

Leadership Development Programs Produce Exponential Returns

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Business today is more challenging and competitive than ever, and “business as usual” is unlikely to yield survival, much less success. Many enterprises recognize that one of the keys to long-term competitiveness lies in their leadership. In this dynamic market, powerful and effective leadership is required not only in the boardroom, but on the front line and everywhere in between. As such, leadership development is no longer discretionary; rather, it is a critical area of the business that requires senior level attention and investment. As Professor John Sullivan of San Francisco State puts it, “People are the highest producing asset of production in any corporation. . . People have the highest return on investment; there is no doubt of that.”¹ However, in today’s business climate, leadership development is sometimes seen as a “long-term” investment with an uncertain return that is placed at odds with the requirements for near-term delivery. This leaves executives seemingly forced to choose between addressing the business demands of today and investing in the development of future leaders².

In JMW’s view, the dilemma of choosing between tackling present demands and investing in the future is resolvable. We say the demands of the business *right now* present the perfect required medium for effective leadership development that creates economic value in the short-term as well as over the long run.

The best measure of leadership development is its contribution to the bottom line. We say an effective approach to leadership development has people produce unprecedented results in their current roles while being exposed to new tools that will elevate their performance for the future.

The following case study illustrates a successful application of this approach to a select group of high-potential leaders:

¹ Excerpt from a session presented at the HR Forum 2003 “Thinking Like the CEO...Or Becoming One” by John Sullivan, Professor at San Francisco State University and quoted in Human Resource Executive magazine 2003, page A6.

² For a compelling description of the difficulties substantiating the ROI for leadership development, see Idalene F. Kesner, “HBR Case Study Leadership Development: Perk or Priority?” Harvard Business Review May 2003.



A CASE STUDY

BACKGROUND

A group head of HR in a global company observed that the organization spent a substantial amount of money and time on leadership development programs and yet had no reliable way to measure or assess the benefits and results. It was becoming difficult to justify additional investment without a clear statement of the return. Given this dilemma, he asked JMW to develop programs that met the following criteria:

- Produced a return of at least \$10 million per participant beyond their existing performance commitments
- Designed for and delivered to members of the high-potential pool
- Measured for both performance and behavioral impact

JMW accepted the challenge of designing and delivering programs in partnership with the company that met and exceeded the three criteria above.

WHAT HAPPENED

Including a successful pilot, the programs have been delivered five times over the past two years. Each program comprises four one-week residential sessions delivered over a period of nine months. Prior to enrolling, each participant agrees to commit to delivering a project that will produce an unprecedented result in their existing area of accountability – during the nine months and beyond. Approximately 130 high-potential leaders have participated to date.

RESULTS

Over two years the program has met and exceeded its promises. The measurable value created by participants' projects was \$1.7 billion, or \$13 million per participant. In addition, the forecast impact over the life of the projects (beyond completion of the program) is \$7.5 billion, or well over \$50 million per participant. The program has also successfully delivered behavioral impact: 70% of the participants reported at least "significant improvement" in the specific leadership capabilities the company targeted for development of their high potentials.

CONCLUSIONS

Leadership development is in direct correlation to the magnitude of the challenge and results to which one is committed. A development program, therefore, must equip an individual to meet a significant challenge by (1) reaching beyond themselves, (2) committing to the extraordinary, and (3) leading others to achievement. This model creates an immediate payback for a company's investment in their future leaders. Further, in our experience, once people have produced something extraordinary, they raise the bar for themselves.

Therefore, effective leadership development programs can produce extraordinary returns on investment in both the short- and long-term. Classroom experience is unquestionably a valuable and essential part of the equation, but if it is not put into action at work immediately, it rapidly loses its impact. If a program's ROI is based on skill development only, its contribution to the bottom line may never be realized. The cycle of skill acquisition and capability enhancement through application projects must be part of the design if a sustainable organizational capability for high performance is to be achieved.

Our experience decisively demonstrates that leadership development can generate exponential returns, and satisfy the organizational imperative for effective leaders who are a match for a company's most critical business challenges.

jmw.com

JMW Consultants Inc
One Station Place
Stamford, Connecticut 06902
United States
+1 203 352 5000
+1 203 352 5010 Fax

