

Ernst Enterprises Newsletter



THE VALUE OF A GREAT LEADER Use This Formula To Calculate Your Leaders Value

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IT'S ABOUT LEVERAGE

The leader/supervisor/manager's value to an organization goes beyond his or her individual contribution. Leaders impact the contribution and productivity of all the employees who report to them. ***To calculate their value you must multiply the potential by the number of direct reports.***

While reading DDI's (Development Dimensions International) website I came across the topic "Calculating the Value of a Great Leader"[\[1\]](#). The article summarized in a financial way the value a great leader brings to your organization and why investments in developing talent produce such a high return on investment for the company.

TWO IMPORTANT FACTORS

Let me expand on two of the most important factor first.

Average Salary: Whatever salary an organization pays for a leader, he/she should bring at least that amount of value to the company, or that person could be considered a losing investment. DDI cites past studies that show there is about a 40% deviation in performance for a given role. So an average leader might be worth \$80,000, a great leader worth \$120,000 (+40%), and a poor leader worth \$48,000 (-40%).

Number of Direct Reports: The article states that a great leader gets 10% more productivity out of his/her direct reports; poor leaders get 10% less. ***Therefore the value of a great leader grows exponentially based on the number of direct reports managed.*** Why is this? Great leaders engage in performance enhancing activities such as: setting clear performance

leaders engage in performance enhancing activities such as: setting clear performance expectations, giving prompt and frank feedback when performance is not up to expectations, coaching and counseling employees to encourage performance above the minimum, and quickly recognizing and rewarding (financially and/or non-financially) performance at or above expectations. Those actions drive productivity and help organizations quickly remove employees who are not performing effectively every day.

Additional leader value factors mentioned in the article are:

- Average Salary of Direct Reports
- Turnover of Direct Reports
- Number of Days a Direct Report Position is Open Before Being Filled
- Cost to Replace a Direct Report

MAXIMIZING THE ROI OF YOUR INVESTMENT IN MANAGERS

We feel employees represent a significant part of your invested capital versus a significant expense. When a company views employees and managers as an expense they take action to minimize those expenses. When a company views employees and managers as (human) capital they take action to protect those investments by investing in updating and developing their skills.

Think of this the same way you think of an investment in computers and software. Most companies upgrade their computers every few year and use the most current version of software. Not investing in the upgrading of your manager's skills would equate to using 8-year-old computers and software. It is not surprising that in many companies the managers are not able to maximize the investment you have made with their compensation because their skills have become "vintage" or dated.

Ask yourself, how many management skills classes or seminars have your managers attended in the past 2 or 3 years to maintain or update their management skills? If the answer is none or maybe one, then your managers cannot operate to their full potential and it is very likely their direct reports are likewise operating below their full potential. Imagine the opportunity you have for increasing productivity and effectiveness?

Call Dawn Bremer today at 847/456-6334 to schedule your appointment to learn how to determine the true value and potential of your managers, and how to turn your managers into better leaders --- some becoming even great leaders. Or come to our [website](#) to learn more.

[1] See <http://www.ddiworld.com/imex/greatleadervalue.asp>?

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Sincerely,

Mark

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Ernst Enterprises, LLC

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