

Leadership Skills and the Bottom Line: Where's the ROI?

The dollar value of the return-on-investment (ROI) for leadership development is a topic that has been highly debated time and time again. This is perhaps due to the fact that the actual financial return can be very difficult to measure. However, it is undeniable that investing in leadership development, at the very least, is an activity of intangible value for any sized organisation.

But – if it's difficult to say what the precise ROI is on leadership development, then how do you know such an investment is *tangibly* valuable? Your organisation may be completely unique and individual in many ways but it has one thing in common with every other organisation: it is dynamic. A dynamic organisation is also a learning organisation, where continual development and a striving for 'better' is perhaps the only constant.

Leadership makes sense of change and provides a common unity of purpose. Would you expect that a person who understands the connection between leadership, teamwork, performance, results and rewards will produce better work hence provide a tangible improvement in productivity and profit? The answer is “absolutely”.

Leadership development teaches these skills – and more.

If you need some numbers to motivate you to invest in developing your people, consider this:

- Nine out of every eleven staff surveyed in a recent global study were not happy in their workplace due to poor leadership (that's 82%)
- Employers have a honeymoon period of about a year with new staff to win them over to the organisation's values, culture and ethic
- It will cost you about 150% of a departing employee's salary to recruit and retrain a new member of staff
- Using these figures, if you're in an organisation of 250 people where the average wage was \$35,000pa, and only one out of eleven staff departed after a year, every year, then your business is bleeding in excess of \$397,000 annually

Ouch.

Numbers are not necessarily the most effective measure of the ROI that a company receives from investing in leadership development. What a company can otherwise see is the positive change in attitude and behaviour within their employees, teams and the company as its leaders grow, develop and become more and more intuitive.

Leadership training and its effectiveness can be gauged by surveying employees, not just formally but by simply walking around and taking a genuine interest in them. This in itself is an element of active leadership. Asking questions about management, leadership and general job satisfaction is sure to show whether or not any training was a success, and determine if more training or coaching is necessary.

Leadership training inspires growth, results and superior performance from every member of a team. Developing leaders within your organisation is a strategic move to further your business' growth and increase productivity and motivation within the workplace. When leadership is developed (and nurtured) in a routine manner, the positive impact on a business is undeniable.

You may have a great product or service, you may offer something above and beyond what your competitors are offering – you may even be succeeding in this tough economic climate. At the end of the day, what makes (or breaks) a company is its leaders. Being willing to invest money in the future of your human capital and developing your organisation's talent is essential for sustainable business.

Now, I'm sure you can see the ROI in that.