Establishing the Cost of Doing Nothing

A key component of any technology purchase is proving the business value of that technology — the Return on Investment (ROI).

But in the world of risk management, how do you calculate the damage not done by a crisis you were able to avoid? For technology designed to reduce risk and mitigate the impact of critical events, calculating the ROI can be difficult.

In this chapter, we'll discuss the various ways of calculating and demonstrating ROI, so you can determine the best way to showcase the value of your proposed solution.

Know the Return on Investment

The nuances of ROI

It goes without saying your leadership will ask how the proposed solution will save money and generate profit, relative to its cost. While there are many definitions, in the world of critical event management it can be difficult to assign dollar value to capabilities such as preventing a building evacuation, avoiding weather-related supply chain hiccups or even saving a life.

Your audience's point of view

Depending on profession, responsibilities and departmental key performance indicators (KPIs), leaders will differ in their perception and preferred method for evaluating ROI. Gaining buy-in may require reframing the need for risk solutions and their long-term benefits, including tangibles such as dollars saved and profits increased, as well as intangibles like reputational value and employee confidence.

The Following Are Four Ways to Define and Justify ROI

1 Return on Investment (ROI)

ROI is a standard business performance metric that directly calculates the benefit (or return) of an investment compared to its cost. Simply put, ROI gauges an investment's profitability in terms of dollars.

2 Value of Investment (VOI)

While ROI measures tangible benefits, VOI focuses on the impact of intangible assets like knowledge, processes and abilities on an organization's performance. VOI includes ROI but encompasses more than just money.

3 Return on Security Investment (ROSI)

Adding another layer of complexity to the ROI equation, ROSI measures the amount of risk reduced by a security solution versus the amount spent. This combines elements of tangible and intangible assets, including the probability of an event occurring as well as its potential impact on the bottom line.

4 Return on Resilience Investment (RORI)

A relatively new term, RORI (also known as Resilience Return on Investment) is the convergence of risk and resilience analysis. It's the dynamic, ongoing process of maximizing solutions to reduce weakness and avoid negative consequences. That is, it attempts to measure the ability of a system to anticipate, absorb and recover from hazardous events.

Lost Revenue from Direct Impact

The following chart can help translate the impact of a threat into dollars for your stakeholders. This Global Risk Impact Report was released by OnSolve in August 2022. It uses physical threat data from its Risk Intelligence platform over a 30-month period to show the potential lost revenue of a hypothetical Fortune 1000, Fortune 100 and Fortune 10 organization. These consequences are the result if just one of 20 machines is taken out by a physical threat.

	Description of Event	Estimated Downtime (Days)	F1000 ($2B)	F100 ($30B+)	Largest Members of F10 ($500B+)
Tornado	A severe tornado destroys a key node or distribution center, impacting the company's ability to earn revenue by 5%.	20	~$5.5M	~$82.2M	~$1.4B
Fire	A large fire destroys facility; facility produces 5% of revenue; this does not include cost to repair, customer impact, etc.	5	~$1.4M	~$20.5M	~$342.5M
Shooting	Shooting at owned location; does not include PR/reputational impact and cost.	2	~$548K	~$8.2M	~$137M
Protest	A single, large two-day protest occurring on the block of the HQ location.	2	~$548K	~$8.2M	~$137M
Rail Accident	A single rail accident or port throughput accident affecting 5% of just one day of revenue for Fortune 1000 and 1% for Fortune 100.	1	~$274K	~$822K	~$13.7M

— Data from the Global Risk Impact Report

Speak the Language of Business

When it comes to demonstrating the value of your technology investments, business continuity and security leaders have been most successful when they translate functions and domains into business outcomes.

Sure, your organization needs technology to help alert employees or residents to severe weather or to respond to an active assailant, but those aren't the ultimate business outcomes. To articulate those, you must make it relatable.

Sell the Value

Explosion at Horizon Blue Cross

For New Jersey's oldest and largest health insurer, the ability to deliver emergency notifications is crucial to the welfare of their 3.6 million members. After an explosion at their Newark location, company leaders were able to rapidly deploy incident management teams to evacuate the buildings and simultaneously respond to ongoing security concerns in the aftermath. Geo-targeted alerts to recipients' preferred devices gave leaders confidence that everyone impacted was staying informed.

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Determine Your Business Value Outcomes

What outcomes are you hoping to achieve with your technology investment? The following are typically desired. Select and work through each item that is applicable to your organization, add their description and how you will measure success.

Security Operations Efficiency

Description:

Associated Metrics:

Unplanned Operational Downtime (Revenue)

Description:

Associated Metrics:

Physical Asset Protection

Description:

Associated Metrics:

Brand Reputation

Description:

Associated Metrics:

Determine Your Business Value Outcomes

(continued)

Compliance

Description:

Associated Metrics:

Removing Redundant Software

Description:

Associated Metrics:

Product Shrinkage or Loss

Description:

Associated Metrics:

Investor Confidence

Description:

Associated Metrics:

Determine Your Business Value Outcomes

(continued)

Reduce Legal Action

Description:

Associated Metrics:

Partner Relationship

Description:

Associated Metrics:

Other: Add in your own additional outcomes

Description:

Associated Metrics:

Description:

Associated Metrics:

Data Driven or Narrative?

Tell the right story for your organization.

Some organizations lean more heavily on data for decision-making, while some rely on narrative. Others use a combination of both. It's important to find out how the decision-making process works in your organization, to help you determine your approach.

There will be topics every function cares about. For example, finance, sales and operations all care about revenue.

Take-away

If your approach is about a widely applicable area such as protecting or growing revenue, it's best to position it with all departments early.

However, some decision-making processes may include stakeholders with varying interests. For example, a supply chain risk manager may need to review prior to finance. But a supply chain risk manager may not be concerned about manufacturing outages (or revenue) if those outages are unrelated to suppliers. Therefore, outage arguments may or may not be most appropriate for this level of sign-off. They may be more appropriate for a finance team review.

Take-away

Make sure the appropriate information is presented to the correct stakeholder at the right time in the process. It's possible you may need to break your presentation into phases, with a different focus for each stakeholder audience.

Sell the Value

South Plains College in Levelland, Texas, caters to 10,000+ students, employs 900 faculty and staff, and has multiple campuses in the state.

During the 2021 Texas Freeze, by using the OnSolve Platform for Critical Event Management, they were able to communicate with a population of over 10,000 people in minutes.

During severe and unprecedented weather incidents such as these, the ability to communicate easily and rapidly saves lives.

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Make Your Case with Data

Below are suggestions of the data you can gather to sell the value of resilience technology.

All numbers included are hypothetical. These examples demonstrate how you can take your own data to make your case.

1) The cost in lost revenue from downtime

Example: A manufacturing company with $2 billion in revenue with 24/7 operations produces $5.4 million of revenue every day.

A disruption at 10% of the operating facilities that causes a week of closures results in: 5.4 million * 10% * 7 days = $3.8 million in lost revenue.

2) The frequency of events

Example: "Over a typical year, we have to close operations at ___ (#) of our facilities for ___ (#) days, due to _____ (type of critical event)."

3) The current response time and its financial impact, components of which may be manual

A) Response Time Example: A retail company sells $100,000 in merchandise daily. The company has 200 associates at each store. All coordination was manual. Arson at the retail location had increased. Total downtime was about two weeks per location, 10 locations per year.

Coordination with store-level employees cost 200 associates * three minutes each = 10 hours, or about a day in coordination alone.

B) Financial Impact Example: $100,000 in daily revenue * one day coordination = $100,000 lost per day * 10 locations = $1 million

4) The benefits of automation

Example (continued from above): Automation could reduce the workload from 10 hours to 5-10 minutes, bringing stores back online faster, saving $100,000 per location * 10 locations = $1 million

Making Your Case with Narrative

Fill out this form to make your case with compelling narrative. Potential narratives to use:

1) Stories of historical incidents at your organization

2) Stories of historical incidents at organizations like yours

3) Stories of recent events near your organization, customers, employees, travel locations or suppliers