

White
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Coaching for ROI

Design Coaching for Measurable Business Impact

Executive coaching has long been used to develop key leaders, and as with any functional discipline, the profession of coaching has evolved over the years.

In decades past, coaches were brought in to “fix” leaders who were experiencing

Along with the growth of investment in coaching, there has been added pressure to more clearly measure impact and Return on Investment (ROI). Recent and related studies have provided greater insight into the ROI of coaching. For example, a recent survey by PriceWaterhouseCoopers and the Association Resource Center found that the mean ROI of coaching was seven times the initial investment, and over a quarter of coaching clients reported an ROI at 10 to 49 times the cost.

While these macro surveys provide solid support for the return on coaching investment, the relevant question for our clients at CMP is, how do we measure and improve the ROI of our coaching investment? As a firm, CMP is committed to partnering with our clients to measure the impact of coaching and development solutions. In our work to measure ROI, we have formalized our learning into the following five ROI principles:

performance issues and failing in a key aspect of their job. Over time, with the success and acceptance of coaching many companies have expanded their use of coaching to develop high performers and groom high potential leaders at all levels. Along with this expansion of coaching, the growth of the industry has been significant with annual corporate spend on leadership coaching at \$2 billion according to a 2012 ICF Global Coaching Study.

- 1. Measures need to be strategically relevant** — whether it be retention, market share, cost reduction, or productivity improvement, the measured areas of impact need to be core to the execution of the company strategy.
- 2. Coaching engagement is designed for measurement** — the design of the coaching engagement will either lend itself to measuring ROI, or not. The



key is following a disciplined approach at the front end of the engagement to make sure the areas of coaching focus are connected to the strategy and can be quantified.

3. **Information gathering needs to be simple** — the measures you put in place need to be simple, and preferably leverage current data sources. If measuring impact requires complex formulas or long surveys, it will die of its own weight.
4. **Include the informal “buzz”** — Hard ROI measures are critical, however, the hallway talk will always drive the general consensus. For example, nothing will replace informal feedback from a coachee on whether she is finding value in the coaching. It is important that qualitative feedback is gathered with the quantitative data.
5. **Include regular feedback loops** — ROI is usually not a one-time measure at the end of the coaching engagement. Instead, impact should be measured regularly, and used to calibrate and adjust the coaching focus and approach.

Designing a coaching program that aligns with these five ROI principles will result in metrics that will support sustainable impact improvement in each coaching

engagement. As a firm, we operationalize these principles through a two-phased process in designing our coaching. This phased approach has truly revolutionized our approach to coaching, and our ability to drive ROI.

ROI Coaching - Two Phases

Phase 1 – Implement an ROI Coaching Design

In Phase 1 we quickly construct the “Coaching Value Chain.” The Coaching Value Chain is where we connect the coaching focus to meaningful business outcomes through three steps.

CMP Coaching Value



Step 1: Agree on Coaching Outcomes –

coaching is always client-centered and begins with a clear understanding of the leadership capabilities that will have the largest positive impact on a coachee’s performance in current and future roles. At CMP we surface these capabilities through a targeted assessment and 360-type feedback, or discussion with the coachee’s manager(s). And, by answering the question — *what two or three capabilities will have the greatest positive impact on performance?* The answer could be addressing performance gaps and/or better leveraging latent strengths.

Example of coaching outcome

- More effectively manage people and resources.

ROI Coaching Example

High growth consumer products organization – Coaching was provided to an IT executive with clear measures established.

Outcomes included:

- Significant year-over-year increase in survey engagement scores across the organization.
- Higher retention — moved from 18% to 12% annual level of attrition. Estimated to save the company \$3.5 million in direct costs.

Step 2: Identify Observable Coaching Behaviors – for every coaching outcome identified in Step One, there are one or more enabling behaviors and skills. These are the behaviors and skills that build the capability to achieve the defined outcome. In this step we are defining the new behaviors in observable/measurable terms.

Example of measurable enabling behaviors

- **Lead efficient and outcome-focused meetings.** This includes clearly assigning action items with task owners, and ensuring actions are completed by the next meeting.
- **Drive higher levels of engagement and performance accountability.** This includes improved department engagement survey results and on-time completion percentage of project tasks.

Step 3: Align Coaching with Business Outcomes – once the enabling behaviors have been defined, the completion of the Coaching Value Chain is the connection to the business outcomes, specifically the outcomes that are core to the business strategy. This connection is identified by answering the question — *if we are successful*

in acquiring these behaviors, what will be the measurable impact on the business?

Example of business outcomes impacted through coaching

- **Realize 1.5 million in profit** – this is achieved by lowering labor cost per project through an improvement of 5% in efficiency measures (hours/project).
- **Sustainable results through better use of human capital** – this is achieved through reducing front-line turnover from 14% to 10% and increasing overall department engagement scores by 6%.

Phase 2 – Coach for ROI

In Phase 2, CMP provides coaching support in alignment with the target enabling behaviors and outcomes defined in Phase 1. In doing so, we deploy the coaching style and tools needed to build capability. This requires the coach to be teacher, listener, challenger, accountability partner and supporter — often in the same meeting. The approach is always driven by what is needed by the Coachee to build capability and achieve ROI. To ensure we stay focused on ROI impact, we measure behavioral change and outcomes.

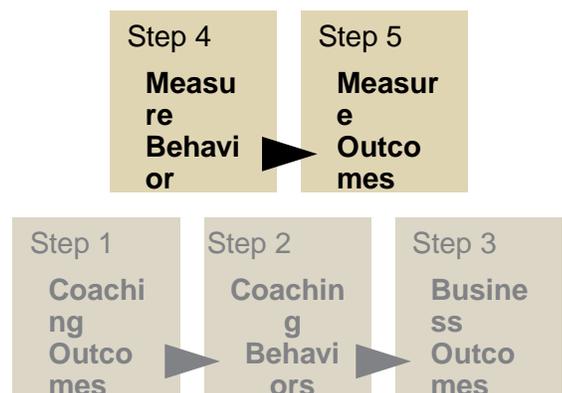
ROI Coaching Example

High growth company in the hospitality industry – Coaching was provided to the new President with clear measures established.

Outcomes included:

- Fast onboarding – the President’s team reached high performance much faster than expected and exceeded results. The difference between achieving performance objectives and exceeding performance objectives equaled \$14 million in additional revenues – combination of better cost realization and increase in account activity.

ROI Coaching



Step 4: Measure Behavioral Change

When targeted coaching behaviors are connected to business outcomes, there is generally a lag effect as improvement in key behaviors needs to happen for some weeks or months before there is a measurable impact on business outcomes. Regular review of the behavioral change creates the feedback loops that are critical to reinforce and embed the new behaviors. So, there should be regular “quick” measures in the areas of coaching focus.

Example of behavioral change measures

- **Better meeting management** – monthly four-question survey to measure the Coachee’s ability to implement the following in each meeting:
 - Clear actions and follow-up
 - Timely escalation and resolution of issues
 - Appropriate focus on key priorities

ROI Coaching Example

Global Consumer Brand. Coaching was introduced as a follow-up to training provided to 210 Directors across 12 countries.

Key results include:

- Across 139 High Performing Directors in a development program, each identified a Key Transformation Opportunity (KTO) that was developed in the class and then each participant was given coaching support to apply their leadership skills to the execution of their KTO. In a one-year review of KTO impact, over \$14 million in direct savings and revenue growth was identified.
- Over two years, there was 0% turnover among 71 High Potential Directors in a highly competitive talent market for company leaders. In a post survey review, the High Potential coaching was estimated to be responsible for retaining 12-18 Directors with a direct replacement cost of

Step 5: Measure Business Outcomes

If the coaching has been successful, there should be clear improvement in business outcomes as defined in Phase 1. When measuring impact on business outcomes, there are likely other variables that have had influenced the outcomes outside the actual coaching behaviors, for example an improvement in profitability may be a result of some key strategic decisions as well as a leader’s improved meeting management and engagement. Having said that, when you pose the following question to the Coachee’s manager(s) and any other key stakeholder, you will almost always get consistent answers and a general consensus of the impact of the coaching.

What was the ROI impact of the new behaviors and outcomes?

In Summary

As you consider how to build the credibility and impact of coaching in your company, it is critical to be thoughtful in the design of each coaching engagement and your coaching program as a whole. The approach in this paper builds upon our years of experience learning to meet our clients’ expectation that we measure and leverage their coaching investment. As you look at ROI coaching in your company, CMP would be glad to further discuss the application of ROI principles.



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Joe Frodsham, President and Owner, CMP, has extensive experience across multiple industries leading human resource functions and building cutting-edge talent management systems. Joe has spent much of the last decade as a consultant to companies across industries, providing the most contemporary and impactful talent solutions. Joe has served as Vice President of Talent and as the interim Senior Vice President of Human Resources for Tenet Healthcare, the largest publicly owned hospital chain in the United States. Prior to Tenet, Joe was Global Director, Leadership Development, at Whirlpool Corporation. Joe earned his bachelor's degree in psychology and his master's degree in organizational behavior from Brigham Young University.

About CMP

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