

LIVING BRAVE
leadership

Understanding ROI & ROE^{*} in Leadership Development.



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^{*}Demonstrating a Return On Investment (ROI) & Return On Expectation (ROE) for leadership training is often likened to nailing jelly to the wall. In this whitepaper, we say **“you bring the jelly, show us the wall and we will bring the hammer and nails”**.



Demonstrate validity

Leadership development is a huge investment in time, finance and expectation. It can change the culture, dynamic and brand of an organisation forever. It has to pay for itself, in ways that impact on the value and commercial capability of the business, culture and relationship with the customer.

In this whitepaper I am going to offer approach, mindset, and pitfalls as a way of framing the conversation around validating leadership development.

The ambiguity is in the context not the question

It is not unreasonable for the senior team of a business and the participants on a programme to ask about 'value'. They want to know "where is the **evidence** that a leadership development programme actually will or has delivered ROI & ROE?".

- ROI - Return On Investment: Financial return after cost
- ROE - Return On Expectation: Add value, non tangibles

What can often happen is that due to a lack of exposure to high value learning interventions, sponsors are not convinced and often ROI & ROE can be linked to 'might have happened anyway' data.

This is why 'validity' is a key term and point of reference. It's not that people do not believe leadership development can work, the issue is they are often not familiar with the what they perceive as 'genuinely valuable outputs in a timely manner'.

It is not so much "show me the money" it is more "evidence the ROI & the ROE in a manner I can buy into and support".

Validity, is important because if those who are making the final pronouncements on success do not perceive the ROI & ROE to be valid to their need and context, then the project will not get off the ground or will be dismissed at a future state. The question is then:

“What will decision makers see as valid?”

No room for simplicity

What doesn't fly in the leadership development landscape is a fixed position as it shows you don't see the landscape. There are two ends to the spectrum: "the need to demonstrate a financial value" and "leadership is behavioural so it's not about the financial, it's about measuring the environment".

Both things are true and need to be held as such in a combination that determines the 'validity' of a programme. If we want a 'truly' adult output, we have to ask 'truly' adult questions and hold ourselves to greater clarity of thinking.

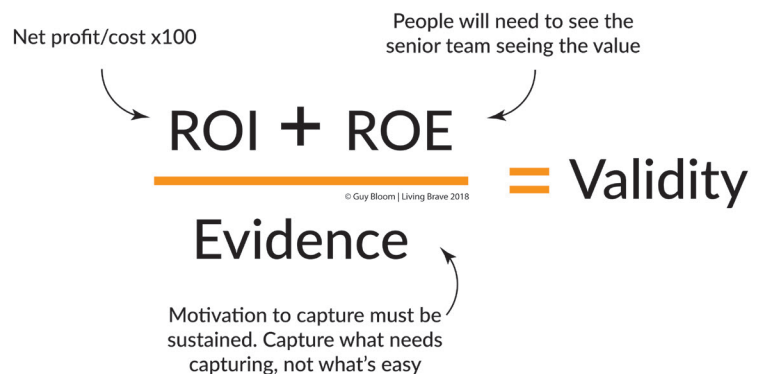
“The starting point is that ROI & ROE represent the two components of why a business might invest in a leadership development programme with a belief that the outcome is worthy of the effort.”

Define then measure

In the search for getting senior buy in as to the validity of investing in leadership development, it is first paramount to be able to demonstrate that the business can agree as to what the components of programme validity will be.

I stand by keeping it 'simple and specific' so as not to muddy the water.

Validity Equation





When considering ROI, ROE and the Evidence required, we need to think about the effort required to make a programme work in three key stages:

- Stage 1 - Buy In - To get Sign Off
- Stage 2 - Advocacy - To keep it going
- Stage 3 - Promoter - To do it again

These three factors require clear conversation and clarity from Sponsors (who sign off) and Stakeholders (who influence) as to the shared understanding of what constitutes the ROI, ROE and the Evidence.

A huge success factor is how those on the intervention will evidence in real time to those paying attention.

To do this it is important to understand the chain of events and the responsibilities that are in play. One thing I have seen happen consistently, is once expectation for validity is defined, then a programme takes on a more robust approach. No one wants to be involved with something that talked a good story but did not deliver.

First senior parties have to allow the programme to get to the point of delivery (see Role Responsibility image below):

- **Discuss:** Need, value, output, expectations
- **Decide:** Budget, timelines, process

Then they have to fan the flames that keep it credible and relevant.

- **Demonstrate:** Show up, be interested
- **Do:** Role model, learn, embody

Of course where as a Senior Team energise and overview a programme, it is the Support Teams in HR & L&D and those acting as sponsors and enablers who are the primary drivers of constructing the narrative around 'how a programme will look, feel and in reality play out'. It is this settling on a delivery mechanism and corraling all relevant parties that sets the tone.

Then of course comes delivery, where the rubber hits the road, where the talk, preparation, expectations and promises are then delivered.

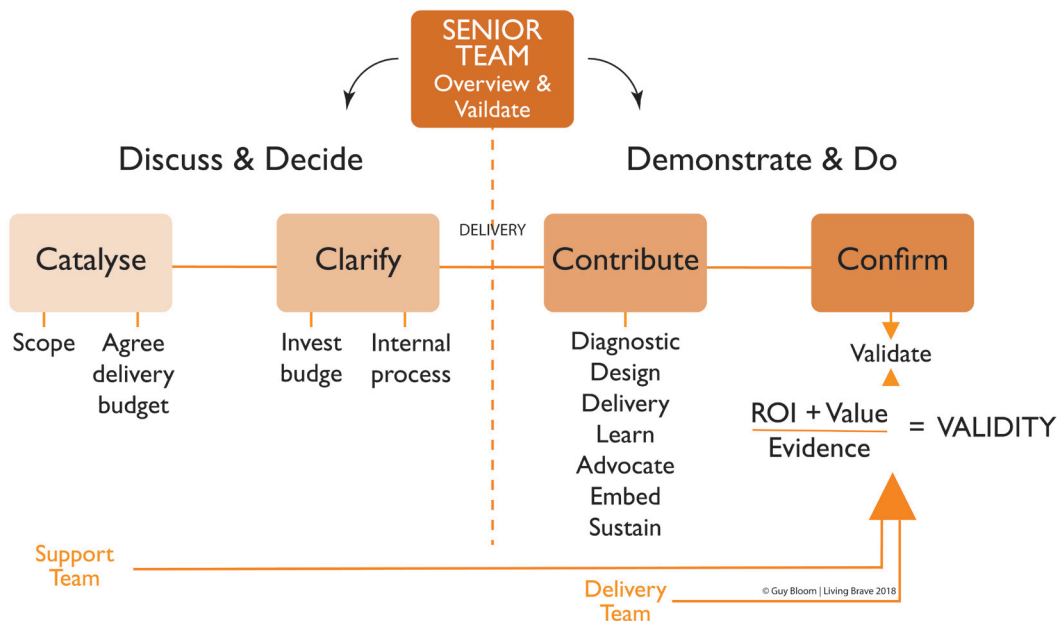
From the reaction of the first touchpoint to ongoing conversations, those with skin in the game hold their collective breath. One thing is for sure, anxiety is replaced with expectation when the components of 'validity' are clear.

“ These conversations shape diagnostic, design and delivery. ”

Role responsibility

Demonstrating that a leadership intervention is valid is primarily about 'trust'. The question is "do we trust this will deliver results, we believe to be valid, not as an ideal, but as an actuality?"

Role Responsibility Spectrum





The defining factors

Leadership interventions need to demonstrate their real 'world worth'. This means achieving and/or surpassing the ROI and ROE goal that has been defined at the outset. Understanding the key steps in achieving validation is key:

Phase 1: Confirm what the outcome is and commit to measuring it

What are the areas of impact and what are the measures for these?

- Commercial drivers
- Strategic imperatives
- Cultural impact
- Leadership behaviours
- Team dynamics

At this point it is an easy trap to not measure the things that should be measured because they currently can't be or are acknowledged as hard to collect. The question that has to be asked is, "what do we need to measure?" and then find a way to do that.

A key output of many leadership interventions looking to truly validate themselves is the improvement of internal systems and process, in order to facilitate the gathering of worthwhile data.

Phase 2: Define the baseline and agree the process to measure

There has to be a clear line in the sand as to what the 'difference' can be referenced against. This can seem somewhat ambiguous when an intervention is likely to kick in, half way through a new product launch, or the implementation of improved benefits. As it's hard to say that the intervention itself did A or B specifically.

However there has to be a view as to where the 'start line' is. This may require levels of subjective projection for data that has not had an opportunity to impact as yet, however just like

“As important as it is to offer ‘certainty’, it also acceptable to offer ‘likelihood’.”

Phase 3: Mitigate variables that can undermine evidence

Understand the future possible variables, create an intelligent prediction of 'assignable or un-assignable' and factor them into the 'starting line'. At the same time, highlight them as 'consistent variables', so in process or post event you are able to do away with 'negative critique' as they were openly acknowledged at the point of inception.

Phase 4: Collect the data

The collection of data is its own skill set and will require absolute clarity as to what is expected in that context and how it will be used to evidence ROI and ROE. It is absolutely paramount that attendees are connected to the need to 'validate' the programme they are attending, in the first stages of the invitation, conversations with line management and contracting with the delivery team. There has to be a strong ownership of accountability coming from the programme via the efforts of those attending to be driven to capture 'valid' ROI and ROE with the supporting evidence.

The intent here is to:

- Engage commitment
- Demonstrate real change, with participant enablement
- Give credence to the decision to invest
- Catalyse continued and future investment

“When this is done well, the attendees on the programme start to use evidenced ROI and ROE as a way of demonstrating their own output and often feel motivated to influence continued investment in an intervention they see as being of value to colleagues and the overall culture.”

ROI & ROE generated will most likely come from the new behaviours associated with the programme, the following are anonymous real data outputs from a recent programme:

Example 1

“I challenged the client, using the 'genuine curiosity' method as they withheld a payment. Improved personal impact, from renewed connection to my role as a leader, my new competence in listening, feedback and have the tough conversations. All directly linked to the thinking, mindset, practice and feedback I have received from the programme. Ultimately they payed and that was a disputed £250,000.”



Evidence:

- **ROE** = Improved confidence and skill set
- **ROI** = £250,000 money recovered

Example 2

“We had been asked to leave the site, so everyone did, but I thought ‘no’ I am not going to. So I stayed and eventually their MD heard that I was in one of our port-a-cabins and stormed in, with security! 10 minutes later he asked security to go, 30 minutes later we were having a cup of tea and sharing a spoon, 2 days later he let us back on site. We have now met and had some really painful but really powerful conversations, both sides have had to face some truths, we actually used some of the models from the programme to enable us to communicate more effectively. This is a £60 million plus build. Would it have sorted itself out anyway? You tell me? What I do know is I found my courage and purpose from the programme. I know that the skills of being ‘connected’ and being truly ‘accountable’ led the other party to do the same.”

Evidence:

- **ROE** = Improved purpose, personal bravery and resilience
- **ROI** = Any financial benefits from man hours, legal fees and impact on future business. Acknowledgement of the huge mitigation of financial risk and future financial benefits from the client relationship

Phase 5: Tell the story

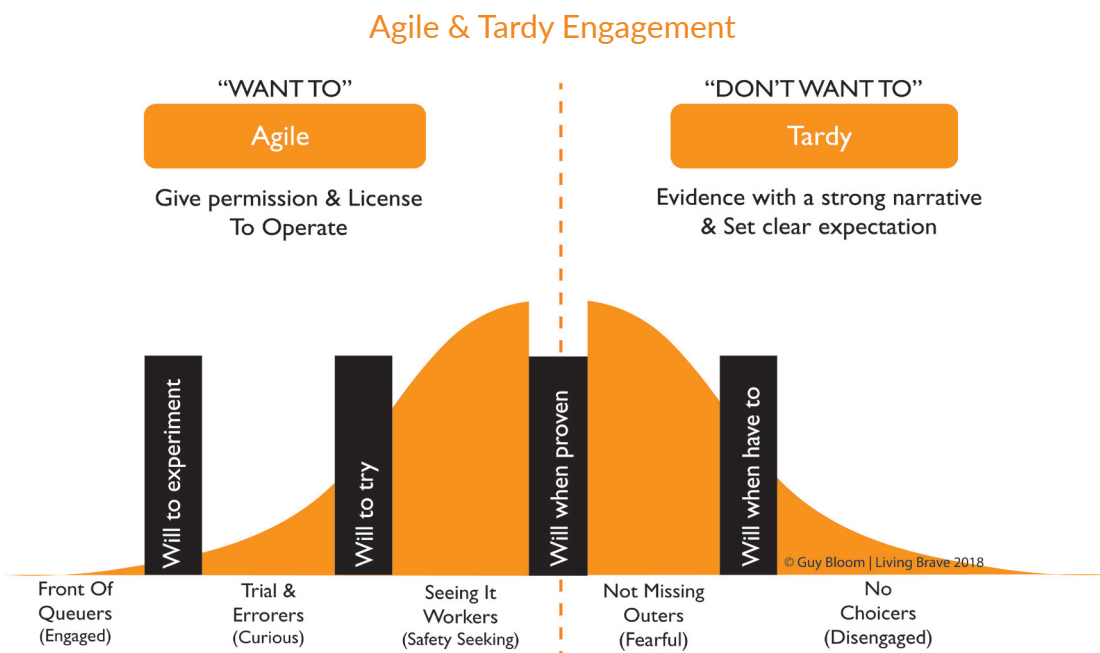
Leadership interventions like races are not won at the last second, it is everything else that leads to the last moment that creates a win.

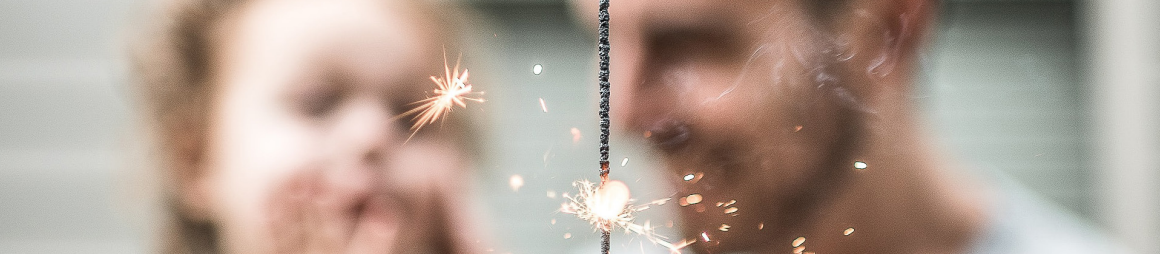
One of the most important factors in the success of a programme is the story that is being told about it, that reinforces the good behaviours and challenges the negative ones. Thus having a mechanism to bring the successes of these stories to everyone concerned is key:

- **Senior Teams**
Need to hear change is happening, so they reinforce and recognise the value of their own role modelling in creating a clear ‘license to operate’.
- **Participants**
Need to hear from the other cohorts as to what is happening so they can believe in the momentum
- **Line Reports of participants**
Need to know what is being asked of their managers, in this way the leaders on the programme also know that their people know
- **Everyone Else**
Experiences the story of change and success, they then can advocate and connect to a new set of behaviours

Phases 1-4 are all about process, buy in, willingness to contribute, being held to account, reinforcing and challenging behaviours, defining good, demonstrating change, collecting evidence.

The ‘Agile & Tardy’ Model (below) gives a sense of the focus needed to reinforce those with an Agile mindset and the focus needed to engage, encourage and identify those with a Tardy mindset.





Front of Queuers & Trial & Errorers catalyse

It is key to grab the curiosity, interest and early buy in of Front of Queuers & Trial & Errorers. These are the people who want the change and will jump on board immediately. However they need to be introduced, engaged and courted to get them lined up, they also need to 'see & feel' the quality of the delivery. Get that right and the bonfire is lit.

- Delivering early energy required to jump start a program
- This group of people want to be at the discovery end of the process, they want to add value and fulfil the thirst for learning, changing and improvement
- If you don't get it right there will be no 'excitement or initial catalytic narrative'
- If the weight of data is not there, the 'No Choicers' and 'Non Believers' will fill the gap with a negative narrative

“Change is two fold, first it has to make sense, then it has to feel right. It's the 'feelings' people struggle with the most.”

Seeing It Workers and Not Missing Outers are the majority you need

Once they realise that things are moving they will engage. Seeing It Workers and Not Missing Outers want the comfort and safety of minium risk. Whereas the Front of Queuers & Trial & Errorers are willing to engage in order to be part of the reason it works. Seeing It Workers and Not Missing Outers, need evidence before they engage.

Usually it is small amount of data that tells them the intervention is here to stay, there's enthusiasm and most important there is an element of value that they want for their personal ROI & ROE.

They will require support, evidence and a clear route to deliver, they have seen the passion and heard the stories and now want to engage, they need to be shown how.

- Give the 'Seeing It Workers' & Not Missing Outers' a reason to act
- When these people engage it brings visible momentum, that reinforces the belief that things are really happening
- Suddenly it moves from stories that are being told to observable behaviours at a local level, at this point the evidence becomes a landslide

- Real success, award winning success comes when the impact of this group, reinforces those already engaged, bring them, themselves to the table and as No Choicers join they also connect and become advocates
- If the programme loses momentum, this group will block the rest of the business from engaging
- Front of Queuers & Trial & Errorers will feel the gap behind them and start to think it is not worth the effort. Then the 'No Choicers' will not consider engaging as the programme is failing anyway

No Choicers are the overt demonstration during the programme that change is afoot

Perhaps damaged by previous experiences or suffering from change fatigue, No Choicers require the weight of public opinion, constant reinforcement and a continual flow of believable 'Storified Evidence' to get on board. This is the hardest group to change, they will potentially hold the saboteurs who are looking to actively disengage.

- Stories of change from this group are worth more than any other
- When this group shifts it becomes a movement
- Stories from this group redefine the cultural narrative and cement the change
- If you don't engage this group you will be in a constant battle to get the programme to work, stick and sustain
- This group have often mastered the art of 'agreeing to make it go away', you will have to be alert to the charade of engagement

Non Believers are actually best served by not chasing after them, build it and they will come

This committed group of Non Believers should not be feared. **Programmes should not be dumbed down** to enable them nor should they be allowed to exclude themselves as they are 'not up for it' and will 'talk any programme down'.

Everyone already pretty well knows who they are, regardless of which level they are operating at.

An important factor of this group is that some:

- May have well adopted a kind of institutionalised disconnection and the truth is they will be hard to change, however the programme will identify them and they can be managed accordingly
- If the organisation is not willing to manage those that will not engage, when they are literally being paid to do so, then



you have other contributing factors at a systemic level

- There are those in this group who hold the greatest opportunity for seismic shift. They have often become fearful of the emotional disruption that constantly 'engaging and being let down' has caused them
- They may have legitimately been promised change in the past, given their all to it and then been damaged by the emotional fall out of seeing nothing change and sometimes even getting worse
- Without fail when you can locate this type, when you create a shift in them, from the recognition, acceptance and listening to their story. You have an opportunity to engage a group of people who can propel the ROI and ROE needed to validate the programme with dramatic effect

“Find them, curate, change and watch them go. Recognise this though, if you don't follow through on the promise of the programme you will lose them forever.”

- They are 'purposeful disengagers', give them new purpose.
- A key symbol of real change is when this group are identified and held to account
- As a key symbolic act, coaching, mentoring, performance managing this group at all level tells the observers this is real
- To accelerate any programme of change move on this group quickly, it isolates them and becomes the biggest story on campus, 'that this programme is real' and 'they aren't messing around on this one'
- Ignore dealing with this group and the reality, of the reality is you aren't serious
- This group generally believe, that if they weather a little bit of aggravation, it (you) will go away. Are they right?

What are the behaviours you might experience?

The following Engagement Matrix below defines the behaviours you are likely to experience.

Chances are you can already plot people into the matrix, this is not about pigeon holing anyone. It is about reviewing your situation and having a strategy as to how to approach those who are needed to gain and reinforce support.

Engagement Matrix

Engagement	High	High Engagement Low Seniority Will connect if those with greater seniority do, if not will be a quite supporter. ACTION Encourage Reward Showcase	High Engagement High Seniority Will advocate, role model & bring challenge. They need accurate data for confidence. ACTION Keep informed Seek their input Give them a voice
	Low	Low Engagement Low Seniority Often profess engagement but actually sabotage with no action and gossip. ACTION Enforce expectations Mentor and coach Highlight change	Low Engagement High Seniority Smart enough to support, so not to be called out. Often their reports know truth. ACTION Leverage 360 perspective Ensure a mechanism to challenge Be prepared prior to proof
		Low	High

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Tell the story, don't make a sale

Telling the story, is far more important than it might appear in a process flow. The story (narrative) can often come as an after thought or 'when we get evidence'. Where as in fact the story starts right at the point of getting sign off.

When done well you are creating an auditory and visual route map of the story unfolding and how the story will sound at the end. You are looking for this to capture the logical and emotional elements of all involved.

When we become fearful of getting engagement and sign off there can be a tendency to push, that can manifest in many ways, the most seemingly benign is an attempt at 'convincing'.

This with senior managers can come across as selling and selling has an air of desperation attached to it.

Experienced negotiators or example, know to create a storyline that solves problems and paints new futures, to allow the data to validate the direction as correct.

“Don't sell! Let the story do the work. Ask people to become part of the narrative.”



Really you are telling a story, a story of change

What becomes clear is that defining, collecting, making sense of and maintaining the motivation to collect data with prolonged evidence gathering requires sticking power. It is worth me pointing out that once 'data, shows shift' people start enjoying it. The absolute truth I find, is when you galvanise participants, they are the fuel that creates a never ending fire.

- Contracting with absolute transparency and clarity from the start
- Measuring what needs to be measured
- Ensuring that there is full public accountability for contribution to the process
- Maintaining the focus of senior teams as they battle being bewitched by their agendas
- Creating a vivid, engaging internal communication strategy that starts pre-event and continues through design, delivery, validity, embedding and sustaining is paramount

The outcome however will reinforce the value of the investment, enable further interventions to come into being, win awards, give genuine meaning, purpose and mission to those involved at all levels. In many ways it acts as the glue to those in support, delivery and attendance.

Creating a leadership programme in the terms discussed is also its own level of evidence that the foundations, the mechanics and the thinking is on point. What you are now asking people to do is join the effort and create the narrative.



A survey by Towers Watson on 'Change and Communication ROI', which involved 276 large and midsize companies found that 68% of senior managers said, "they were getting the message" about reasons for major organisational changes, the figure falling to 53% for middle managers and 40% for front line managers. This is a huge amount of people not only not getting the 'reason for the change', then being 'unable to contribute to a story they don't understand' and unable to 'make sense of the story they are being asked to connect to' as they cannot contextualise it.

A huge influence on the capability of a business to harness a new narrative is in its ability to change the 'collaborative congestion' that exists in most organisations. Culmative statistics indicate that 39% of employees worldwide say that people in their business don't collaborate enough.

About the author

Guy Bloom is a leadership specialist, he is the author of Living Brave Leadership, host of the Leadership Bites podcast.

He focuses on working with organisations and individuals who are looking to reinforce, calibrate and shift the performance of their leaders.

Guy is a judge on the Awards International Leader of the Year and previously the lead judge on the Training Journal's prestigious leadership award, having previously won it for his transformational change work.



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About Living Brave Leadership

I have a fundamental belief that **profit, sustainability** and **social value** comes through people and that success is as much about the short-term commercial imperative as it is about the longer-term sustainability and legacy of the business.

My frame of reference has always been **Human, Social** and **Commercial**.

What I bring to the table are learning solutions that enable **performance change** for the individual and the culture, which **track straight to the bottom line**.

Myself a hand picked team are driven by the belief that leadership is the story of a **'relationship in trust'** and this manifests itself in an **energy, passion** and **creativity** for getting things absolutely right for our clients and each other.

Our approach is built around **honesty, transparency, trust** and **accountability**.