



# The Cost of Words

Understanding the ROI of Communication

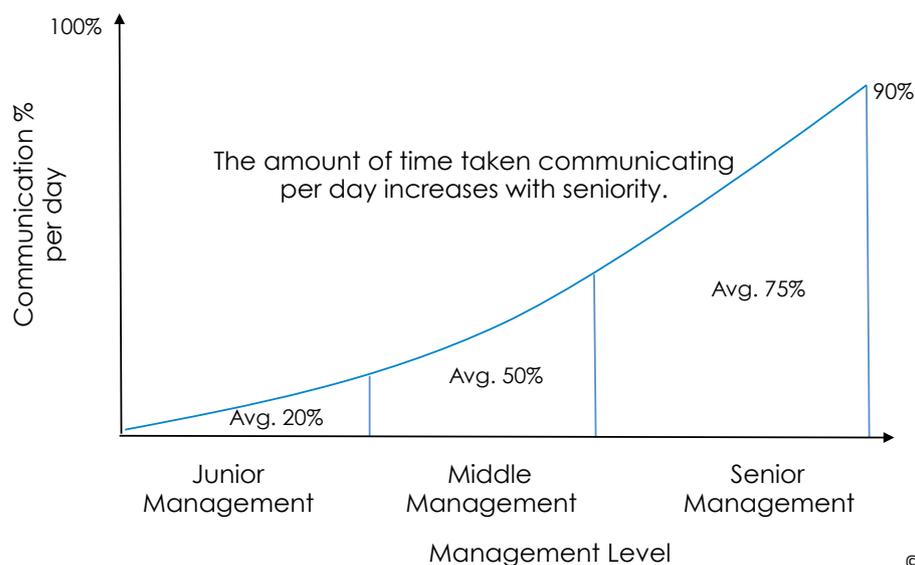
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## Calculating the return on your investment in leadership and communication

Leadership and management is primarily focused on how to effectively use the resources in a business to achieve the desired objectives. The resources with the biggest impact in any organisation are its people, and achieving business performance is 95% people and only 5% systems.

### Communication

As a general rule, the span of control and the number of direct reports increases as one is promoted within an organisation. Proportional to their level of seniority, managers spend an increasing amount of time explaining and facilitating strategic objectives and projects with their people. The amount of time on average that a manager spends over the course of a working day in communicating with employees proportionally increases with each layer of management as shown in the chart below.



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The average amount of time spent communicating with employees for each of the leadership levels above is estimated to be as follows:

Management Level	Average % time communicating	Hours per day spent communicating
Junior	20%	1.6
Middle	50%	4
Senior	75%	6

*Note: These figures are based on a standard Australian work week of eight hours per day, five days per week. To compare in Asia this should be increased to 24 days/month.*

### **Effectiveness**

People's performance is largely dependent on effective communication between the organisation's leaders and its employees. The most common form of communication in organisations that achieves actions occurs in meetings consisting of group or one-on-one discussions either face-to-face, on the phone or via video conference.

Based on over 25 years experience with over 200 companies, and as a former CEO and member of numerous industry associations, I've estimated that, on average, the level of ineffectiveness of those meetings tends to be between 20% to 40%. This directly impacts on the overall performance of the business.

The ineffectiveness of those meetings equals time lost and ultimately is a significant part of what drives poor performance in an organisation. If a person's effectiveness and productivity is lower, they will have less time available to achieve objectives and get the needed results. There is a real cost to business of this loss of productivity which can be calculated as follows:

### **Average loss of productivity per day due to ineffective communication:**

- i) Junior Management - 1.6 hrs x 30% = 0.48 hrs/day
- ii) Middle Management - 4 hrs x 30% = 1.2 hrs/day
- iii) Senior Management - 6 hrs x 30% = 1.8 hrs/day

By taking into account a person's estimated hourly rate of pay, one can translate that lost time into quantifiable monetary costs to the business:

- **Junior Management** - Estimated hourly cost = \$60/hour  
     Per day =  $60 \times 0.48 = \$28.80$   
     Per month =  $20 \times \$28.80 = \$576$   
     Per Year =  $12 \times \$576 = \$6,912$
  
- **Middle Management** - Estimated hourly cost = \$90/hour  
     Per day =  $90 \times 1.20 = \$108$   
     Per month =  $20 \times \$108 = \$2,160$   
     Per Year =  $12 \times \$2,160 = \$25,920$
  
- **Senior Management** - Estimated hourly cost = \$120/hour  
     Per day =  $120 \times 1.8 = \$216$   
     Per month =  $20 \times \$216 = \$4,320$   
     Per Year =  $12 \times \$4,320 = \$51,840$

Over time, the cost impact of productivity loss for organisations can be significant:

No. Of Managers	Cost \$ per year		
	Junior (Lower)	Middle	Senior (Upper)
1	\$6,912	\$25,920	\$51,840
5	\$34,560	\$129,600	\$259,200
10	\$69,120	\$259,200	\$518,400
20	\$138,240	\$518,400	\$1,036,800

### Value Proposition of Communication Training

Leadership and communication training builds on existing knowledge and experience by providing the foundational principles that build rapport and trust, improving the overall effectiveness in business and personal relationships.

Given the above costs, the return on investment in communication training can be quite significant to an organisation. Consider that a typical foundational level training starts at \$1,500-\$2,500 per person, and can include a one to two day workshop that often delivers between 10-20% increase in communication and resulting productivity, leading to an average gain of between 5% (one day per month) and 23% (4.5 days per month) or a return on your investment of up to 20 times the cost to the business.

## Conclusion

Leadership and management are often used in the same breath when discussing what needs to be done to create change and align people within the organisation to achieve results. Ultimately, communication is the tool to empowering and motivating people. It is the tool through which people are aligned to a common direction and creates the right environment that supports the delivery of results.

Being able to effectively communicate as a leader has an enormous impact on the delivery of sustainable results and ultimately the bottom line.

For over 25 years, Paul Mracek has established and run successful businesses across Asia, Europe, USA and Australia. He's the author of several books on success, business, balance and how to apply the "Warrior Mindset". Paul is an Experienced as a Coach, Mentor, Trainer and Consultant and a 7th Dan Black Belt in Martial Arts.

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