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What Should be in Place to Assess the Effectiveness or Return on Investment of a Company's Leadership Development Programs?

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What Should be in Place to Assess the Effectiveness or Return on Investment of a Company's Leadership Development Programs?

Abstract

[Excerpt] Leadership is vital to a company's bottom line, yet only 41% of C-suite leaders believe that their organizations' leadership development programs (LDP) are of high or very high quality. However, only 18% of companies are gathering relevant business impact metrics, key determinants for measuring a program's effectiveness and ROI. Many organizations focus on the Kirkpatrick model--reaction, learning, behavior, and results--to evaluate learning, it is critical to extend this framework to include return-on-investment. This focus on operational and strategic metrics that will drive results for the business and individual to accurately measure LDPs spanning the entry and executive levels to focus on relevant indicators.

Keywords

Human Resource, HR, future of work, learning, culture, digital, learning and development, L&D, learner motivation, motivation, return on investment, ROI, leadership development

Comments

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Executive Summary

Final Question

What should be in place to assess the effectiveness or return on investment of a company's leadership development programs?

Introduction

Leadership is vital to a company's bottom line, yet only 41% of C-suite leaders believe that their organizations' leadership development programs (LDP) are of high or very high quality. However, only 18% of companies are gathering relevant business impact metrics, key determinants for measuring a program's effectiveness and ROI.ⁱ Many organizations focus on the Kirkpatrick model--reaction, learning, behavior, and results--to evaluate learning, it is critical to extend this framework to include return-on-investment. This focus on operational and strategic metrics that will drive results for the business and individual to accurately measure LDPs spanning the entry and executive levels to focus on relevant indicators.ⁱⁱ

Business Value of Measuring ROI

ROI consultants use LDP participants' examination of key business benefits to isolate tangible benefits derived from LDP and convert them into dollar values. These benefits include retention, reduced conflict, increased customer satisfaction, and increased employee productivity. By understanding an LDP's ROI, companies can properly evaluate the LDP's worth to the business, employees, and stakeholders, and develop links between development, business improvement, and program measurement.ⁱⁱⁱ

Best Practices and Recommendations

Limitations of Using only Quantitative Measures

Simple ROI can be calculated by adding the monetary value for the changes in business impact, and then subtracting the direct and indirect costs. The net benefits are divided by costs to obtain the ROI.^{iv} The issue with only utilizing quantitative or financial measures is that it does not consider the intangible gains such as morale, motivation, and knowledge.^v Operational metrics such as "dollars per participant, dollars spent, hours per employee" account for company spending and time, as well as ensure that resources are spent with integrity.^{vi}

Case Study in Quantitative Limitations:

In one study based in South East Asia, a company evaluated its senior management-development program with the extended Kirkpatrick model. The results gathered throughout and following the program, inclusive of all training costs, showed an ROI of 6,080.13%, when dividing net program benefits by net program costs. This extremely high ROI furthers the point that simple ROI is not the best indicator of LDP success as it does not highlight other impacts to the company, team, or individual.^{vii} This ROI only considers the financial returns of the program, not the individual returns.

Strategic Measurement (Qualitative Metrics):

Operational metrics should not be the only measures utilized. Intangible metrics should be measured to balance workforce development offerings with contributions to the business, such as driving culture

change around learning, employee engagement, and customer satisfaction. Dan Pontefract, head of learning & collaboration at TELUS states that the ROI that really matters is “keeping our employees, attracting the right ones, creating that culture of collaboration, doing it all for the customer.”^{viii} This includes measures for “output, quality, costs, time, job satisfaction, customer satisfaction, work habits and innovation is the ultimate goal.”^{ix}

Additionally, measures on retention and promotions can be considered, as well as the number of individuals currently in job rotations and the number of individuals participating in a mentor or coaching program.^x

Key Outcomes and How to Measure Them

- Relevance: Conducting surveys to obtain feedback can identify which participants have absorbed the information or the likelihood for application of the material.
- Learning: Assessments, simulations, and role playing can test participants’ knowledge and insights acquired from the program.
- Application to Program: After at least nine months a 360-degree feedback measure can be given after the program to allow time for any changes to take effect.
- Intangibles: While they can be converted to money and included in the ROI calculation, typically the cost of doing so outweighs the benefits. If improvements can be shown in teamwork, inclusion, experience and others, which are directly linked to leadership development, the value is clear enough.^{xi}

Investment in high potential talent cascades through the organization, leveraging their knowledge to identify and develop the next group of top talent within the organization. LDPs focusing on the success of high potential managers and above can be measured through:

- Internal evaluation by participants
- External evaluation, utilizing measurements of participants’ assessments and another external evaluation, such as their Net Promoter Score
- Leadership index, a set of employee engagement questions^{xii}

Conclusion

The benefits to a successful LDP upon program completion can reap the benefits for an organization, including improved performance, leadership, and retention. It is thus important to have accurate measures of a company’s LDP to facilitate the continued success of a program, or reevaluate aspects of the program to ensure high potential participants are receiving the best opportunities to then further the business needs of the organization. Looking forward, innovations in artificial intelligence will positively disrupt the effectiveness of LDP programs in business and for individuals.

Endnotes

ⁱ Dori Meinert, "A CALCULATED IMPACT: How to measure the ROI of leadership development," *HR Magazine*, 2018.

ⁱⁱ Tasha Eurich, "DON'T OVERCOMPLICATE Leadership Development," *Chief Learning Officer*, 2013.

ⁱⁱⁱ Siobhan Sutherland Rogers, "Great expectations: making ROI successfully work for you," *Training & Development*, 2013.

^{iv} Dori Meinert.

^v Siobhan Sutherland Rogers.

^{vi} Deanna Hartley, "Relevance Trumps ROI," *Chief Learning Officer*, 2012.

^{vii} Nur Naha Abu Mansor, "Return-on-investment approach to a management leadership-development programme," *Training & Management Development Objectives*, 2010.

^{viii} Deanna Hartley.

^{ix} Dori Meinert.

^x Dori Meinert.

^{xi} Dori Meinert.

^{xii} Lamont Gilbert, "Focusing on Virtuous Leadership Practices," *Leadership Excellence*, 2