



Coaching for ROI

Design Executive Coaching for Measurable Impact



COACHING FOR ROI INTRODUCTION

Organizations have long used executive coaching to develop key leaders, and, as with any functional discipline, the profession has evolved over the years. In decades past, companies brought in coaches to “fix” leaders who experienced performance issues and failed in critical aspects of their job. Over time, with the success and acceptance of coaching, many companies have expanded their use of it to develop high performers and groom high potential leaders at all levels.

Along with this expansion, the industry’s growth has been significant, with corporations spending an annual \$2 billion on leadership coaching, according to a recent ICF Global Coaching Study. With this extreme growth comes the added pressure to measure the impact of coaching and Return on Investment (ROI) more clearly.

Recent and related studies have provided greater insight into the ROI of coaching. For example, a survey by Price Waterhouse Coopers and the Association Resource Center found that the mean ROI of coaching was seven times the initial investment. Over a quarter of coaching clients reported an ROI at 10 to 49 times the cost.

While these macro surveys provide a solid support for the ROI of coaching, the relevant question for our clients at CMP is, “How do we measure and improve the ROI of our coaching investment?”



FIVE ROI PRINCIPLES

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:

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 should be 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 ensure the areas of coaching focus are connected to the strategy and can be quantified.

3

Gathering information 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 from its own weight.

4

Include the informal buzz.

Hard ROI measures are critical; however, the “hallway talk” will always drive the consensus. For example, nothing will replace informal feedback from a coachee about whether they find value in their coaching. This is why it is essential to gather qualitative feedback along with quantitative data.

5

Include regular feedback loops.

ROI is usually not a one-time measure at the end of the coaching engagement. Instead, the impact should be measured regularly and used to calibrate and adjust the coaching approach and focus.

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.

At CMP, we operationalize these principles through a two-phased process (see Figure 1). Doing so has genuinely revolutionized our approach to coaching and our ability to drive ROI.

ROI COACHING TWO - PHASED PROCESS

Phase 1

Construct Value Chain

Phase 2

Measure Impact



Step 1
Coaching
Outcomes



Step 2
Coaching
Behaviors



Step 3
Business
Outcomes



Step 4
Measure
Behavior



Step 5
Measure
Outcomes

PHASE 1

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

STEP - 1

Agree on Coaching Outcomes

Coaching is always client-centered, beginning with a clear understanding of which leadership capabilities will have the most significant impact on a coachee’s performance in current and future roles. At CMP, we discover these capabilities through a targeted assessment and 360-type feedback or discussion with the coachee’s manager(s). We also answer the question, “What two or three capabilities will have the greatest positive impact on performance?” The answer could be addressing performance gaps to better leveraging latent strengths.

Example of a Coaching Outcome:

More effectively manage people and resources.

ROI Coaching Example

Coaching was provided to an IT executive in a high-growth consumer products organization. Clear coaching outcomes were established.

Example of a Coaching Outcome:

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

PHASE 1

STEP - 2

Identify Observable Coaching Behaviors

For every coaching outcome identified in Step 1, there are one or more enabling behaviors and skills. These are the traits that build the coachee's capability, allowing them to achieve the pre-determined outcome. In this step, we define the new behaviors in observable and measurable terms.

Examples of Measurable Enabling Behaviors:

Outcome: Lead efficient and outcome-focused meetings.

- Clearly assign action items with task owners
- Ensure actions are completed by the next meeting

Outcome: Drive higher levels of engagement and accountability.

- Improve department engagement survey results
- On-time completion of project tasks

ROI Coaching Example

We coached a new President in a high-growth company in the hospitality industry.

Results Included:

- Fast onboarding, exceeding coaching outcomes and results
- \$14 million in additional revenues—a combination of better cost realization and increase in account activity

STEP - 3

Align Coaching with Business Outcomes

Once the enabling behaviors have been defined, we must now connect them to business outcomes, specifically the outcomes that are core to the business strategy. This connection is identified by answering the question, "If we successfully acquire these behaviors, what will be the measurable impact on the business?"

Examples of Business Outcomes Impacted through Coaching:

Outcome: Realize \$1.5 million in profits.

- Lower labor cost per project by improving efficiency measures by 5%(hours/project).

Outcome: Achieve sustainable results through better use of human capital.

- Reducing front line turnover from 14% to 10%.
- Increase overall department engagement scores by 6%.

PHASE 2

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 and measure impact. This requires the coach to be a teacher, listener, challenger, accountability partner, and supporter, often in the same meeting. Our 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.

STEP - 4

Measure Behavioral Change

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

Example of Measuring Behavioral Change:

Outcome: Better meeting management.

- A monthly four-question survey to determine 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.

STEP - 5

Measure Business Outcomes

If the coaching has been successful, there should be a clear improvement in business outcomes as defined in Phase 1. When measuring the impact on business outcomes, other variables have likely influenced the results outside of the actual coaching behaviors. For example, an improvement in profitability may result from strategic decisions and a leader’s improved meeting management and engagement.

ROI Coaching Example

In a global consumer brand, coaching was introduced as a follow-up to training provided to 210 Directors across 12 countries.

Results Included:

- Over \$10 million in indirect savings and revenue growth across 139 High Performing Directors in a development program
- 0% turnover among 71 High Potential Directors in a highly competitive talent market for company leaders over two years
- Retaining 12 to 18 Directors, resulting in an estimated direct savings of \$2.5 to \$3.8 million

IN SUMMARY

As you consider how to build the credibility and impact of coaching in your company, it is critical to be thoughtful in designing each coaching engagement and your coaching program. This article's approach builds upon our years of experience learning to meet our clients' expectations to measure and leverage their coaching investment. As you look at ROI coaching in your company, CMP would be glad to discuss the application of ROI principles further.



ABOUT CMP

CMP is a minority and woman owned firm in the business of developing people and organizations across the full talent life cycle - from executive recruiting and assessment, to coaching, and outplacement support.

For more information on CMP, visit www.careemp.com.

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