropriate levels of engagement:** emphasize scope and expectation of any specific partnership by setting the scope and the expectations for the short term and long term at a very early stage of the engagement. Having an agreement on the expectations will reduce pressure on either side and enhance trust in the partnership.

- **Maintain two-way communication channels:** simply emphasize and allow for feedback from the partners to NSL. For example, outreach managers can call for a check-point meeting to ask the partners for feedback.

Some of the examples that the STeam suggests are the following: newsletters, stock e-mails, anonymous feedback process, annual partner events, celebration cards, set protocol for change in point of contact and a structured partnership CRM.

**Recommendations Pertaining to Consistent Quality of Service Across NSL’s Value Chain**

This section addresses the management of service throughout the value chain in order to guarantee an excellent customer experience. It is key to have an active link between all the steps of the value chain: the outreach team, sales, marketing, internal contractors and external contractors. While the fragmented nature of the contractors business poses an intrinsic challenge in its management, the STeam believes improved standards, processes, and guidelines can improve the links along the value chain.

The STeam envisioned this link as a communications team that will be in charge of the backstage work such as collecting and providing updates on each teams activity, preparing reminders for the standard communication processes and communication clearly quality measures and evaluations for each team. Another important aspect of this team is to be in charge of the on-boarding and training of sales force and contractors in order to ensure that NSL quality standards and also mission is clearly conveyed to partners and homeowners.

In addition to the above recommendation, the following are recommended action items:

- Include quality measures in the internal team evaluation

- Incentivize sales force to build trusting relationships with customers by including customer satisfaction ratings in their evaluations and incentivizing these ratings with bonuses.
• Provide sales organization with standard tools and information so they understand the customer, the campaign and the partner.

• Include a thorough review of NSL environmental mission in the standard onboard training for all employees.

• Review, periodically, in-place service quality checks.
Appendix

*Current Value Creation Axis Metrics*

Traffic at the CFP location/event - This metrics measures or estimates the average number of people that NSL has access to during an 8 hour CFP location or event. If this data is calculated by event staff this could be a quantitative metric. If this data is difficult to measure then a qualitative metric could be developed (e.g. 0 through 4 with 2 indicating some average number across all CFPs). In either case the metric would be tied to #people/8hr event or location.

Leads generated each month - This metric measures the average number of leads generated from a CFP each month. Ideally this would be a quantitative metric, which is measured and tracked for every CFP. In order to combine this metric with other metrics it would have to be normalized by the average leads generated each month across all CFPs (or some representative subset).

Revenue conversion factor - This metric measures the average amount of revenue that leads from a particular CPF generates. Ideally this would be a quantitative metric. This metric may be difficult to calculate or estimate especially for a new partner due to the time lags involved between performing an energy assessment and selling additional follow-up services. This metric would be tied to $revenue/lead.

Political capital - This metric measures how much influence the CFP has in their community. It is a qualitative metric, which attempts to capture how important an endorsement from the CFP is in acquiring leads. It would be useful to measure the value the City of Boston contributes since they don’t generate leads directly but their endorsement is critical to the success of canvas campaigns. This metric could be measured using a 1 through 5 scale with 3 representing some average amount of political capital.

*Growth Potential Axis Metrics*

Unexplored market reach - This metric captures the number of potential customers a CFP could allow NSL to have access to if the relationship is developed sufficiently. This metric may be measured qualitatively and the scale of the metric could shift as NSL grows. For example, the Town of Belmont with 25,000 homes may be judged to have average market reach today, but in the future if the typical NSL partner has a market reach on the order of 50,000 homes it may be judged to be well below average.

Mission alignment - This is a qualitative metric that captures the extent to which the mission of the CFP is aligned with NSL’s mission. Through our interviews we found that the CFP’s outlook on the growth of the relationship was strongly related to whether the organization felt a strong connection to NSL’s mission. This can be a tough metric to judge since initially the alignment can be strong during energy assessment and basic efficiency work, but may begin to wane as NSL transitions into selling higher priced products such as solar and mini-splits.
Quality of community involvement - This qualitative metric captures the quality level of the engagement that the partner has with its stakeholder community. This might be judged based on the number of events they hold each year, the turnout for the events, the level and quality of their communication with the community, or how much direct impact they have on a community.

Reputation - This qualitative metric captures the strength of the reputation the CFP has in their community. The reputation alone will not directly contribute value to NSL but it will enable the partnership to more easily yield value in the future. Furthermore, since the success of NSL’s business model requires that the customer trust NSL, the extent to which homeowners trust the CFP impacts how NSL evaluates the growth potential value of the CFP.

Connections with potential CFPs - This qualitative metric captures the number of additional CFPs relationships that a partner could facilitate. This kind of CFP referral is valuable to NSL but doesn’t directly contribute value to NSL in the near term. It therefore represents a kind of growth potential of the CFP.

Maturity of Relationship – This qualitative metric captures how developed a relationship is. The value of this metric is based on the extent to which communication channels, operations processes, and recurring events are established. Unlike the other metrics, a low value for this metric indicates that the relationship is very mature.

Calculating the Axis Values

Each axis will be calculated by taking a weighted sum of each of the metrics. In order to ensure that the various metrics can be combined in a meaningful way each metric should be normalized so that the value of 1 represents an average value for all metrics. If qualitative metrics are judged on a 0 to 4 scale the normalization value can simply be 2. For the quantitative metrics an appropriate normalization value will have to be developed for each metric based on available data. It may be desirable to use different normalization values for different types of partnerships since the size and scope of community partners can be so fundamentally different from the size of retail partners for example. The general equation for calculating either axis is:

\[ A_i = \sum w_{ij} \times \frac{V_{ij}}{N_j} \]

where,

\[ A_i = \text{The axis value for CFP i} \]
\[ w_{ij} = \text{The relative weighting of metric j for CFP i} \]
\[ V_{ij} = \text{The value of metric j for CFP i} \]
\[ N_j = \text{The normalization factor for metric j} \]

Once a portfolio of companies has been evaluated according to this methodology a plot such as the one depicted in Figure 3 can be created. The area shaded in blue represents the four quadrants of the NSL Partnership Matrix depicted in Figure 2 and explained in the CFP Management Tool section. Companies that fall outside of this region are exceptional in their growth potential and or current value creation.
Figure 3 - Example illustration of the NSL Partnership Matrix

References

John Sterman. “Business Dynamics: systems thinking and modeling for a complex world”.
