ROI Guide for Leadership Development

How to demonstrate the value of your leadership development programs

Torch

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Why you need this guide

In HR Technology 2021, Josh Bersin estimates L&D spending on leadership programs at $14 billion worldwide. The importance of investing in leadership—at all levels in the organization—seems evident. So why do so many L&D leaders tell us it's difficult to show the value of leadership programs and justify existing or increased investment?

Measurement science in leadership development has not matured at the rate it has in other disciplines like marketing and sales. Why? Because the outcomes—the return on the investment—involve people and how their behavior changes and impacts the organization.

Though measuring this ROI can be complex, it's still possible to highlight the importance of leadership development in achieving organizational outcomes and find both quantitative and qualitative measures that help demonstrate its value.

We hope you find this guide useful in determining and telling the story of your program ROI. We learn so much from L&D leaders like you and, as always, welcome your feedback and participation as we evolve this practice.

How to use this guide

In this guide, we explain how to calculate two types of ROI:

1. **Outcomes you measure during a leadership development program**, like responses (or program engagement), learning, and behavior change
2. **Business outcomes you measure once the program ends**, like retention, promotion rates, increased performance, and team engagement

Since L&D programs align with different objectives and success measures, we focused this guide at the level of leadership development programs. Measuring at the program level enables you to better identify specific participants and measure change.

We start by focusing on the individual outcomes of a program for new managers so you can link the program and the individual outcomes as directly as possible. Then we look at the business outcomes resulting from the program (*through the learning and behavior change of the participants*). Of course, more variables come into play at this level, but our goal is to help you more clearly isolate the impact of the program.

By following the guidance and examples we present—and plugging your numbers into the worksheets provided—we believe you'll be able to better show the effectiveness of your Leadership Development programs and present the results in a compelling, persuasive way.

Set the stage for measuring program value

When you think about measuring program value, it's helpful to start by asking yourself what's important at your organization. What does your organization value? Which key initiatives are important to senior leadership? What does success look like? How are successful leaders expected to behave?

At the core of quantifying Leadership Development ROI is *measuring how people grow and change over time* and the many implications this has for your organization.

While growth of leaders shows up as changes in mindset and behavior, these changes can **either save or earn your organization significant money** because they translate into:

- Greater employee retention
- Greater likelihood of promotion
- Enhanced job performance
- Better team coordination and performance
- Increased employee and team engagement

So, what's the key to linking your programs to those outcomes?

We've seen that the most successful L&D leaders start with the overall business strategy (*e.g., "expand internationally" or "improve customer retention"*), and work backwards. A deep understanding of the organization's top-level strategy and related objectives sets you up to effectively design Leadership Development programs to support and contribute to overall strategy, and track your impact.

Before you begin designing any programs, answer these questions:

1. What is your organization's overall strategy and the associated objectives?
2. How does your leadership strategy support #1? What Leadership Development program outcomes does your organization value?
3. What leadership outcomes or metrics do you track that support #1 and #2?
4. What organizational or leadership values are important to include in your program strategy?

Follow a proven framework: The Kirkpatrick Model

A number of frameworks have been developed to help L&D leaders design programs that demonstrate leader growth and program ROI. Even if you choose to develop your own, we suggest basing it on a framework backed by adoption and research. That empirical industry backing will help provide the validation you may need when facing skeptics who question the value of your programs.

Why we recommend the Kirkpatrick Model

This model has been widely used for decades and continues to be an effective framework for many of the L&D leaders we work with. In this simple model, you track program effectiveness at four levels, as shown in the graphic.

As you move up this pyramid, the changes become more challenging to measure, but also **more impactful** and **more helpful** in convincing others of the value of leadership development programs.

The Kirkpatrick Model

Changes become more difficult to measure and more impactful

Business Results LEVEL 4

Is this growth improving the Business in a measurable way?

Behavior Change LEVEL 3

Are they implementing the skills and changing their behavior accordingly?

Learning LEVEL 2

Are participants acquiring the skills to change for the better?

Reactions LEVEL 1

Do participants like the program?

Proving the ROI of your program

What you'll ideally measure or show at each level

PROOF POINT - LEVEL 4 **Business Results**

Show your programs lead to tangible business outcomes.

+

PROOF POINT - LEVEL 3 **Behavior Change**

Show their behavior changed for the better (by applying the new skills they learned, for example).

+

PROOF POINT - LEVEL 2 **Learning**

Show they learned something.

+

PROOF POINT - LEVEL 1 **Reactions**

Show participants **had a positive reaction** to your program, specifically by liking and engaging with it.

= The ROI of your program

L&D program targets

In learning to develop (or use) a model like this, it's important to use a relevant program example that helps you test out its value. The table to the right shows an example of how you can define and measure your program at every level for a New Manager Program.

Let's explore...

Example L&D Targets *for a New Manager Program*

LEVEL 4 Business Results	*What business results can you associate and measure with this behavior change?*	• Team performance and engagement increases because the manager is empowering team members to do their best work
LEVEL 3 Behavior Change	*How will they apply what they learned?*	• Use a consistent approach or tool to keep track of team progress • Delivering feedback during one-on-ones
LEVEL 2 Learning	*What do you expect participants to learn?*	• Tracking team progress without micromanaging • Sharing feedback with direct reports
LEVEL 1 Reactions	*How do you hope participants will react?*	• Agree or strongly agree I would recommend this program to people interested in becoming better managers • Agree or strongly agree that I enjoyed participating in this program • Agree or strongly agree this program easily held my attention

Level 1: Reactions

Participant reactions are the foundation for program effectiveness. Why? We know that if participants aren’t enjoying and finding value, they won't recommend or promote the program.

This is where the story of your program ROI starts.

LEVEL 4 **Business Results**

LEVEL 3 **Behavior Change**

LEVEL 2 **Learning**

LEVEL 1 **Reactions**

Measuring reactions

It's tempting to base this story on participants' qualitative testimonials. But some executives will not find testimonials convincing. When your audience includes executives or business leaders, your story needs to go beyond a positive experience and signal business impact in the language your audience understands.

In addition to gathering some qualitative insights, capture and show positive program reactions quantitatively by converting anecdotes into data.

Approaches that enable you to do so include:

- Surveys that look at a program's Net Promoter Score
- Ranking responses to statements such as "This program helped me grow as a leader" in a Likert scale

Items and Likert Scales

"I'm an effective manager; This program helped me grow as a leader"

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1	2	3	4	5

Net Promoter Score

"I would recommend this program to others interested in becoming a better manager"

Strongly disagree — Strongly agree

1 2 3 4 5 6 7 8 9 10

When you survey participants, try to ask questions aligned with each level of the Kirkpatrick model. The goal is to elicit answers that help demonstrate how well your program did—or will—help participants.

We've included a table to help get you started.

Important note: the questions connected to Level 4—Business Results, are proxies for metrics like engagement, retention, and performance. Whenever possible, we would recommend combining them with data from engagement surveys, performance reviews, and promotion and retention numbers for a more accurate picture of impact. We'll cover this a little later on in this guide.

Likert-style Survey *(example)*

LEVEL 4 Business Results	• My organization has made a significant investment in my growth. • I feel well supported in my learning and development. • I feel more engaged at work. • My company cares about my development. • I can see how I will advance my career at this organization. • I am confident this program will improve my performance at work.
LEVEL 3 Behavior Change	• This program has helped me be more effective in my role. • I have started to incorporate what I learned in this program in my day-to-day role.
LEVEL 2 Learning	• This program helped me to develop new knowledge. • This program helped me to develop new skills.
LEVEL 1 Reactions	• I would recommend this program to people interested in becoming better managers. • I enjoyed participating in this program. • This program easily held my attention.
Participants should use this scale to rate statements	1 Strongly disagree · 2 Disagree · 3 Neither agree nor disagree · 4 Agree · 5 Strongly agree

Your turn

With the concepts covered on the prior page in mind, consider what kinds of reactions you hope to see for your target program. The L&D targets chart on the right is for you to add your notes level by level, from the bottom up.

Now, fill in the LEVEL 1 Learning field.

NOTE: Once you've gone through and filled all sections, you'll transfer each of your answers to compile a single, fully filled L&D targets chart HERE

L&D targets for your program

LEVEL 4 Business Results	
LEVEL 3 Behavior Change	
LEVEL 2 Learning	
LEVEL 1 Reactions	

Add your answers here

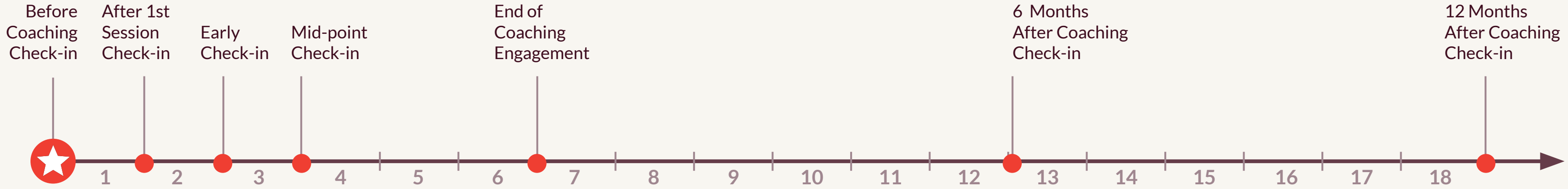
Survey fatigue is a real thing

Be thoughtful about how frequently you ask participants for feedback.

DO more frequent check-ins during the program, then lengthen the time between post-program check-ins.

DON'T burn out program participants with too many questions!

Example Check-In Frequency BY MONTH



Level 2: Learning

Here's where you show that participants are learning new information or skills that can help them grow.

LEVEL 4 **Business Results**

LEVEL 3 **Behavior Change**

LEVEL 2 **Learning**

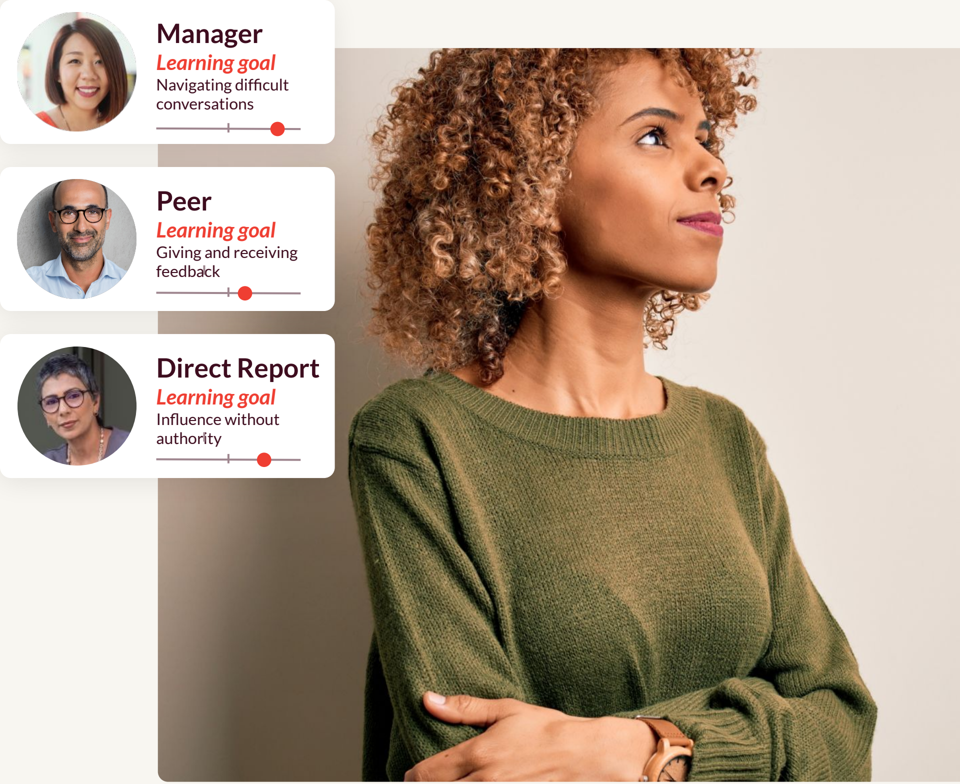
LEVEL 1 **Reactions**

Measuring learning

Here’s where you show that participants are learning new information or skills that can help them grow.

For example, when running a program for new managers, you want to help them recognize that they have acquired new skills. But even in some of the best programs, it can be difficult for participants to articulate what they’ve learned. The new skills don’t necessarily show up every day, or with every co-worker or other managers.

Software solutions have advanced in such a way that they can help you gather ongoing feedback from program participants’ colleagues, and even scale this feedback process across programs and cohorts. They can also help you better capture key elements like the goals participants set and their progress during and after your program.



Your turn

With the concept covered on the last page in mind, continue with the L&D targets chart to the right *(which you began earlier in the LEVEL 1 Reactions section)*.

Now it's time to add to your LEVEL 2 Learning field.

Fill in the skills and/or lessons you want participants to learn in your program.

L&D targets for your program

LEVEL 4 Business Results	
LEVEL 3 Behavior Change	
LEVEL 2 Learning	
LEVEL 1 Reactions	

Add your answers here

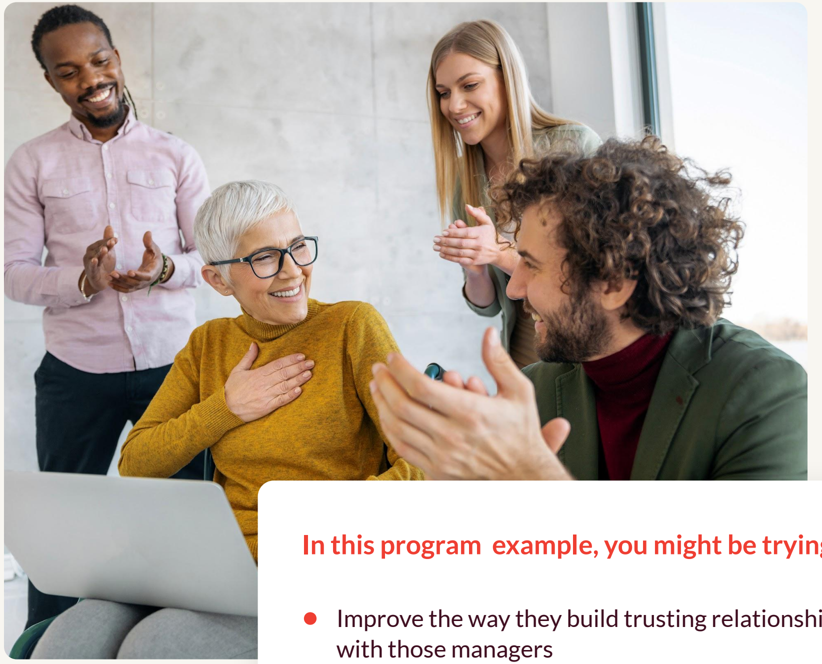
Level 3: Behavior change

At this level, you show that your Leadership Development programs lead to behavior change, and that participants are applying the skills they've learned.

Measuring behavior change

At this level, you show that your leadership development programs lead to behavior change, and that participants are applying the skills that they've learned.

Say you are running a program to support emerging leaders in moving up in the organization, from managing a team of individual contributors to leading a team of managers. To make this move, leaders must shift from developing great performers to developing great leaders and managers. Their span of control will no longer allow them to build and maintain deep knowledge of each team member's work. Instead, they need to build a team of managers they can trust.



In this program example, you might be trying to:

- Improve the way they build trusting relationships with those managers
- Cultivate and empower them through strategic delegation and question-asking

Your turn

With the concepts covered on the last page in mind, continue with the L&D targets chart to the right *(which you've already completed for Levels 1 & 2).*

Now you'll add to the LEVEL 3 Behavior Change field.

Fill in the behavioral changes you want participants to demonstrate in your program.

L&D targets for your program

LEVEL 4 Business Results	
LEVEL 3 Behavior Change	
LEVEL 2 Learning	
LEVEL 1 Reactions	

Add your answers here

Take note

Ideally, you want to measure change at the beginning and end of the program through the eyes of the leader’s colleagues. This measurement can pose administrative challenges, but in some cases, software can help ease the burden by automating and anonymizing the process.

Level 4: Business results

The apex of the pyramid is showing that your program impacts meaningful metrics for the business.

Measuring business results

We understand the desire to show quick results. But it's important to understand that it takes time to achieve and show meaningful business outcomes. The same is true for showing the impact of your Leadership Development program.

Because the linkage between the program and the business outcome is indirect, you'll need to gather more data over time to connect to the impact. By collecting data over time, you can discover trends that will help you directly illustrate the influence of your program.

Your turn

With the concepts covered on the last page in mind, continue with the L&D targets chart to the right *(which you've already completed for Levels 1, 2 & 3)*.

Doing great! Now fill in the business results you hope to impact with your program.

Once you are done, copy that answer and paste it into the blank L&D chart on the next page. *(Following suit with your answers from LEVELS 1-3)*

L&D targets for your program

LEVEL 4 Business Results	
LEVEL 3 Behavior Change	
LEVEL 2 Learning	
LEVEL 1 Reactions	

Add your answers here

In summary

Take time to compile all of your L&D targets for levels 1-4 in a single place. Using the links below, navigate back to each page and copy your answer to past into the corresponding field.

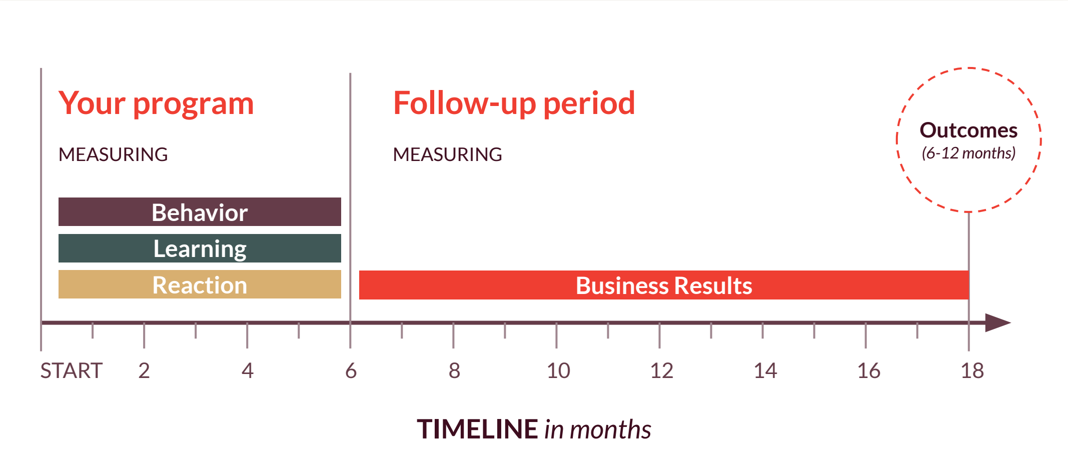
Once you are finished you'll have a complete reference of all the L&D target goals for your program.

LEVEL 4 Business Results
LEVEL 3 Behavior Change
LEVEL 2 Learning
LEVEL 1 Reaction

L&D targets for your program

LEVEL 4 Business Results	
LEVEL 3 Behavior Change	
LEVEL 2 Learning	
LEVEL 1 Reactions	

As a next step, we suggest you follow your participants for 6-12 months after they finish the program (at 6 months). Doing so separates your program from its effect, whether greater retention, a greater likelihood of promotion, better performance reviews, and more engaged direct reports.



We recommend a fairly long follow-up period of at least six months (*and ideally one year or longer*) since it takes a while for people to sort themselves into different groups:

- Retained vs. departed
- Promoted vs. in the same role

If you use too a short period (e.g., one month), you won't have enough data to argue for the success of your program.

Tips for calculating business results via retention and promotion

Though there are several program metrics that can help show business ROI, retention tends to be the easiest to convert into dollar savings. Every time a full-time employee leaves a company, it costs between one half to two times their annual salary to replace them according to Gallup. To help you confidently defend your numbers when you tell the story of your program ROI, here are two formulas for quantifying retention-related impact.

Formula to figure out the cost of departing employees:

125% x Average Salary at Your Company (*e.g., $100,000*) + Cost of Lost Productivity* and Recruiting = Cost to Replace Departing Employee

Formula to calculate the money saved for every employee your program helps retain:

Your Cost per Departing Employee (*125% of employee's annual salary*) x % Boost in Employee Retention = Amount Saved

*You can estimate the cost of lost productivity with this formula, assuming someone spends about 50 percent of their time searching for a new job during the search process: (50% salary)x(duration of time in months between day they start looking for a new job and their departure date)

Your program details

Cost per departing employee* — $50k

* Average of the 50-200% cost of losing an employee, per Gallup

Amount that program was found to **boost retention**** — +15%

Amount saved per 100 leaders who go through your program — $750k

Another opportunity to measure ROI is to attach a dollar value to each promotion that occurs because of your program. It's more cost effective and better for your culture to promote internal candidates than to recruit externally. While you might incur recruiting costs and lost productivity for the role the person vacates, they won't be as significant since you avoid those costs in filling the more senior role. So, even though you're promoting someone to a more senior position at a higher salary, it's likely you'll save between one half and two times that person's new salary by retaining them.

Here are some common business outcomes that you could measure connected to your programs:

The numbers below are examples only.

Promotion	Performance	Engagement	Retention
Likelihood of promotion after participating in the program	Likelihood of exceptional performance on next review	Teams showing higher engagement after program participation	Likelihood of retaining key talent year over year
3x-5x	+76%	+15%	+41%

Promoting internal candidates benefits company culture!

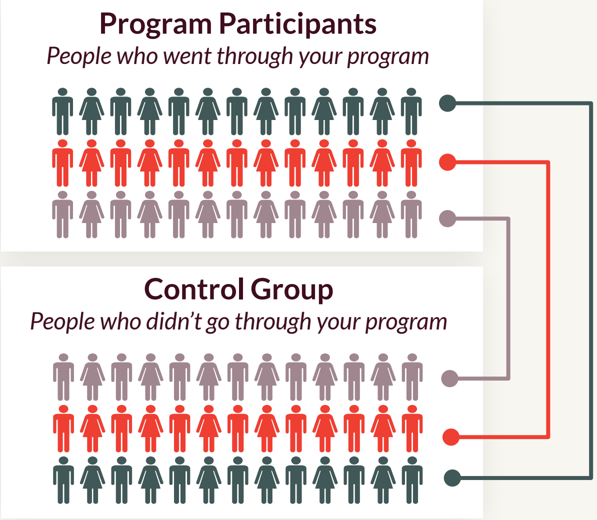
How to address ROI skeptics

Before you start your ROI measurement process, a word of caution: whenever you can, try to use a control group to evaluate the impact of your programs. A control group is the standard to which comparisons are made in an experiment. Using a control group allows you to show that the people who went through your program improved relative to people who didn't. In other words, you are able to make a stronger case that your programs (and not the quality of the participants) is what resulted in the positive outcome.

Control groups are most effective when they're as similar as possible to the group of program participants. Here's why. Say you run a 6-month program in your sales organization for 50 managers preparing to transition to directors but your control group is 50 IT managers. Even if you achieve amazing program outcomes, the comparison is less valid.

Your program participants and control group were so different that it's impossible to prove your program was responsible for the results.

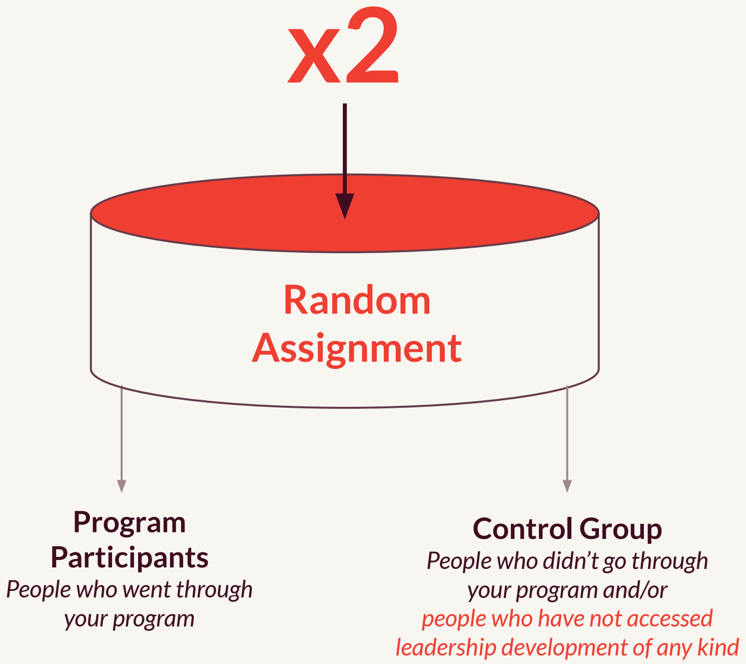
Your control group should be *similar in sex, race, level, etc.*



Another best practice is to use random assignment. Start with twice the number of needed participants and randomly assign them to either be in your program or in a control group. This increases the chances that participants in the two groups share the same characteristics.

Because random assignment requires a sophisticated approach, you might want to work with a partner who is well-versed in research design to support you. Or you could instead use a control group where you compare your program participants to a group of people who have not accessed leadership development program of any kind.

Once you create your two groups, make sure you don't find any significant differences between them in terms of age, gender and racial breakdown, level within the organization, and anything else you can measure.



IMPORTANT

Be sure to make sure these two groups are as similar as possible in age, gender, racial breakdown, level with the organization and anything else you can measure

Set your program up for success

As your ROI framework evolves, you'll want to embed it into your overall program design, ultimately creating an interconnected way of delivering and measuring the experience for your employees.

First, we'll show you an example, and then we'll provide space for you to **plug in the details of your program.** Keep in mind the best practices and inputs you've gleaned from this guide.

ROI Plan : *Example*

Remember to spell out how your program purpose connects to business strategy

Program's Purpose:

Prepare managers to make the transition to director in support of company's global growth strategy

Number of Participants:

100

Desired Business Results:

Successful promotion of 30 new directors within 6 months

Desired Skills Learned:

- Tracks team progress without micromanaging.
- Shares authentic feedback with direct reports.

Desired Behavioral Changes:

- Uses a consistent approach or tool to keep track of team progress.
- Delivers effective feedback during one-on-ones.

Desired Participant Reactions:

- I would recommend this program to people interested in becoming directors.
- I enjoyed participating in this program.
- This program easily held my attention.

Track and report on whichever fields are relevant to your L&D program

Duration: 6 months

Follow-up Period: 12 months

ROI Plan : Your turn

Use this worksheet to document your program and ROI plans.

Program's Purpose:	Number of Participants:
Desired Business Results:	Desired Skills Learned:
Desired Behavioral Changes:	Desired Participant Reactions:

Track and report on whichever fields are relevant to your L&D program

Duration:	Follow-up Period:

Effectively share your ROI story

As you gather and make sense of data about reactions, learning, behaviors and business results, review them for differences between program participants and your control group. The comparison data will shape the story of how your program it making a difference.

Remember, you will present a mix of quantitative and qualitative data to illustrate the power of your program. We recommend exercising caution here against overstating the impact of your program. Remember that correlation is not causation. In other words, just because the leaders that went through one of your programs were more likely to be retained relative to those who didn't, you can't say for sure that the program caused this outcome. But you can say the data shows a correlation between the two.

With that in mind, here are our top storytelling best practices you may want to call upon:

- Present the bottom line up front (BLUF)
- Highlight how program impact ties back to your company's business strategy
- Wherever possible, connect the results to each business leader's area of concern. For example, the CFO may be most interested in cost savings while team leaders may connect with retention and engagement impact
- Include specific examples of how measures such as higher team engagement have benefitted your organization at a strategic level
- Wrap up by explaining how you and the other leaders can act on the data, such as by expanding the program or collaborating to optimize the impact of programs going forward

A prime example

For inspiration, here's an example based on a Torch customer's six-month L&D program consisting of blended group training and personalized development for 120 participants *(with 775 employees in the control group*)*.

*Because this study was a post-hoc analysis of data that had already been collected, the control and experimental groups were not the same size

"My coach was very thoughtful in providing recommendations and thoughts around how I can reach my goals and what we'd work on to get there. I did not feel judged or undermined when responding to her questions and felt like she was receptive to my feelings as well." ~ TORCH PROGRAM PARTICIPANT

Program goal: Retain high potentials. Company wanted to create a premium experience for top performers to recognize their performance, invest in their growth, and ultimately retain them.

Business results: Increased retention. Up to 88% of program participants (105) were still working for the company 1-2 years after the program versus 58% of managers who did not go through the program.

Program impact: Increased engagement. Direct reports of managers who went through the program were significantly more engaged than the reports of managers who did not go through the program. Plus, for "I rarely think about looking for a job at another company," the score was 73 for program participants vs. 57 for the control group.

Participant experience: NPS Score 85; 92% satisfaction with coaching experience

Tie to strategic company objectives: Raised retention to help minimize the attrition during the Great Resignation.

In it together

Every day, we work with leaders like you to help them more seamlessly design, deliver, manage and measure their leadership development programs. We love sorting through the challenges and opportunities of measuring ROI and telling that story.

Do you want a partner to help think through how to measure and prove the impact of your L&D programs? **We'd love to talk to you. Schedule a conversation with us HERE.**

Torch

Torch is the People Development Platform that fuels growth through the power of trusted relationships

By combining coaching, mentoring, and peer learning with scalable technology, Torch helps L&D leaders design, manage, and measure programs that drive employee growth. Leading brands like LinkedIn, American Express, Genentech, Reddit, and Allstate use Torch to develop their people.

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