

How to Measure the Success of Leadership Development

ROI INSTITUTE™

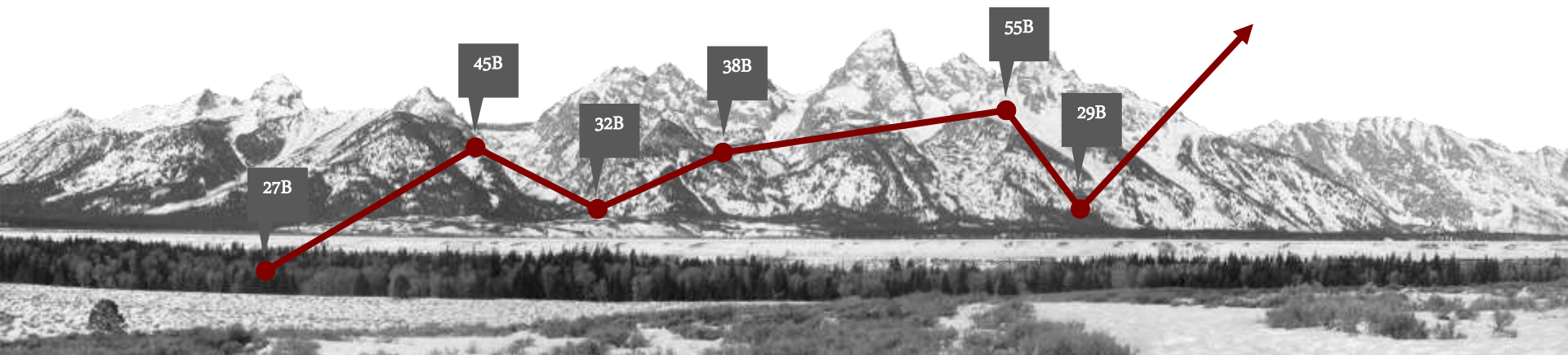
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Objectives

- Cite the research that supports the need to measure the success of leadership development.
- Describe a step-by-step process that will ensure reliable outcomes of their measurement approach.
- Explain how organizations apply the concepts described in the session.

What do CEOs want?

According to The Conference Board's 2015 CEO Challenge the 943 CEOs responding tell us that their number 1 challenge is Human Capital.



Operational
Excellence

Customer
Relationships

Innovation

Sustainability

... and the **talent** to get them there.

Leadership development is one of the top five strategies to address the talent concern.

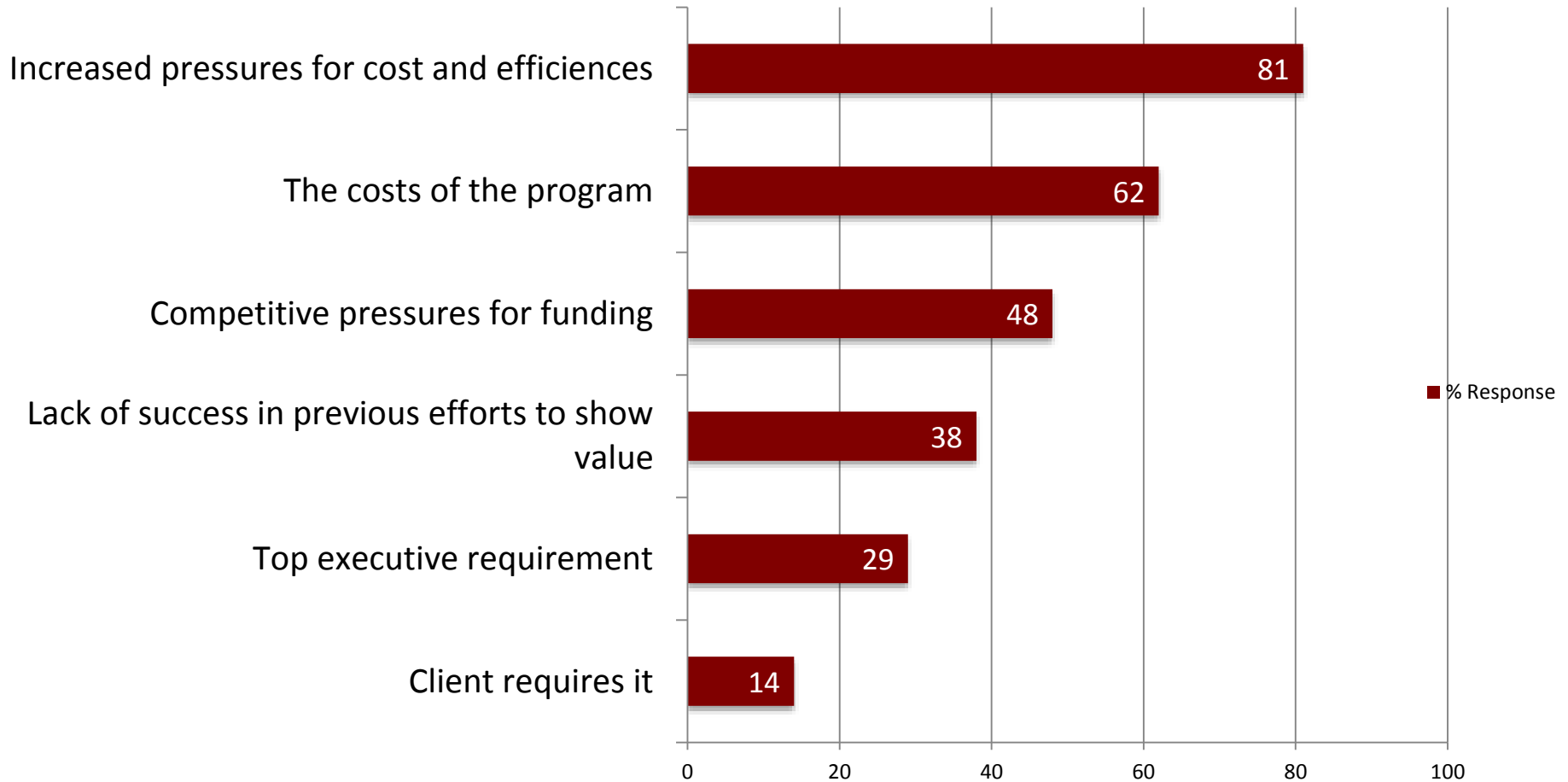


Measurement, evaluation, and analytics run through all things talent.







According to....

- **Bersin by Deloitte (2013)** organizations spend \$15.5 billion on leadership development.
- **UNC Survey 2014: Accelerating Leadership Development** 85% of respondents agree there is an urgent need to accelerate development of leaders. Only 40% report that their high potentials can meet future business needs.
- **The Conference Board CEO Challenge® 2015** CEOs identify the need to improve leadership development programs as one of their top five strategies to tackle their human capital concerns.

Drivers for ROI In Leadership Development



N=204 out of 368 surveyed; large organizations with leadership development budgets averaging \$3 million annually

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs and Indicators 	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Perceived Value 	Reaction to the project or program, including the perceived value	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
2. Learning 	Learning to use the content and materials, including the confidence to use what was learned	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application & Implementation 	Use of content and materials in the work environment, including progress with actual items and implementation	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use
4. Business Impact 	The consequences of the use of the content and materials expressed as business impact measures	Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement
5. ROI 	Comparison of monetary benefits from program to program costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

What is ROI?

$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI} = \frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100$$

What is ROI?

$$\text{BCR} = \frac{\$750,000}{\$425,000}$$

$$\text{ROI} = \frac{\$750,000 - \$425,000}{\$425,000} \times 100$$

What is ROI?

$$\text{BCR} = \frac{\$750,000}{\$425,000} = 1.76:1$$

$$\text{ROI} = \frac{\$750,000 - \$425,000}{\$425,000} \times 100 = 76\%$$

What CEOs Want

ROI Institute and ATD research show that the data CEOs receive are not the data they want.
(N=96)

Measures	Currently Measure	Should Measure	Importance
Inputs and Indicators	94%	86%	6
Efficiency	78%	82%	7
Reaction	53%	22%	8
Learning	32%	28%	5
Application	11%	61%	4
Impact	8%	96%	1
ROI	4%	74%	2
Awards	40%	44%	3

2011 Global Leadership Development Survey Results

Percent of Leadership Programs Measured at Each Level

Measurement Levels	Measurement Category	2006 Status	2011 Status
0 ↓	Inputs/Indicators Number of programs, participants, costs, efficiencies	100%	100%
1 ↓	Reaction Reaction and satisfaction with experience, content, value of program	92%	89%
2 ↓	Learning Acquisition of knowledge, skill, information, awareness, insights	48%	59%
3 ↓	Application Use of knowledge, skill, information, awareness, insights	11%	34%
4 ↓	Impact Changes in business impact measures such as output, quality, time, engagement	8%	21%
5	ROI Compares monetary benefits to cost of program, project, or initiative	2%	11%

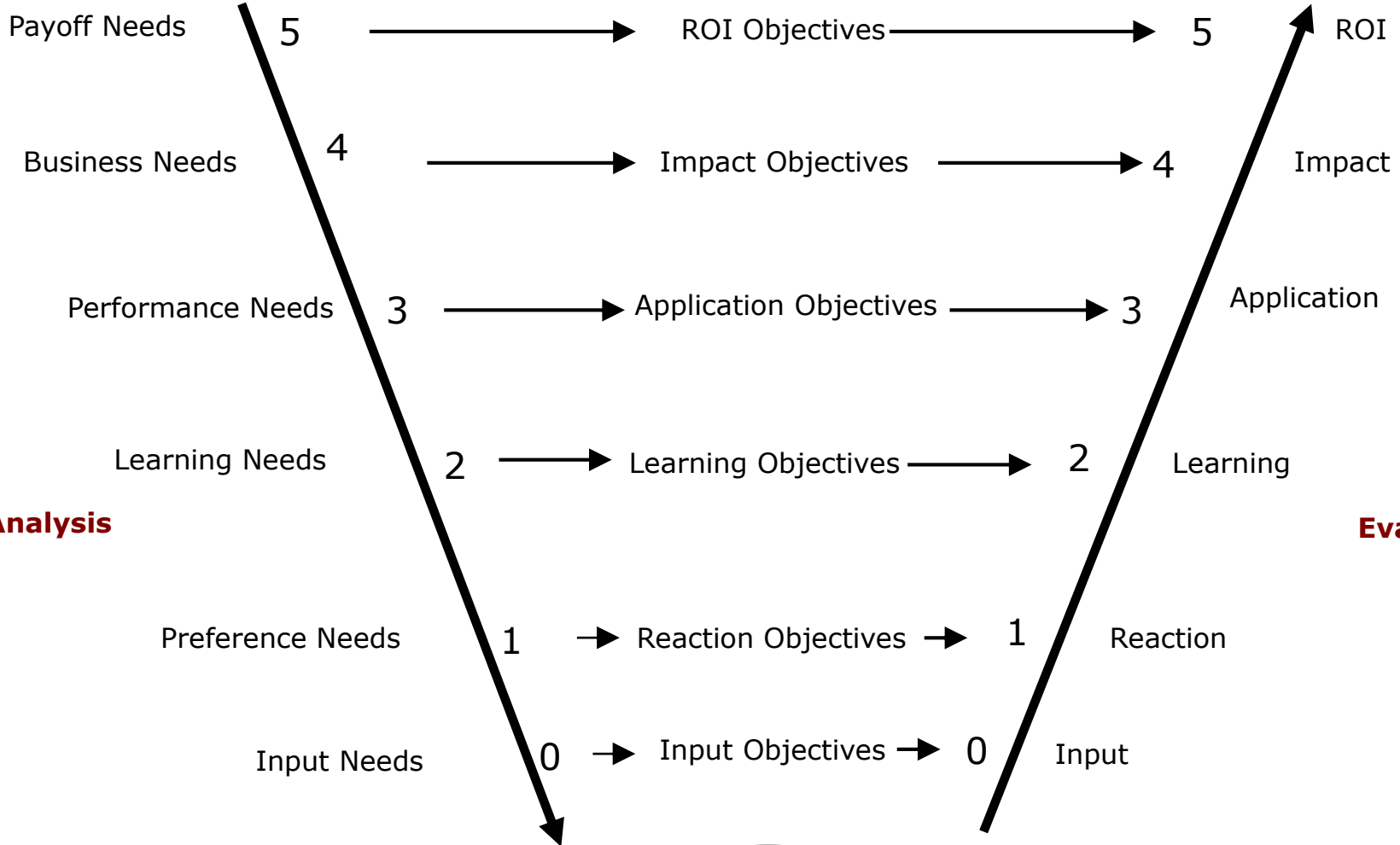
N=232; large organizations with leadership development budgets averaging \$3 million annually



Business Alignment

Start Here

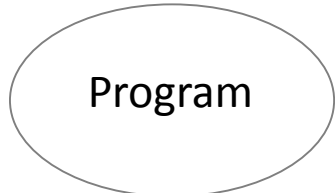
End Here



Analysis

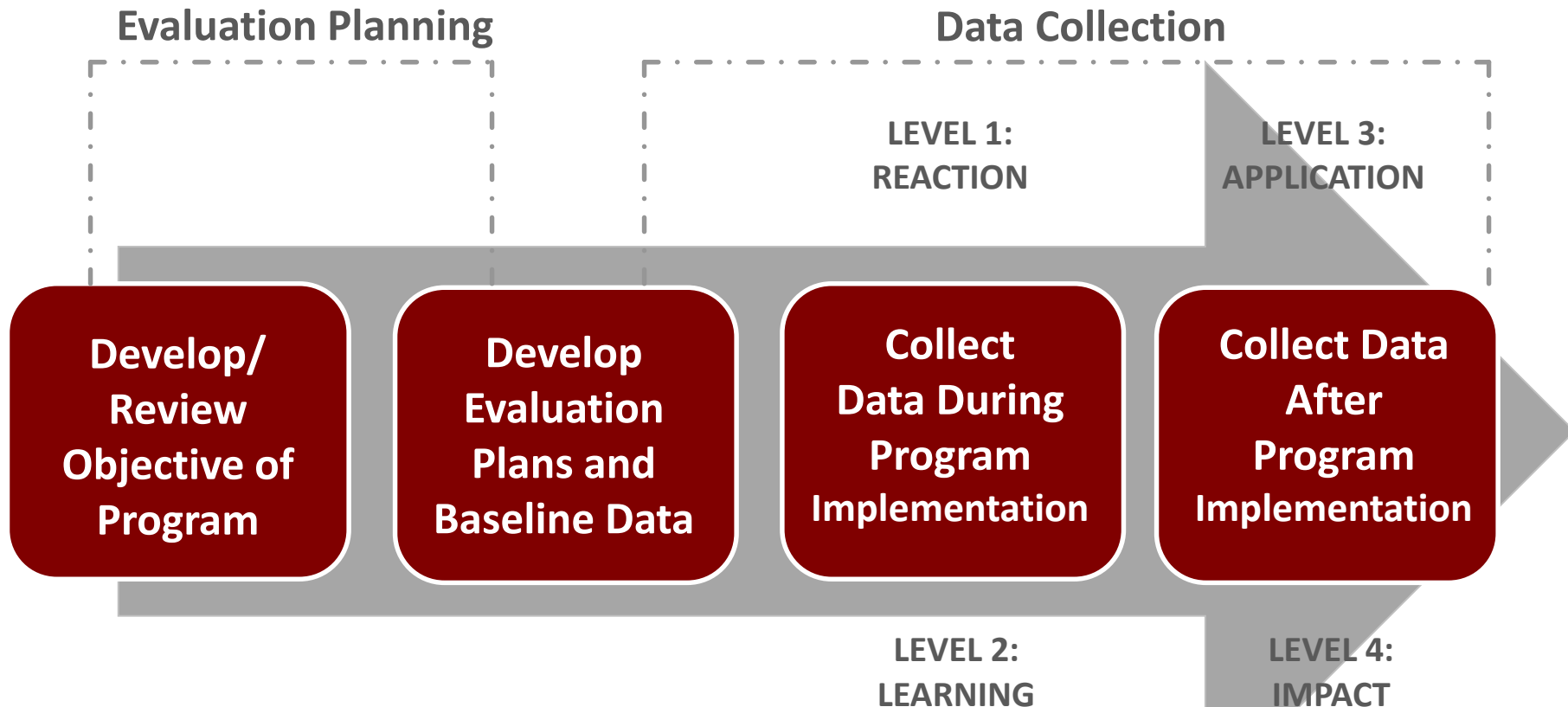
Evaluation

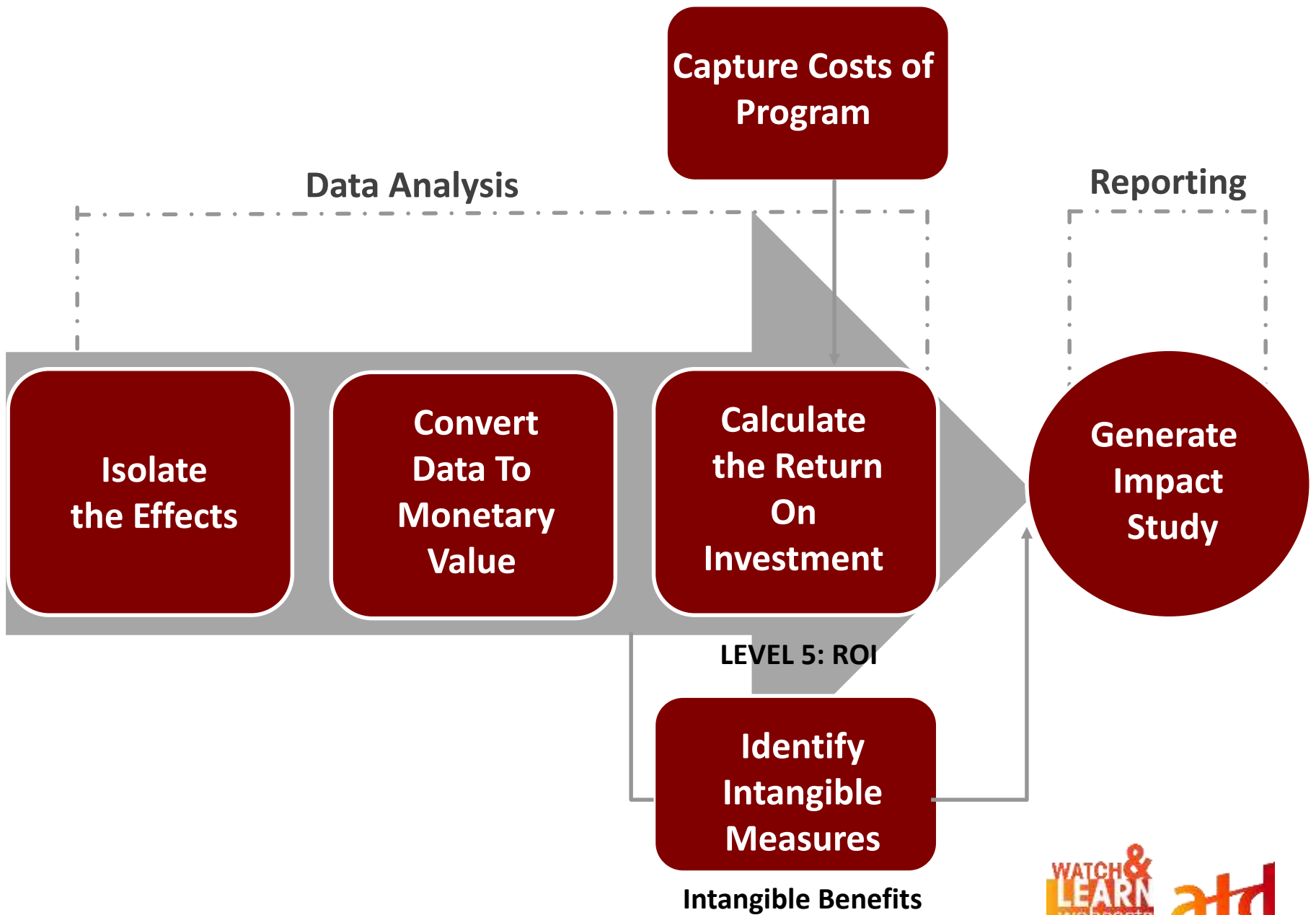
Business Alignment and Forecasting



The ROI Methodology

ROI Methodology Process Model



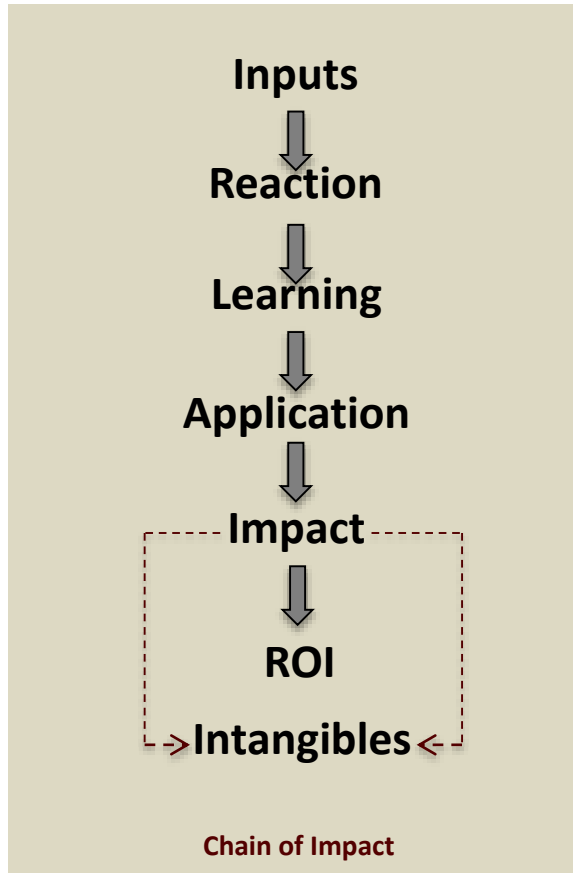


12 Guiding Principles ensure reliability in the process.



1. Report the complete story
2. Conserve evaluation resources
3. Use the most credible sources of data
4. Choose the most conservative alternatives
5. Isolate the effects of the program
6. Assume no data, no improvement
7. Adjust estimates for error
8. Throw out the extreme and unsupported claims
9. Use first year benefits for short-term programs
10. Include fully-loaded costs
11. Report intangible benefits
12. Communicate results to all stakeholders

Reporting



What is your story?

Reporting occurs at two levels: **micro** (investment) and **macro** (strategic). It includes quantitative, qualitative, financial, and non-financial data.

Reporting answers the six critical questions senior executive ask: **So what? How much? How do you know? What is it worth? How can we improve? What are the risks?**

It allows you to declare value, improve programs, influence decisions, and give senior executives what they want.

Sample Action Plan

Name: Caroline Dobson Coach: Pamela Mills Follow-Up Date: 1 September
 Objective: Improve retention for staff Evaluation Period: January to July
 Improvement Measure: Voluntary turnover Current Performance: 28% Annual Target Performance: 15% Annual

Action Steps	Analysis
1. <u>Meet with team to discuss reasons for turnover using problem-solving skills.</u> 31 Jan	A. What is the unit of measure? <u>One voluntary turnover</u>
2. <u>Review exit interview data with HR to look for trends and patterns.</u> 15 Feb	B. What is the value (cost) of one unit? <u>Salary £1.3</u>
3. <u>Counsel with "at-risk" employees to correct problems and explore opportunities for improvement.</u> 1 Mar	C. How did you arrive at this value? <u>Standard Value</u>
4. <u>Develop individual development plan for high-potential employees.</u> 5 Mar	D. How much did the measure change during the evaluation period? <u>11% (annual) (4 turnovers annually)</u>
5. <u>Provide recognition to employees with long tenure.</u> Routinely	E. What other factors could have contributed to this improvement? <u>Growth opportunities, changes in job market</u>
6. <u>Schedule appreciation dinner for entire team.</u> 31 May	F. What percent of this change was actually caused by this program? <u>75%</u>
7. <u>Encourage team leaders to delegate more responsibilities.</u> 31 May	G. What level of confidence do you place on the above information? <u>(100% Certainty and 0% No Confidence) 90%</u>
8. <u>Follow-up with each discussion and discuss improvement or lack of improvement and plan other action.</u> Routinely	
9. <u>Monitor improvement and provide recognition when appropriate.</u> 11 May	

Intangible Benefits: Less stress on team, greater job satisfaction

Comments: Great Coach - She kept me on track with this issue.

Sample Action Plan Output

Exec#	Measurement Area	Total Annual Value	Basis	Method for Converting Data	Contribution Factor	Confidence Estimate	Adjusted Value
1	Revenue Growth	\$1,500	Profit Margin	Standard Value	33%	70%	\$2,656
2	Retention	175,000	3 Turnovers	Standard Value	40%	70%	49,000
3	Retention	190,000	2 Turnovers	Standard Value	60%	80%	91,200
4	Direct Cost Savings	75,000	From Cost Statements	Participant Estimate	100%	100%	75,000
5	Direct Cost Savings	21,000	Contract Services	Standard Value	75%	70%	11,025
6	Direct Cost Savings	65,000	Staffing Costs	Standard Value	70%	60%	27,300
7	Retention	150,000	2 Turnovers	Standard Value	50%	50%	37,500
8	Cost Savings	70,000	Security	Standard Value	60%	90%	37,800
9	Direct Cost Savings	9,443	Supply Costs	N/A	70%	90%	5,949
10	Efficiency	39,000	Information Technology costs	Participant Estimate	70%	80%	21,840
11	Retention	215,000	4 Turnovers	Standard Value	75%	90%	145,125
12	Productivity	13,590	Overtime	Standard Value	75%	80%	8,154
13	Retention	73,000	1 Turnover	Standard Value	50%	80%	29,200
14	Retention	120,000	2 Annual Turnovers	Standard Value	60%	75%	54,000
15	Retention	182,000	4 Turnovers	Standard Value	40%	85%	61,880
16	Cost Savings	25,900	Travel	Standard Value	30%	90%	6,993
17	Cost Savings	12,320	Administrative Support	Standard Value	75%	90%	8,316
18	Direct Cost Savings	18,950	Labor Savings	Participant Estimate	55%	60%	6,253
19	Revenue Growth	103,100	Profit Margin	Participant Estimate	75%	90%	69,592
20	Revenue	19,500	Profit	Standard Value	85%	75%	12,431
21	Revenue	21,230	Profit %	Standard Value	80%	70%	18,889
22	Revenue Growth	105,780	Profit Margin	Standard Value	70%	50%	37,023
	TOTAL	\$1,716,313					TOTAL \$817,126
							2nd Measure Total \$649,320
							3rd Measure Total \$394,712
							TOTAL Benefits \$1,861,158

Results

- Program Benefits based on action plan data from 22 participants
 - \$1,861,158
- Program Costs
 - \$579,800
- Intangibles
 - Increased commitment
 - Increased teamwork
 - Increased job satisfaction
 - Improved communication

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ROI = 221%

Case Studies

Transnet Coach Business South Africa

Supervisor coaching program focused on improving beat rate and sales targets.

ROI = 32.64% (Target 25%)

IAMGOLD Canada

A comprehensive, three-year Supervisory Leadership Development Program in response to their first employee engagement survey.

ROI = 46% (Modules 1-5); 345% (Modules 1-8) (Target 30%)

Global Engineering & Construction USA

Leadership development for project safety leaders on construction sites.

ROI = 322% (Target 20%)

Global Bank USA

A new leader program specifically designed for new MBAs.

ROI = 28% (Target 25%)



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