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The Effect of a Leadership Development Program on Behavioral and Financial Outcomes: Kazakhstani Experience

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Abstract

Nurturing of leaders within an organization has become an increasingly important phenomenon in the highly competitive global economy. In a long-term, quasi-experimental study we explored whether the delivered leadership development program has any effect at the individual and organizational levels. The in-house one-year leadership development program was conducted at the local company in Kazakhstan. The sample included 44 regional mid-level managers of the company. To reveal an effect of the training program, we identified two different outcomes to discover leadership behaviors at the individual level and sales results at the organizational level. We used a pretest-posttest control group design to reveal significant differences between trainees and non-trainees. The results of the study confirm the effectiveness of the leadership development program. Based on a statistical analysis, the t-test revealed statistically significant differences on behavioral scales, Vision, Support and Relentlessness. Linear regression indicated that who were trained performed better in terms of sales outcomes than those who received no training. Thus, the study supports both hypotheses and indicates clearly that the leadership development program has had an effect on two different outcomes of trainees compared to non-trainees and might be stipulated as an effective program.

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1. Introduction

Experts affirm that leadership development is a powerful force for development of competitive advantage driving business impact (Conger, 1993; Connaughton et al., 2003; Fulmer, 1997; McCall, 1998; O'Leonard & Loew, 2012; Parry & Siha, 2005; Vanderslice, 2009; Vicere & Fulmer, 1998). Nowadays, a leadership

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development program is one of the most popular methods of developing managerial and leadership skills within an organization. Organizations are committing to training and development to enhance their leadership potential (Conger & Benjamin, 1999). Fulmer (1997:60) highlighted that many organizations are trying to make leaders “who are capable of helping the corporation shape a more positive future”. A report by Bersin and Associates indicates that U.S. organizations increased investments in leadership development by 14 percent over 2011 figures to an estimated \$13.6 billion in 2012 (O'Leonard & Loew, 2012).

Rapid changes have been occurring in the area of leadership development in order to seek ways to increase of its effectiveness. Leadership development has exaggerated dramatically over the last decades. Scholars highlight the issue to produce leadership development programs capable of training effective and dynamic leaders (Boyatzis & McKee, 2006; Fulmer, 1997; Chernyshev & Sarychev, 2012). A company's ultimate purpose in leadership development is to enhance leadership capacities in order to improve the operational effectiveness of a company as a whole. Most leadership development programs are based on an assumption that improvements in individual leaders should lead to the improved performance of the organization. Traditionally, outcomes of leadership development programs have focused on fostering individual characteristics and capacities with no links to organizational performance. Among thousands of studies on the effectiveness of leadership development programs, only a few referred to organizational or financial outcomes, e.g., Barlin et al. (1996) and Ray & Goppelt (2011). Collins (2002) concluded that leadership programs made changes; however, further research is needed.

Regardless of growing spending on leadership development programs, experts delineate the lack of evaluations of the effectiveness of leadership development programs (Day, 2000; Sogunro, 1997). Burke and Day in their meta-analysis concluded that the majority of organizations ignore the effect of training programs on job performance improving (cited in Collins, 2002). Thus, the ‘hard’ organizational level is extremely important in terms of the evaluation of effectiveness. Transfer to the organizational level, including financial outcomes, complicates this objective substantially. In this context, the effectiveness of a leadership development program has become more complex and required strong methodology and appropriate methods.

1.1. *Purpose of Study*

The aim of the research study was to explore whether the leadership development program has any effect at the individual and organizational levels. To reveal an effect of the training program, we tested behavioral and financial outcomes of trainees and non-trainees before and after the training program. Behavioral leadership competencies of participants were referred to the individual level and their financial sales results were attributed to the organizational level. We investigated how the leadership development program influenced six leadership competencies of trainees along with their sales results.

The field study was conducted at the local company “Fortune Invest”, an agency of financial services, operating throughout Kazakhstan since 2001. The company is the only agency in Kazakhstan distributing life insurance products of different life insurance companies. The in-house one-year leadership development program was designed, delivered and evaluated by the author. Participants were regional mid-level managers of the company, where the leadership development program was implemented. We investigated the group of trainees (N = 22) as an experimental one comparing with a control group of non-trainees (N = 22).

1.2. *Research Questions*

The purpose of the study was to explore whether the delivered leadership development program has had any effect on the trainees and the company. To reach the research purpose we articulated two research questions:

Q1: Has the leadership development program had any effect on behavior outcomes of trainees comparing with non-trainees?

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