

Valuing Leadership Training: Economic Impacts and Return on Investment

**Jim Mahone, University of Guelph,
Chuck Bokor, Ontario Ministry of Agriculture, Food and Rural Affairs**

July 2000

What is the economic impact of a leadership development program? Is the return on investment for leadership training significant?

Quantitative measures can be easily used to determine the efficiency of a leadership program, usually related to the program's delivery. Examples include: resources used, activities conducted, the number of people involved, their reaction to the program, etc.

The effectiveness of a program is determined through a higher level evaluation, and might measure the amount of learning by a participant, or the extent and quality of the application of that learning in their "back home" situation. Higher level evaluations consider whether the program produced results, and the highest of all levels focuses on impacts: social, environmental, and economic.

Leadership development practitioners have called for tools and techniques to measure the impact of their work. Their primary need is to measure the economic impact of their programs to help them in their reporting to sponsors, in their marketing, and in their search for funding.

The number of jobs created or the change in income as a result of a leadership program is not easily determined. The changes brought about by leadership development tend to be intangible and hard to trace. Societal level impacts are not generally realized immediately following the completion of a leadership development program, and often times the changes seen over time may be attributed to other sources.

This paper presents the results of two quantitative studies on two separate leadership development programs and describes the approaches used to determine the return on investment for each.

Programs Descriptions

The **Advanced Agricultural Leadership Program (AALP)**, established by the Ontario Ministry of Agriculture, Food and Rural Affairs, the University of Guelph, the Ontario Federation of Agriculture and the Foundation for Rural Living provides an opportunity for emerging leaders in all levels of Ontario's agri-food system to develop the skills, knowledge, broad perspective and positive attitude needed to shape the future of Ontario agriculture. It is formal, intensive and rigorous and includes 2 two week study tours in addition to nine 3 day seminars over an 18 month period. Seminars deal with advanced leadership skills development, decision-making, national and international trade, marketing, economics, business, environment and resources, working with the media, trends in agriculture and society, government and political systems and negotiation skills. In addition the program conducts 2 two week study tours one in North America (Canada and the US) and one international tour outside the North American continent

10 Steps to Community Action is a community based, rural leadership development program. It is based on the belief that increasing the ability of local leaders stimulates rural areas to become more competitive and self-reliant, thereby increasing the chances of developing a prosperous local economy. This program is shorter in duration than AALP, less rigorous in both selection and curriculum content and provides a limited out of area study experience. 10 Steps is locally designed and provides a variety

of experiential learning activities. Participants have the opportunity to develop their individual, organizational and community leadership skills; increase their awareness and understanding of local community issues: and to create a skilled network for community action.

Methodology

Overview

Even though both research studies had similar objectives and operated under the same philosophies the two study groups were different. In their individual situations outside the program, the AALP participants were engaged in activities where much economic information is readily available. 10 Steps participants worked in the volunteer sector where there is relatively less economic related information. In both studies, every effort was made to be as prudent as possible, erring on the side of conservatism. Expert opinion was utilized for confirmation and verification of aggregate impacts of the aggregate impacts of the AALP graduates. This paper provides an overview of the methodology. Detailed methodologies are included in the Appendix.

Data Collection

Participant Interviews

- significant activities the graduate has been involved in since the program
- perceived contribution of the individual graduate to the success/effectiveness of the identified activity
- percentage of the impact due to the program versus other training and experiences.

Secondary Data

- collected from sources that corroborated with the information from the graduate interviews.
- assist in developing assumption for cumulative impacts.

External Perspective

- Persons external to the programs who have knowledge of graduates work to determine their view of the impacts of the training on graduates.

Costs

- **Participant Costs** = Tuition + Replacement costs related to relief workers, baby sitters, etc., + travel costs to get to and from the seminar sessions + opportunity costs for the lost time either from the farm or from work.
- **Program costs** + operating + salaries
- **Speakers costs** - actual + opportunity costs
- **Direct administrative and operating expenses** (Salaries, room rentals)
- **In kind contributions** (Board participation, donation of rooms, meals etc.)

Benefits

Individual Contributions

Value of Gain X % Individual Contribution X % Program Contribution

Assessment of Benefits Projected to 2005 for AALP - Estimated that from 1996 to 2005 the amount of benefits that can continue to be attributable to AALP declines to 25% of the original level. Only projections for net societal benefits were calculated,

Aggregate benefits are the result of substantial changes to the general policy environment of the agri-food sector that affect the entire context of agriculture and have widespread effects. A number of AALP graduates, in senior leadership positions, have made significant contributions whose aggregate impacts are the consequence of a more cohesive, proactive agricultural community, which in forming coalitions and various critical partnerships, has increased the control of producers, contributed to more effective programs and helped create a favourable perception of agriculture with the media and the public. A number of experts in different fields within the agricultural and rural sector were consulted to create a scenario in which the viability and size of the agricultural sector with and without the graduates of AALP was created.

Assessment of Benefits for 10 Steps - Benefits for the program were calculated for the first year following participation and also for a period of 2 ½ years after graduation. It was assumed that the benefits would have lasted longer than one year but not indefinitely.

Individuals

- Attitude/Perspective - increase in confidence and more conscious of their strengths and gained a broadened perspective
- Skills - improved public speaking, clearer writing, improved negotiation and arbitration, ability to lobby, resolve conflict, analyze issues and think critically.
- Knowledge - gained new insights and acquired more general knowledge of markets, agricultural trends and issues pertinent to rural communities

Institutional development - organizational viability and efficiency and community viability

Business development - greater efficiency of production, increased value-added and employment and business creation

Environmental impacts - environmental enhancement.

Net Present Value of Individual Contributions and Aggregate Benefits from 1987 to 2005

	Total Program Costs (1995 \$)	Individual Contributions from 1987-1995 (ag/rural)	Individual Contributions from 1987-1995 (society)	Individual Contributions to 2005 (society)	Aggregate Benefits: from 1987 to 1995	Aggregate Benefits: Projected to 2005
	1,950,002 (64) 2,366,570 (86)	21,242,536	16,155,932	48,267,533	126,208,800	423,776,400
Benefit/ Cost Ratio		11:1	8:1	25:1	53:1	179:1

Annual Value of Economic Activity Impacted by 10 Steps for the 50 Respondents

Sector Considered	Value of Gain	Individual Contribution in Percent	Value of Individual Contribution	10 Steps Cont'n in Percent	Value of 10 Steps Cont'n
Tourism	\$57,527	54%	\$310,812	25%	\$76,242
Business	\$4,037,750	19%	\$753,000	17%	\$131,210
Services For Seniors	\$843,720	33%	\$282,524	19%	\$52,413

Employment Services	\$5,888,050	49%	\$2,857,455	22%	\$630,656
Environment	\$183,650	25%	\$46,285	40%	\$18,475
Youth & Children	\$181,260	33%	\$59,938	29%	\$17,111
County Workers	\$41,030	55%	\$22,660	30%	\$6,827
Religious Activities	\$15,762	29%	\$4,578	40%	\$1,841
Other	\$84,150	49%	\$41,465	26%	\$10,985
Total 1 Year	\$11,854,899	37%	\$4,379,217	22%	\$945,758

Benefit/Cost Ratio for 97 10-Steps Participants

	First Year	Entire Period
Total Benefits	\$1,834,771	\$4,586,926
Total Costs	173,318	173,318
Benefit/Cost Ratio	10.6	26.5
Total benefits excluding the largest gains in each sector	\$665,348	\$1,663,370
Benefit/Cost ratio	3.8	9.6

Similar studies on other processes produce similar results in terms of cost/ benefit ratios. For example, expenditures that generate very high benefits over a long period of time include agricultural research (estimated 40:1); meat inspection and grading programs (ranged from 5:1 to 10:1); and seed assurance programs (ranged from 4:1 to 8:1).

Through leadership training graduates of AALP have been able to influence the direction and course of the evolution of Ontario agriculture and have helped the sector develop a competitive position both domestically and abroad.

A 10%-15% return on investment, which translates into 10 to 15 cents for every dollar spent is normally considered is normally considered a favourable rate of return. These two studies point to a return on investment for leadership training programs in excess of \$25 for every dollar invested.

The benefits of leadership training through AALP projected to 2005 provide a benefit-cost ratio of 25:1 comparable to the returns on agricultural research.

The benefit-cost ratios of the aggregate measures are extremely high. Benefits from past activities generated a ratio of 53:1 and when projected to 2005 generate a rate of return of 179:1.

The reason these ratios are so high can be explained by the fact that leadership training develops the capacity in individuals to deal with all kinds of situations. The benefits of making the right decision for individuals in senior positions of leadership can be tremendous while the costs of making the wrong decision can also have substantial impacts.

