



RESEARCH RESULTS

LEADERSHIP DEVELOPMENT

RESULTS OVERVIEW

- PROGRAM YIELDED A HUMAN CAPITAL ROI OF 1,200 PERCENT, OR AUS\$2.3M, TO THE SENSIS BUSINESS.
- MANAGERS OBSERVED AN 18.6 PERCENT INCREASE IN PARTICIPANTS' ON-THE-JOB PROFICIENCY.
- PARTICIPANTS REPORTED A 29.7 PERCENT INCREASE IN THEIR CONFIDENCE IN APPLYING THE SKILLS COVERED BY THE TRAINING.
- STAFF RETENTION RATE INCREASED BY 20 PERCENT.

INDUSTRIES

Australian Directories, Multimedia Advertising, and Online Information

ORGANIZATION

Sensis Pty Ltd

DDI PRODUCTS USED

Interaction Management®

BUSINESS NEED

Sensis, one of Australia's leading directory, advertising, and information providers, manages brands such as White Pages® and Yellow Pages®.

In 2003 almost half of Australia's internet users visited sites managed by Sensis¹. George Elsey, General Manager of HR, says Sensis aims to be "the major player in local Australian advertising and search, and our growth strategy includes the development of online, voice, and wireless multimedia search solutions tailored for the local market."

To meet this objective, the organisation places a high priority on the development of its people, which is reflected in its commitment to personal and career development. Interaction Management® was rolled out in response to this commitment. The courses selected for the training were determined by results from an

EOS survey and follow-up focus groups. The survey results highlighted the need for leadership development in talent management, coaching, team leadership, trust, and change.

SOLUTION

Sensis chose several Interaction Management® courses to address these needs. The courses, delivered as part of a 12-month development program for new leaders, were:

- Core Skills for Building Commitment
- Delegating for Productivity and Growth
- Facilitating Improved Performance
- Follow Up to Support Improvement
- Guiding Conflict Resolution
- Keeping Talent
- Trust: Strengthening the Foundations
- Guiding the Development of Others
- The Empowering Leader
- Leading Your Team to Optimal Performance
- Leadership Facilitating Change

The Interaction Management® suite of programs is designed to bolster a leader's ability to build strong teams, foster a culture of accountability, engage a diverse workforce, coach for success, make decisions quickly, and select the right talent.

Thirty-nine leaders from Melbourne and Sydney participated in this year-long structured management development initiative.

¹ Sensis web site

RESEARCH DESIGN

Along with questionnaire information on participant reaction to the program, data was collected from leaders and their managers about participants' demonstrated leadership behaviour before training and six months after completing the program.

Twenty-two of the 39 leaders who undertook the training completed the post-training evaluation, as did eight of their managers, some of whom supervised multiple participants. Questions covered key skill areas addressed in the training, from participants' ability to provide feedback to team members to their ability to develop strategies for influencing others.

The managers rated how often the trained leaders displayed 17 critical behaviours before and after the training using a five-point scale, with 1 being "never" and 5 being "always." Program participants, using the same five-point scale, rated their confidence level in applying the skills before participating in the training and after completing the training.

RESULTS

Program reaction

The University of Sensis states, "The format of the program enabled [participants] to discuss issues affecting them as leaders today with others leaders. It also allowed for the participants to have a risk-free environment to practise the skills learned in the program in both case-study and real-life situations before implementing them back in the office."

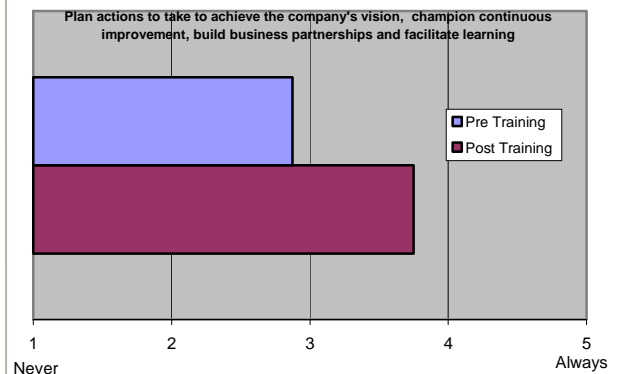
All trained leaders rated the objectives and concepts covered by the program as "very good" to "excellent." Comments received after the training included:

- "It provided me with very useable tools and supporting documentation that can optimise my team's performance and mine."
- "It covered the skills we, as leaders, need to use on a daily basis."
- "It delivers usable tools that can be implemented straight into the workplace. Great workbooks and templates to use."

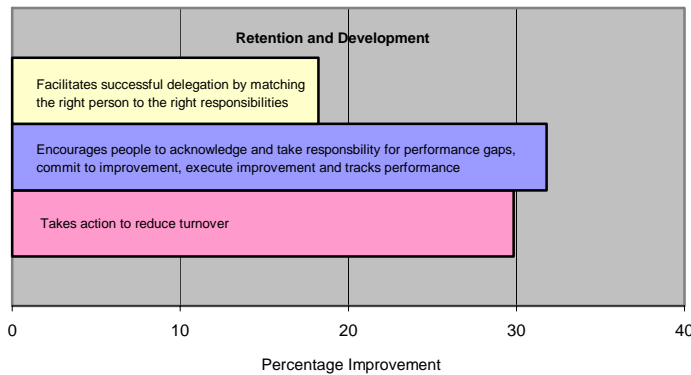
Behaviour Change

Managers observed an 18.6 percent increase in on-the-job proficiency following the training, and the organisation realized a 20 percent increase in the retention rate.

To deliver on Sensis' ambitious vision, it is critical that managers and team leaders link their actions to the company's vision and encourage staff and peers to work toward this common goal. Overall, managers observed an average 18.6 percent increase in the on-the-job effectiveness of trained leaders following the training. When examining changes in individual behaviours, managers saw a 30.4 percent increase in the ability of trained leaders to plan actions they could take to achieve the company's vision, champion continuous improvement, build business partnerships, and facilitate learning.



A key business driver behind the initiative was the need to develop the leaders' skills in providing coaching and feedback to aid in the retention of talented employees. Managers and leaders observed an increase of 29.9 percent in the ability and confidence of leaders to develop their staff through delegation; a 33.5 percent increase in encouraging staff to take ownership of performance gaps and execute improvement plans; an 18.2 percent increase in action taken to reduce turnover; and a subsequent 20 percent reduction in turnover during the term of the program.



Managers were asked to provide workplace examples of these behavioural changes. Examples included:

- “Discussions with team members are more constructive.”
- “Better at recognizing good performance and giving praise to his people. Improved on his method of giving feedback.”
- “Prepares for and conducts successful improvement discussions.”
- “More relaxed with team, delegating to the team, and developing certain staff for long-term retention.”

Program participants indicated their confidence in applying the skills covered by the training had increased dramatically, reflected in a 29.7 percent increase in that area.

Participants also reported a 48.8 percent increase in their confidence in handling challenging, conflict-related discussions effectively and a 39.6 percent increase in their confidence in encouraging their team members to acknowledge performance gaps and carry out improvement plans.

Return on Investment

This increase in skills and retention represents a return of 1,200 percent—or more than Aus\$2.3 million—on the training investment made by Sensis in the year following the training.

Calculating a return on investment (ROI) requires converting improvements into a dollar value. To estimate the value of the behaviour change found in the post-training findings, we placed a value on incremental improvements in leader skills based on the premise that leaders who change their behaviour in critical skills become more valuable to the organisation (i.e., an improvement in human capital).

One way to determine the value of an individual employee is to use his or her salary. Employees should return to the organisation a level of value in proportion to what they are paid. When employees improve their skills, their value increases in proportion to their salaries. Each employee should bring back at least that amount of value to the organisation or he or she is a “losing investment.”

Using the behaviour change ratings reported by participants' managers, we estimated the dollar value of the improvements based on salary. We

CONTACT INFORMATION

WORLD HEADQUARTERS
412.257.0600

E-MAIL INFO@DDIWORLD.COM

WWW.DDIWORLD.COM/LOCATIONS

subtracted program costs and computed an overall percentage ROI. Some assumptions involved in the calculations are listed below. (All calculations are made in Australian dollars.)

- Program costs, including training materials, facilitator salaries, accommodations, and travel to deliver the programs, were \$85,416.
- Cost of attendance based on an average of participant salaries was \$108,000 (excluding lost opportunity costs).
- The skills addressed in the 11 training courses represented the broad spectrum of the job skills required by Sensis leaders.
- Behaviour change: Average improvement in ratings (post minus pre rating) for the trained group, as observed by participants' managers.
- Deviation of leader performance: Salary \pm 40 percent (the highest performers are worth the average salary plus 40 percent; the lowest performers are worth the average salary minus 40 percent).²
- With each of the 39 leaders having 10 direct reports; the reported 20 percent reduction in turnover equated to increased retention of 78 direct reports for the trained group. Half of this increased retention could be directly attributed to the rollout of training; the retention saving represented 1.5 times the average salaries of these direct reports.³

Using these calculations, the return on investment to the Sensis business is \$2,329,680; that is, a return of \$12 for every \$1 of training investment.

² Schmidt and Hunter (1983, *Journal of Applied Psychology*) examined empirical estimates of the variability of employees' productivity as a percentage of annual salary. They found that the standard deviation varied from about 40 to 60 percent of average salary. For these analyses, the more conservative 40 percent estimate was used.

³ Several studies have concluded that the cost of turnover can be 1 to 3 times employees' salary.

CONCLUSIONS

Sensis' business strategy includes a commitment to the learning, growth, and development of employees. This study of leader behaviour shows that Interaction Management[®] made a quantifiable difference to the Sensis business. It helped the leaders who participated in the program link their coaching and development efforts to the Sensis vision and values and delegate for both growth and increased productivity.

These enhanced leadership skills, and the increase in development opportunities for the staff reporting to trained leaders, helped leader deliver on their vision and "people commitment" and contributed to a significant decrease in turnover and an increase in productivity for the Sensis business.