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ARTICLE & WHITE PAPER

ROI On Executive Coaching



Overview

Coaching as an industry is here to stay, and is evolving into a billion dollar industry worldwide. A lot of organizations are investing in coaching and are convinced that it does make a difference but struggle to measure its impact and evaluate the effectiveness of coaching. Ultimately a key question asked by companies and executives is how do we prove the co-relation with coaching and performance so we can go ahead, invest more, and generate a targeted return on our people investment.

The purpose of this article is to create a lens to identify the elements of a successful coaching program and how the program can be better designed to predict a ROI on coaching.

Designing an Executive Coaching program

Designing an executive coaching program requires time and attention; the reality is very few organizations spend adequate time on clarifying the intent and purpose of the program. The conversation is largely centred on logistics and commercials as opposed to “What brought about the need for coaching?” “What would they specifically like to achieve?” or “What would success look like?” At best what gets discussed is a need for behavioural change or specific competency gaps which need to be bridged with the reason that they consider the executive as “high potential,” hence justifying the need for investment. Whilst all this is fair to discuss, one may need to expand the scope of the initial discussion to get the best results.

1 Clarifying the Coaching context and outcomes: Both the coach and client organisation need to have a detailed discussion, which entails going beyond hygiene issues and exploring the coaching context in depth.

The coaching context includes:

- Business context (Industry, business performance, challenges etc.)
- Nature of the coaching intervention viz. leadership transition coaching, competency development, developing high potential talent etc.
- Coachee career & performance history
- Discussion & interview with key stakeholders
- Key success measures & outcomes

Getting a systemic view helps in understanding the coaching landscape, stakeholder expectations and helps in shaping the coaching design and methodology to meet the needs of the coachee and client.

2 Selection of Coach and Coachee: Organizations spend a lot of time selecting the coach and possibly checking the coaching credentials and rightfully so. Ideally the organisation should request for client referrals and have a discussion around the coaching approach, methodology, selection of psychometric tools, 360 degree feedback and evaluation framework which often gets missed and spoken about at the end of the coaching rather than in the beginning itself.

Perhaps, what is also becoming increasingly important is to assess the coachability of the coachee, which has a direct impact on the coaching

process and results. Coach ability in its simplest form is defined as “willingness to accept feedback and act on it.”

Terry Bacon and his colleague developed a framework, which can be used to assess executive coachability (Bacon & Spear, 2003). This framework includes seven levels of coachability, reflecting the degree of difficulty in coaching a particular client. Table 1.1 presents these seven levels. Not surprisingly, executives most coachable are those who have a high degree of self-awareness, learning agility and drive to achieve, with this added dimension of coachability one can better identify talent who can benefit from coaching as an intervention.

TABLE 1.1: Levels of Executive Coachability

Coachability Level	Description
Not coachable at present	Identified psychological or medical problem that is beyond the scope of a coaching intervention in the workplace.
Extreme low coachability	Narcissistic personality. Arrogant. Sees no need to change.
Very low coachability	Resists or deflects feedback. Rationalizes negative perceptions. Is openly negative toward the coaching, saying that it is not helpful.
Fair coachability	Is complacent and unmotivated to change, Pays lip service to change, but is not really committed to it.
Good Coachability	Demonstrates some resistance to the coaching process, but has a growing awareness of the need for change
Very good coachability	Accepts feedback and shows an earnest desire to improve
Excellent coachability	Has an intrinsic need to grow. Is a life long learner. Has a realistic sense of self.

Clearly, coachability also impacts sustainability of results and hence it should be discussed with client, sponsor and other stakeholders at the time of contracting, so the right selection of coachees for the program increases the probability for success.

3 Contracting for Success: This step in coaching is about ensuring alignment amongst all stakeholders both in terms of behavioural change and results. Having a conversation around “What would success look like? And how will it be measured and sustained?” helps to sensitize the organisation of how it needs to support the coachee and play an active role in ensuring the success of the coaching intervention.

Clarifying success metrics helps you to envision the various elements of the program viz. Duration, selection of psychometric tools, 360-degree feedback survey, formulation of the IDP, structure of the program and how it will all come together to achieve the targeted results from the intervention.

4 Developing a Foundation of a ROI program: The ROI Methodology is ideal for measuring the success of coaching. Developed by Dr. Jack J. Phillips, the methodology collects relevant data at regular intervals including the actual ROI.

The evaluation framework details the specific types of data to be arranged in a chain of impact that must occur if coaching is to add business value and ultimately deliver a ROI. These represent both hard and soft data items collected at different time frames often from different sources. These levels build into Kirk Patricks four level framework for evaluating learning and development and we add another fifth level to determine the actual ROI.

TABLE 1.2

Evaluation levels	Measurement focus
1. Reaction and planned action viz. (What did the coachee think of the engagement?)	Measures participation satisfaction with the program and captures planned actions.
2. Learning viz. (what did the coachee learn during the engagement?)	Measures changes in knowledge, skills and attitudes.
3. Application and implementation viz. (What learning, skills etc., did the coachee apply on the job?)	Measures changes in on the job.
4. Business Impact viz. (What changes in results and productivity have been observed on the job?)	Captures changes in business impact measures.
5. Return on investment viz. (Did the monetary value of the results exceed the cost of training / coaching?)	Compares program monetary benefits to the program costs

At the first level, the participant and the coach react to the engagement. A variety of data items are collected at this level with particular focus on such measures such as:

1. Relevance of the coaching to current or future context
2. Importance of the coaching to job success, performance or development
3. Intent to use what is learned on the coaching agreement
4. Effectiveness of the coach

At level two, learning, is measured usually on the self-assessment scale to ascertain: New knowledge, skills and understandings.

Level three translates into behaviour change, as the application is being monitored. Here the action steps, processes, and new behaviours are captured following and during the coaching assignment to measure and validate any perceptible change.

At level four, business impact measures are the consequences of the new behaviour. Thus the coaching assignment should influence one or more key measures such as productivity, quality, costs, time, customer satisfaction and job satisfaction.

Finally, an ROI value is generated, as the cost of coaching is compared to the monetary benefits of the business impact measures.

5 Planning for ROI: A coaching impact study begins with data collection and analysis. The data collection is mapped to each level of evaluation. The data analysis focuses on business measures and focuses on isolating the effects of coaching on the business measure and converting the business measures into monetary value, identifying costs and reporting data.

Usually the IDP or the performance contract is a starting point. The individual being coached and the coach reach an agreement on the measures that needs to change as a result of coaching. In some cases, the immediate manager of the person and key stakeholders are also involved in identifying key success factors.

For the first two levels viz. reaction and learning, usually it is the coach and coachee which provide their opinion using a rating scale or use percentages to denote % age of coaching objectives achieved. For the third and fourth levels viz. behavioural change or application of learning and business results, feedback is solicited from the immediate manager, peers or stakeholders to objectively assess the impact of the coaching.

Finally for the ROI calculation, all the costs are tabulated together both direct and indirect costs and a return on investment is calculated in two ways:

1. First, The benefits / cost ratio which is the monetary benefits of coaching divided by coaching costs. In formula form it is: $BCR = \text{Benefits} / \text{Costs}$.
2. The return on investment uses net benefits divided by costs. The net benefits are the monetary benefits minus the costs. In formula form, the **ROI becomes: $ROI (\%) = \text{Net Benefits} / \text{Costs} \times 100$** .

Case study

Following is a brief extract from a case study to demonstrate the principle of ROI.

Case Study: Leadership Transition – Building Leadership Competencies for Successful Transition into a New Role

Coaching Context

The coaching intervention was designed to support the transition of the coachee into a new role over 6 months. As head of the purchase function for a Global manufacturing organization, the coachee was responsible for sourcing raw material, appointing vendors who would deliver quality at the right cost, partnering with business on new projects or product innovation and playing a key role in driving the cost reduction program which was mission critical for the company.

The Challenge

The Coachee had been asked to step into this new role as soon as the previous role incumbent had left the organization; the management felt he had the potential to deliver in the role.

The 360-degree feedback however had a different story to tell, key developmental gaps identified included: lack of problem solving ability, inability to delegate tasks appropriately, giving constructive feedback, acknowledging team contribution, ability to manage interpersonal conflict, create a vision for the function and inspire and motivate team to go the extra mile. In a one to one meeting with a focus group, the team complained of bias and favoritism and one or two key team members had tendered in their resignation as well.

The ROI Framework

The ROI framework begins with identifying the coaching objectives and measure of success mapped to the coaching context. The IDP had the following developmental themes:

1. Articulate a Leadership vision, improve team climate and develop a motivated team to work together to achieve organisational goals.
2. Build leadership competencies viz. Building relationships, Motivating others, Problem solving, Delegation, Giving feedback, Conflict Management and Building Emotional intelligence.

Measure of Success

Apart from the usual reaction and learning measure of success, the emphasis was more on the behaviour and results.

- % Age improvement in employee satisfaction score
- 360-degree feedback (pulse survey) on specific competencies (areas of development)
- % Age improvement in team productivity / performance

It is important to note, although the ROI is not normally estimated at the beginning of the coaching engagement, it is derived from level 3 and level 4 measures.

Reporting Results

At the end of 9 months, results indicated the following:

- Employee satisfaction score increased from 45% to 89%.
- 360 degree pulse survey demonstrated an average increase of 30% in each of the developmental competencies with a low of 80% and a high of 100%
- Coachee scored a minimum score of 90% on 50% of the leadership behaviours
- Team productivity increased by 30% in the interim period with no further attrition.

In the first case, the benefits to costs (BCR) was estimated to be at least 180 times the cost and since the engagement had a piece on sustaining the momentum**, a follow up study indicated after 12 months and beyond an ROI of at least 1800%.

Benefits include: cost of replacement, back fill of attrition, loss of productivity, delay in results etc.

Sustaining the momentum was designed to make purchase a strategic function and take up various business efficiency improvement projects related to cost reduction, new vendor and product development.

Tips for Evaluating Coaching

In summary, the need for ROI is growing rapidly and it is becoming an integral part of the coaching contract. When used to evaluate coaching several important tips are important to keep in mind.

1. Ensure that the engagement focuses on a business need
2. Map the coaching plan & objectives to cover all levels of evaluation
3. Ensure success measures and evaluation methodology is discussed with all stakeholders
4. Involve the organisation in measuring the efficacy of the coaching program
5. Communicate results using both qualitative and quantitative data

Final Thoughts

Begin with the end in mind. The success of any coaching program begins with defining the key success measures. Post that, all we need to do is follow a systematic step by step approach to define coaching objectives mapped to different levels of evaluation, collect and analyse data and report it to stakeholders both during and end of the coaching intervention.

Need more information?

To discuss how you can customise a Coaching Program to maximise ROI for your organisation:

Call: + 91 99 200 52172 or mailus@human-network.in

About Us

Human Network is a leading edge leadership and talent development consulting firm. Our core areas of expertise include Leadership development, Executive Coaching and Custom interventions designed to build critical competencies for success and accelerate performance.

To know more about how we can partner you to build the right capability building architecture to drive performance, log on to www.human-network.in.

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