

ROI: Leader Development Programs

At Phase Line know the value of our product; our team has lived leadership training for decades and we know the results it achieves. Our program is not a series of “Leadership 101” self-help anecdotes, but a tailored, one-on-one course designed to transform even experienced corporate managers as they reach for brilliance. As with all things in business, we understand that the expense of a premium leadership program must be validated by hard numbers. Fortunately, the external data on the value of these programs is clear: **it works, and it works in multiple ways.**

Specific benefits documented by major consulting firms and university research programs include:

- Reduced time to fill vacant managerial and executive positions
- Increased rate of promotion for trainees
- Increased rate of promotion for trainees’ direct reports
- Fuller, richer executive pipeline
- Higher employee retention rates
- **Higher employee engagement**
- Increased ability to attract talent
- **Increased company resilience to marketplace and labor market changes**
- Potential for triple the profit growth of low-spend competitors
- **Potential for triple-digit percentage return on investment**

An in-depth discussion of the above points follows:

A 2014 study by the University of North Carolina noted that professional services giant, Deloitte, and the trade-group, Association for Talent Development, both found that mature companies spend 34% more money on talent development than their less mature competitors, whose profit growth they outperformed 3-to-1. UNC also highlighted the soft benefits of professional development spending, with a survey by WorkTrends finding that employee engagement at high-training-spend companies was

40% higher than scores among low-spend companies. That same survey appeared to confirm Deloitte's financial data, finding that organizations rated high in personnel development also saw three times higher return on assets. The UNC researchers also emphasized the famously high costs of recruiting new talent rather than building from within, with a 2013 study putting that cost at up to 150% of an employee's annual salary.

- Perez, S. (2014). *The ROI of Talent Development*. Retrieved from UNC Kenan-Flagler Business School website: <http://execdev.kenan-flagler.unc.edu/the-roi-of-talent-development-0>

Harvard Business Publishing discussed in 2016 the impact of a leadership program conducted at banking group Emirates NBD, finding that “participants put a value of AED 4 million in growth in sales / reduction in cost on the direct business impact their learnings from the [program] had on the project. That translated to approximately \$1M U.S. The program ROI was calculated to a whopping 400%, which was validated by project sponsors.” Harvard Business Publishing also measured program efficacy through soft metrics including career progression, attrition, performance rating, team attrition, and engagement, with their data indicating that

“post-program change measurements clearly showed positive scores for managers who participated... and flat or negative scores for those who didn't. And there were other improvements as well. For example, 40% of the [program] graduates were promoted or given complex roles in the organization, compared to 10% in the control group. And attrition in the teams managed by graduates reduced by 20% while it increased by 20% in teams managed by the non-participants.”

- Harjani, S. (2016, October 12). From Business Need to Impact: The ROI of Leadership Development at Emirates NBD | Harvard Business Publishing Corporate Learning. Retrieved from <http://www.harvardbusiness.org/blog/business-need-impact-roi-leadership-development-emirates-nbd>

The Center for Creative Leadership, a leadership development group, drew on several previous studies to conclude that investment in human capital correlates to higher stock price increases versus low-spend competitors; yields double-digit increases in employee retention; allows organizations to align individual leader behavior with

company culture, values, and goals; and increases the organization's ability to respond quickly to changing business climates.

- Center for Creative Leadership. (2016). *Driving Performance: How Leadership Development Powers Success*. Retrieved from <https://www.ccl.org/wp-content/uploads/2016/05/driving-performance-white-paper-center-for-creative-leadership.pdf>

In Deloitte's "2017 Global Human Capital Trends" report, which surveyed over 10,000 HR and business professionals, survey respondents said building an "organization of the future" was the most important trend in human capital. Related to that theme, "careers and learning" jumped to second place in importance among survey takers, with Deloitte highlighting that companies are responding to marketplace challenges with "always-on" learning and career development.

- Deloitte Insights. (2017). *Global Human Capital Trends 2017*. Retrieved from <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2017.html>

Consulting firm DDI's founder and chairman William Byham laid bare the benefits of leadership training in a 2017 discussion for Chief Learning Officer magazine, with his company's analysis of a long-running 40-year study showing that "82% of managers, peers and direct reports of people trained cited higher frequency of observed positive leadership behaviors among leaders after they had completed development courses." Those positive behaviors included building trust, influencing, leading change, managing performance problems, and resolving conflict. The study additionally noted that 22 participating companies calculated return on investment for their training programs and found figures ranging 147% - 633%. Byham said the study also found that leader development programs can lift the capabilities of junior leaders to nearly the same level as veterans who have been in their positions a decade or longer.

- Byham, W. C. (2017, August 17). The Business Case for Leadership Development. Retrieved from <http://www.clomedia.com/2017/08/17/business-case-leadership-development/>

In Development Dimensions International's (DDI) 2018 Global Leadership Forecast, just 14% of the HR professionals surveyed called their executive pipeline strong or very

strong, with the consultancy commenting that “given the seismic disruption in almost every industry, keeping ahead of the leader quality and quantity supply chain will be a considerable challenge.” DDI further noted that “while first-level leaders are less experienced in a leadership role, they’re likely to have the most profound impact on their teams’ engagement and productivity,” suggesting the importance of leadership training across the company hierarchy. That claim appears corroborated by corporate consultant Paul Leone, who shared in a late 2017 interview with Blanchard LeaderChat the following anecdote: “We conducted a recent training where the overall return on investment was about 6% - modest positive return. But when we focused on a subgroup of 50 people who reported to one specific manager, we found that group had an 1800% return on investment! This was directly attributable to what the manager was doing with participants after the training - things like bursts, boosts, contests, and sit-downs, with the manager shadowing people to see if they were handling the calls in the way they had been trained... You always get the biggest bang for your buck with leadership training, because you’re sending one person through and influencing the ten people who report to that person. You’re paying for one person and influencing so many others.”

- Development Dimensions International, Inc. (2018). *Global Leadership Forecast 2018*. Retrieved from <https://www.ddiworld.com/ glf2018>
- Blanchard LeaderChat. (2017, November 14). *Leadership Training - Calculating ROI and Measuring Effectiveness*. Retrieved from <https://leaderchat.org/2017/11/14/leadership-training-calculating-roi-and-measuring-effectiveness/>