

### THE 12 BENEFITS OF FRONTLINE LEADERSHIP DEVELOPMENT

L&D professionals claim that leadership development programs benefit organisations in a multitude of ways, but is it true? Does the research support this contention? And do frontline leadership development programs in particular really deliver elevated organisational return on investment and effort?

DARIN FOX and ALISTAIR GORDON undertook an exhaustive scan of the data and present their conclusions.

BENEFIT 1 BETTER BUSINESS PERFORMANCE
BENEFIT 2 BETTER CUSTOMER SATISFACTION

BENEFIT 3 REDUCED HIRING COSTS

BENEFIT 4 BETTER INNOVATION

BENEFIT 5 BETTER CHANGE AND TRANSFORMATION

BENEFIT 6 MORE STABLE TEAMS AND TEAMWORK

BENEFIT 7 MORE HIGH PERFORMERS

BENEFIT 8 FEWER POOR PERFORMERS

BENEFIT 9 LESS NEW LEADER BURNOUT

BENEFIT 10 BETTER TALENT PIPELINES

BENEFIT 11 BETTER CULTURE

BENEFIT 12 BETTER LEARNING CAPACITY



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Companies that invest in leadership development perform better than those that do not.

In fact, they are *four times* more likely to outperform companies that have no leadership programs according to research<sup>1</sup>. Companies that invest heavily in leadership development can deliver stock market returns up to 5 times higher than those of companies that don't invest.

In a UK study of high versus low performing companies, at the higher performing companies 80% of employees rated their managers as effective or better, compared to just 39% at low performing companies.

- 1 2018 Global Leadership Forecast prepared by The Conference Board and Development Dimensions International
- 2 Business Benefits of Management and Leadership Development, February 2012



## Benefit 2 BETTER CUSTOMER SATISFACTION

Common sense tells most senior executives that happy frontline teams leads to happier customer experiences. Happy customer experiences deliver a quartet of business benefits: happy customers keep spending (retention), spend more (increased share of wallet), spend more often (frequency) and tell others to spend their money too (net promoters).

It is essential to note that the vast majority of customer-facing employees (80%) work in teams managed by frontline leaders.

The good news is that the research completely supports this common-sense view. As retaining customers is more profitable than finding new ones, retaining customers can increase profits by 25% to 85%, depending on the industry<sup>3</sup>. Overall, companies with high employee engagement are 21% more profitable<sup>4</sup>. While there are a number of factors which will affect employee satisfaction at work, the leadership of their people manager is by far the greatest contributor<sup>5</sup>.

- 3 Putting the Service Profit Chain to Work, Harvard Business Review, October, 2014
- 4 How Employee Engagement Drives Growth, Gallup Workplace, 2013
- 5 The boss factor: Making the world a better place through workplace relationships, McKinsey Quarterly, September 2020



We know research shows employees don't leave jobs, they leave managers<sup>6</sup>. Increasing the leadership capability of managers will improve employee retention, which in turn will reduce:

- Recruitment costs (typically 25% of an employee's salary package);
- Training costs (typically 20% of an employee's salary package); and
- Lost productivity due to team disruption and loss of knowledge (this varies depending on the complexity of the role, but as an example, it can take between 3 and 6 months for a replacement employee to replicate the effectiveness of an experienced employee who has left).

One report<sup>7</sup>, for instance, shows that 100% of its survey respondents cited leadership as a key factor in tapping into employee happiness and impacting retention. Another study<sup>8</sup> even found that 63% of employees who were 'always' or 'usually' recognized said that they are 'very unlikely' to job hunt in the next 3-6 months. In contrast, it also found that just 11% of those who are 'never' or 'rarely' recognized would agree with this.

Companies that excel at leadership development, Josh Bersin<sup>9</sup> has found, spend as much as 60% more on development programs than do less sophisticated counterparts. The payoff: employee retention that is *20 times* greater than that of companies with less focus on leadership development, saving a huge amount of costs.

6 - 2018 Employee Experience Report, Udemy in Depth; 7 - Work Institutes 2020 Retention Report; 8 - Can employee recognition help you keep them longer? Curiosity at Work, 2019; 9 - Driving Performance: How Leadership Development Powers Sustained Success, Center for Creative Leadership, 2017



A 2018 study<sup>10</sup> in *The Leadership Quarterly* conducted a comprehensive review of 195 studies exploring the links between leadership, creativity and innovation.

The study showed that Leadership is a key predictor of creativity and innovation at all levels, from the individual to the team, and the greater organisation. Elevated leadership led to better innovation outcomes.

Note that there are three types of innovation - incremental (often executed by frontline teams), strategic, and disruptive. When it comes to frontline teams, elevated leadership at this level enables continuous improvement in processes and efficiencies.

Poorly managed frontline teams are focused on fighting fires rather than process improvement.

10 - Leadership, creativity, and innovation: A critical review and practical recommendations, The Leadership Quarterly, 2018

# BETTER CHANGE AND TRANSFORMATION

Every senior leader knows the challenges of driving change and transformation throughout their organisations. It's hard: about half of change initiatives fail, whereas only 34% report clear success, and a further 16% of change initiatives report mixed results<sup>11</sup>.

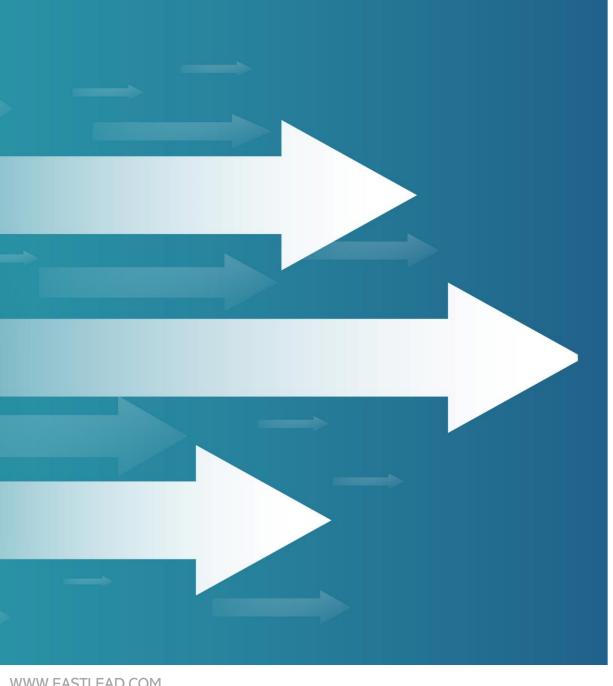
Successful change lives and dies off the backs of the individual people managers. When facing an unpredictable business environment, 86% of organisations with leadership development programs are able to respond rapidly, compared with only 52% of organisations with less mature leadership programs<sup>12</sup>. Engaged employees make for more successful change implementation.

- 11 Managing Organizational Change, Gartner, 2020
- 12 Leadership Development: Growing Talent Strategically, SHRM, 2014









Benefit 6 **MORE STABLE TEAMS AND TEAMWORK** 

In benefit #3, we saw keeping employees saves significant recruitment and disruption costs. But there is also substantial benefits to retaining employees.

- Employees get better and better at their jobs, generating more productivity.
- More stable teams lead to less disruption and more teamwork.
- Leaders are able to spend more time on leading, rather than recruiting for vacancies.
- Longer-term employees are likely to be promoted, which has two advantages - they are likely to be able to hit the ground running faster because they are familiar with the organisation, and promoting from inside the organisation is far cheaper than external recruitment of more senior people.

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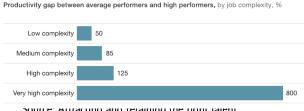
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The impact of retaining top talent cannot be underestimated. A comprehensive study<sup>13</sup> of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400% more productive than average ones. Even in roles of low complexity, the performance gap between average and high performers can be 50%.

Having leaders who through very competent leadership retain and motivate these high performers leads to far superior productivity.



Source: Attracting and retaining the right talent, McKinsey & Company, 2017

13 - The Best and the Rest: Revisiting the Norm of Normality of Individual Performance, Personnel Psychology, 2012





Positive churn is where the employees who are low performers, not adding economic value to the organisation and can be toxic, are developed or are quickly managed out of the organisation by managers. Capable, well-trained managers are more confident in dealing with low performers.

If you have poor leaders, unsatisfactory performance does not get addressed. Poor managers avoid the important conversations. There are many negative implications of this:

- Poor performance continues (a drag on overall organisational productivity).
- Other team members see that poor performance not being addressed (a drag on engagement, and a possibly resulting in employees believing low performance is acceptable).
- Typically, the unsatisfactory performance of some employees means the better employees have to pick up extra work (a drag on engagement and retention of the organisation's best employees.).

Organisations need positive churn – weeding out poor performers – which is always higher when organisations invest in building leadership capabilities.

This is particularly true at the frontline leader level – where typically 80% of an organisation's employees are managed, and the weakest performers often reside. Quickly improving or constructively weeding out poor performers increases morale and innovation for *all* other employees<sup>14</sup>.



The most difficult leadership transition is often that from individual team member to frontline leader. This means that those your organisation has recently appointed as newly minted leaders are at the most risk of burning out – and leaving – if they find the job overwhelmingly difficult.

It follows that setting new leaders up for success by supporting them with leadership development hugely reduces the organisation's risk of losing an excellent individual contributor who has been recently promoted.

A high-quality frontline leader training program is generally a competitive advantage. Studies by CEB Learning and Development Roundtable (now Gartner, and paywalled) show that 60% of new managers underperform and often develop negative habits that are hard to break or hold them back for years. New managers need to have training early so they are set up for success and to stop the possibility of ingraining bad habits.



## Benefit 10 BETTER TALENT PIPELINES

Teams run by highly competent frontline leaders become talent factories. These leaders are able to retain top talent and produce other competent frontline leaders that are ready to lead elsewhere. Very often, your best leaders will be exporting talent to the rest of the business.

This reduces both the cost of hiring leaders from outside the business, and also hugely reduces risk. Organisations know exactly what they are getting with internal candidates. A Bersin report<sup>15</sup> on "High-Impact Leadership Development" reports: "Great leaders attract, hire, and inspire great people. A mediocre manager will never attract or retain high-performing employees."

15 - Driving Performance: How Leadership Development Powers Sustained Success, Center for Creative Leadership, 2017







Studies<sup>16</sup> show that poor and outdated leadership behaviours such as autocratic, transactional, or charismatic styles have a *negative* impact on productivity, increases in sick leave and decreases in employee retention. Better leadership behaviours, such as democratic and transformational styles, have a positive effect on employees.

Leadership development programs that focus on helping leaders develop leadership behaviours and styles that produce productivity and engagement amongst team members, are seen to have a direct positive impact on organisational productivity.

Significant global research<sup>17</sup> across many countries and cultures have shown this direct impact on productivity. More modern leadership styles also help build trust, equity and fairness in the way organisations treat their employees, with many positive benefits accruing.

16 – Impact of Leadership Styles on Employees Productivity in Organizations: A Comparative Study Among Leadership Styles, Productivity Management, 2021

17 - Impact of Leadership Styles on Employee Performance: A Review of the Literature, Journal of Business Studies, 2018

#### **Benefit 12**

#### BETTER LEARNING CAPACITY

It turns out that the more people learn, the more they can and want to learn.

Study results show<sup>18</sup> that participants undergoing leadership training improved their learning capacity by 25%, along with improving their performance by 20%.

The research suggests that the more frontline leaders learn, the more they want to and can learn. It is a virtuous circle. This is particularly true when leadership programs offer extensions and digital assets that can be self-paced. (Just relying on one program to produce this virtuous learning impact doesn't work<sup>19</sup>.)

The more effective the learning program, the more long-term the learning capacity impact. Coaching-based modern leadership programs are likely to accentuate the effect, as well as programs which are immediately applicable rather than theoretical.

18 - Leadership Training Design, Delivery, and Implementation:
A Meta-Analysis, Journal of Applied Psychology, July 2017
19 - Blended Learning is Better than Instructor-led or Online Learning Alone, Association for Talent Development, 2012



### CONCLUSION: IF YOU CHOOSE THE RIGHT PROGRAM, FRONTLINE LEADERSHIP INVESTMENTS DELIVER EXTRAORDINARY RESULTS

Notwithstanding a leadership development intervention across the organisation can be a sizeable investment, the research shows it has outstanding return on investment. Some of this is visible (tangible), and some of it is less visible (intangible), but the studies we quote here have proved that these impacts can and have been successfully measured.

A review of the data above suggests that leadership development is not a *nice to have*, but rather is a *must have* for organisations that wish to reduce costs, improve efficiencies, and serve their customers better.

The next challenge for senior executives and learning and development professionals is to choose leadership development program designs that are really effective at the frontline leadership level.

This is not easy because frontline leaders:

- prefer applied learning rather than theoretical training
   they want news they can use.
- don't want to be away from their team for days of training (and most senior executives don't want these leaders away from their teams for too long either).

• older 'death by PowerPoint' programs only generate a limited amount of learning.



### THE RIGHT FRONTLINE LEADERSHIP PROGRAM MEETS THE FOLLOWING CHECKLIST.

#### •• FASTLEAD

In order to get the 12 benefits of frontline leadership development, organisations have to choose programs that deliver multi-faceted learning, how modern leaders want it delivered. HFL's FASTLEAD program, based around small group coaching, delivers on all these criteria. It's the right program right now. Ask us for a briefing at info@fastlead.com.



