

Should You Compute Your Leadership Development ROI?

As the leader of a nonprofit, you might ask yourself (or your board or funders may ask you) whether you should try to compute your leadership development effort's return on investment (ROI). That is, should you calculate the effort's financial payoff, expressed as a multiple of the amount of money spent on it? There are certainly benefits for undertaking this kind of assessment. If you can demonstrate, for example, that the payoff for a pilot effort was four times the amount invested in it, you have a powerful piece of evidence that can persuade a skeptical board or funder to back a wider plan. And as we described in Chapter 1, Boys and Girls Clubs of America (BGCA) used the data generated by its study of ROI (compiled with the assistance of McKinsey & Co.) to rally its affiliates to the cause of leadership development.

But a few words of caution are in order before you decide to embark on the laborious process of calculating your effort's ROI. Gathering the data necessary to reliably compute ROI is enormously expensive and time-consuming. Even large corporations with ample resources and large staffs of monitoring and evaluation professionals have a great deal of trouble determining the ROI of various internal efforts. You may decide that for all its unquestioned value, the time, money, and organizational energy devoted to determining leadership development's ROI can be better spent elsewhere.

Many of the nonprofit leaders we've spoken with recommend that, at the very least, you focus first on putting in place systems and processes for gathering basic data on your plan. Because most leadership development occurs on the job, a logical place to start is to gauge whether your organization is providing its leadership candidates with enough on-the-job learning opportunities and whether line managers are stepping up to their coaching and mentoring responsibilities. Over time, you may be able to expand your focus to gauge what effect leadership development is having on organizational outcomes. Ultimately, you may decide to tackle the job of calculating the ROI of your efforts. But as we heard time and again from nonprofit leaders, don't focus on ROI at the expense of monitoring more basic data. Even if you don't perform your own calculation, you can always cite the ROI data compiled by organizations like BGCA to build support for your own leadership development efforts.

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