LINKEDINLIVE TRANSCRIPTION:

Hello. Welcome, and thank you so much for joining me, whether it's live or on the recording.

Today, I wanted to talk to you about the return on investment for leadership development. And the reason that I wanted to focus on this is because I'm seeing a disturbing trend, I guess, around the commitment to supporting the development of our leaders who, in turn, then support the development of our people.

It's always a dicey one when we're in a situation of change and uncertainty. Certainly, with the economic profile at the moment and that sort of thing, there's a real temptation to delay some things or procrastinate over things that actually are going to have significant impacts not just now, but further down the track.

Now, we know that in terms of the state of leadership, the expectations of leadership have increased. People expect more from their leaders and different from their leaders. We also know that we're in a dynamic environment, in a state of flux, and what this means is that leaders have to cope with a lot. There are obstacles, yes, there are challenges, yes, but there's also massive opportunities, and we need our leaders feeling capable and confident to really lean into those areas as appropriate.

The other thing though that I notice in my work with a broad range of organisations, industries, organisation size, geography is that leadership talent pipelines, that's the ability for us to, when a leader gets promoted or moves on, that we have someone who is promotable, ready, equipped, and capable to step into that next level role.

The leadership talent pipelines are not nearly as robust as they were 5, 10, 15 years ago. Even at that point, they weren't in a great situation of having a great, strong leadership talent bench ready to go into that next opportunity.

So whenever we delay leadership development, there are knock-on implications of that, and we know that things like... like everyone, leaders at all levels want the opportunity to develop and grow. And it's one of the most significant factors influencing not only their current engagement, and performance, and productivity, but also whether they will stay with us.

At the moment, lots of organisations are looking for talent, so there's lots of opportunities for people to go and find something else that suits them better. So we really do need to consider how do we support the development of our leaders.

Now, of course, there is a commercial question here as well. And what I find when I talk with CEOs, when I talk with the Head of People and Culture, or Talent and Culture, or Learning and Development is that, actually, there's not a lot of ability or a lot of framework for them to calculate what is the return on investment in investing in our leaders.

And so that's what I wanted to spend some time on today. Not too long. I'll keep it short, but I really wanted to help you work through the commercial measurement of what's it worth to invest in our leaders.

Now, there's two sides to this.

One is, what's the cost of us not investing in our leaders? What's the cost of inaction? So that might be that things don't go as well as they could, that the leaders are not adding the level of value. There might be knock-on impacts into their team or their business unit, in terms of how that particular part of the organisation runs and how it contributes to the organisation.

Then, of course, there are all those elements around the engagement, and loyalty, and those kinds of factors. We know that there's big impacts just to replace a person whether it's the leader or a member of their team. It typically costs two to three times the annual salary to replace them and then train them to the same level of productivity as a person who has recently left the organisation.

+61 2 8006 1733 staceyashley.com info@staceyashley.com

So that's one side, the cost of inaction. Our challenges continue because we haven't changed anything, and we might have some other consequences.

What I want to focus on though, today, is the opportunity that is created by investing in our leaders. And so this is about how do we measure the return on that investment, the gain that we make, or the benefit, or the thing that changes.

So I just wanted to do a very, very simple calculation for a very simple programme just to demonstrate the kind of thinking that we need to do to get a little bit more commercial around addressing these areas of leadership development.

Of course, you could apply this to any aspect of learning, but I just want to focus on leadership development because that's where my biggest interest lies, and I think we can have leaders at all levels of our organisation, so I think it's super important.

I'm just going to quickly check on comments. Okay. So whether you're watching live or the recording, I would love for you to share your thoughts on the state of leadership development in your organisation, what the focus is on really doing something proactive in this space, and your thoughts on how do you measure the commercial outcome.

So what I want to do is I'm just going to share my iPad up here so that we can really look at a quick calculation. Now, what I want to do is to take a really quick simple example to work through, and then you can apply this more broadly.

So let's just say that we have a leader, and in terms of salary, their salary is $100,000 a year. Now, we want to put them onto a, let's say, one-day coaching skills or a one-day productivity programme. I'm keeping it really, really simple and low-key.

+61 2 8006 1733 staceyashley.com info@staceyashley.com

So now we have an investment that we want to make, and let's say that that investment is $1.000. I'm using nice, simple numbers to keep it nice and easy. So we've got our top numbers. Now, how do we measure what the outcome of this investment in learning might be for this leader? There are so many factors that we could consider, but again, I'm going to keep it simple.

So, for example, if someone came to one of my Leader as Coach, coach training, The Coaching Leader™ type programmes for a day, my expectation would be that they would save quite a bit of time in the everyday conversations that they have with people. For the sake of argument, I'm going to say it's one hour. Okay. So this is one benefit.

So the benefit might be one hour a day. Okay. Now, there may be many, many other opportunities here. Perhaps they use self-coaching, so they spend more time above the line than below the line. Perhaps they self-coach through some of the decisions they make, so they make better quality decisions. Perhaps the way that they work with the people around them builds better quality relationships and more trust so that those people become better performers because they're more engaged and they feel like they've been invited into the conversation.

So there's knock-on effects there. Maybe there's a retention consequence or positive consequence. There are so many factors that we could consider, but again, I'm keeping it really simple.

So if the benefit is one hour a day, what is that worth? So I've got a salary of $100,000. If I take that $100,000 and I divide it by 52 weeks of the year, and then I divide it again by 40 hours a week just to give us a very broad calculation or very simple calculation. I'll just make my $100,000 more like $100,000, what we end up with is just over $48 an hour. So I'm going to round it down, and we're going to say $48 an hour. That's what we're working to.

Now, if I save an hour a day by going on this training and I'm able to use that hour a day to do high-value, high-impact work, so my contribution goes up, let's count that, that $48. So now I have $48 a day.

So I do five days a week, and because we have holidays and that sort of thing, I'm only going to count 48 weeks of the year. So that's going to give me a return on investment for the next year, based on this one day of training valued at $1,000, of $11,520 if the value of the contribution that that individual makes is just their salary, $48.

Now, I reckon, for most roles, we expect a higher value contribution from that individual than we pay them for. So we might pay them $48, but actually, the value to the organisation is much higher in terms of where they put their focus, and time, and energy, and effort, and initiative, and decision-making, and all of those things.

So this is a very minimum kind of calculation. I'm really being super conservative. My expectation would be that there would be many more factors that we could add up as well as our one hour a day.

But let's just say, "You know what? They don't even save an hour a day." So instead of all of this, let's just say they save 15 minutes a day. So I'm actually going to say it's only 25% of my original assumption.

So if I times that by 25%, what I end up with is $2,880 in terms of a return.

Now, I think it's going to be much higher, but I really want to take this as low as possible and still demonstrate that there is a return on investment. So we've now got 15 minutes saving a day which is not a lot, really, and you would expect that out of a full day training, we'd probably get a much higher positive impact or consequence.

So let's do our return on investment calculations. So I now have a return of $2,880. I've invested $1,000, and I need to divide that by my investment. So I'm just going to get out my trusty calculator and do the calculation.

So I get a return of 1.88, so 180%.

And I've dumbed this calculation right down, really getting the minimum possible outcome from a single day of training at an investment level of $1,000, which is around what I would think is a reasonable amount.

+61 2 8006 1733 staceyashley.com info@staceyashley.com

It could be slightly more, it could be slightly less. But I would expect the actual impacts of that training to be much higher. So, really, simply, taking one factor and really reducing it to a tiny, tiny return, we're still getting a really good return for our investment.

Now, imagine that we had 20 or 25 leaders that went on that same training and that same learning. Then, we would get that many times over.

Now, imagine that we're doing something that's more of a substantial programme. It might be a 6-month programme, it might be a 12-month programme, which we would expect to have much higher levels of implementation and positive benefit and impact, and so our numbers would change to reflect that.

Yes, our investment goes up, but so does our return, and I think this is where we need to go. We need to look at, "Commercially, does it make sense to invest in our leaders?"

We know that if we look at the cost of, say, replacing a leader or replacing a team member, the cost of poor decision-making, all of those sorts of things could be impacted if we don't support our leaders in developing their capabilities so that they feel confident and equipped to lean into the circumstances of today, with ease and grace. But also, we've got the positive benefits of raising engagement, raising performance, being more focused on the right things at the right time in the right way. There are so many different things that we can create and measure to really understand the benefit of investing in our people.

So I'm really hopeful that that's given you some ideas about how you can start to really build a business case for investing in your people, in particular, your leaders because of the impact that they have on all of the people around them. And in building that business case, that you're better equipped to have the conversations with your CFO, with your CEO, with your Head of People and Culture so that you can really present a valid, commercial set of reasons for going ahead.

Apart from all the things we know about, that we want to have people who feel loyal and engaged, and want to give us their discretionary effort, and bring their initiative, and use their strengths, and feel like they belong in this organisation and that they make a difference.

So, yeah. I hope that that's been useful.

I am also running a masterclass on this topic in a couple of months, so check out my **events**. Of course, if you're interested in developing your leaders, then I've got a range of events, public events running at the moment, and I would love to be able to support the development of your people so they can support the development of their people and the achievement of the goals that you have in your organisation.

Pop your questions and comments here for me. I'll keep an eye on them because I'd really love to support you in supporting the development of your people, and I look forward to seeing you next time. Thanks for your time. Appreciate your viewing.

If we don't have capable leaders, who will lead us into the future?

I'd love to know your thoughts.

Warm regards,

+61 2 8006 1733 staceyashley.com info@staceyashley.com