

Measuring the ROI on coaching

Coaching may be the wave that carries the future of corporate training and development. But if that wave is ever to crest, corporations must be able to determine a financial return on their investment. Only if early adopters can truly demonstrate an ROI in dollar figures will coaching wash over corporate culture and change its landscape."

-HR Today

When a business makes a capital expenditure, it typically expects a return on that capital. This return on capital is also known as a Return on Investment or "ROI". Coaching is a capital expenditure. This expenditure should produce results and these results should be quantitative and qualitative. This may seem difficult at first blush, but with a little creativity it is very possible.

The basic equation to use is:

$$\frac{\text{CLIENT RESULTS} - \text{COST OF COACHING}}{\text{COST OF COACHING}} \times 100\% = \text{ROI}$$

According to a study done by the Manchester Group, organizational benefits from coaching include:

- Improved Relationships 77%
- Improved Teamwork 67%
- Improved Job Satisfaction 61%
- Improved Productivity 53%
- Improved Quality 48%

Summary of various studies on Executive Coaching

What kind of ROI are companies receiving from coaching?

"This Fortune 500 company found **529% return on investment** and significant intangible benefits to the business. Including the financial benefits from employee retention boosted the overall ROI to 788%."

[Read research findings from Metrix Global LLC Here](#)

"Overall, the investigators are confident that the Client Company has achieved total impact in the millions. The immediate **return on investment will be in the 10 to 1 range**. The long-term return will be even higher."

[Read research from coaching.com](#)

"Asked for a conservative estimate of the monetary payoff from the coaching they got, these managers described an **average return of more than \$100,000**, or about six times what the coaching had cost their companies."

Fortune, 2001

Coaching Paired With Training

"A study featured in *Public Personnel Management Journal* reports that managers (31) that underwent a managerial training program showed an increased productivity of 22.4%. However, a second group was provided coaching following the training process and their productivity increased by 88%. Research does demonstrate that one-on-one executive coaching is of value."

F. Turner, Ph.D. CEO Refresher 2001

"Xerox Corporation carried out several studies on coaching. They determined that in the absence of follow-up coaching to their training classes, 87% of the skills change brought about by the program was lost."

Business Wire, July 30, 2001

TOP 4 words associated with COACHING (from a given list) were:
Supportive (98%), Empowering (82%), Holistic (80%), Inspirational (77%)

TOP 3 words associated with TRAINING (from the same given list) were:
Prescriptive (71%), Rigid (70%), Intimidating (50%)

Coaching & Sales Professionals

Michigan-based Triad Performance Technologies, Inc. studied and evaluated the effects of a coaching intervention on a group of regional and district sales managers within a large telecom organization. **The third party research study cites a 10:1 return on investment in less than one year.**

The study found that the following business outcomes were directly attributable to the coaching intervention:

- Top performing staffs, who were considering leaving the organization, were retained, resulting in reduced turnover, increased revenue, and improved customer satisfaction.
- A positive work environment was created, focusing on strategic account development and higher sales volume.
- Customer revenues and customer satisfaction were improved due to fully staffed and fully functioning territories.
- Revenues were increased, due to managers improving their performance and exceeding their goals.

Is Coaching a Fad? Who should have access to coaching?

Research by the Chartered Management Institute and Campaign for Learning - "Coaching at Work".

Results issued in a press release dated 16th May 2002:

- 80% of executives say they think they would benefit from coaching at work and dismiss the suggestion that coaching is just another fad
- Virtually all managers (96%) think coaching should be available to **every employee, regardless of seniority**
- 85% of managers say the main value of coaching is in enhancing team morale
- 80% of managers value coaching for generating responsibility.
- 86% held very positive views on coaching
- 86% of respondents' organizations have offered coaching at one time or another and coaching is CURRENTLY taking place in over one third (36%) of organizations

Respondents feel that coaching achieves the following desired outcomes:

- * A positive impact on other aspects of participants' lives, both at work and outside the workplace (96%)
- * A feeling amongst participants of ownership of the issues and the outcomes (85%)
- * Evidence of learning being put into practice (71%)
- * Readily-quantifiable and positive results, often demonstrated on the company's "bottom-line" over the long term (62%)

2002 Human Resource Survey

Lee Hecht Harrison surveyed 488 Human Resource professionals to learn how coaching is being used in their organizations. Companies are increasingly turning to coaching for leadership development, style issues and talent retention, so it makes sense that 55% of respondents said that their organization uses coaching as a one-on-one process intended to maximize management and leadership potential and 54% do so to change behaviours.

A surprising number of respondents indicated that their organization uses coaching for personal/ psychological counselling (36%), advice on appearance or attire (13%) or preparation for a major speech or presentation (11%).

Coaching and Top Management Challenges

In a study published by *Fast Company* magazine in 2001, Markus Buckingham asserted the following about the U.S. workforce:

- 29% are engaged in their work
- 55% are not engaged in their work
- 16% are actively disengaged

Coaching is a powerful tool that helps organizational leaders improve performance in these key areas:

- Developing Potential Leaders
- Reducing Costs
- Selecting and Retaining Key Talent
- Succession Planning
- Creating an Engaged Workforce
- Improving Customer Loyalty and Retention
- Improving Company Flexibility and Responsiveness
- Increasing Innovation

Organizational benefits for having a coaching initiative & Qualitative Measurement

The following list is an example of ways of measuring coaching results.

Possible Results:

Financial

Customer

Productivity

Employees

As Measured by:

- Revenue increase (\$ up)
- Cost reduction (\$ down)
- Profitability = (revenue – costs)
- Customer satisfaction survey scores
- New/Repeat customer acquisition volumes
- Time spent in specific work activities
- Total output/time
- Employee satisfaction survey scores
- Performance review scores

Continued ...

Possible Results:

Innovation

Personal

Improved communication

Streamlined meetings

Timely achievement of goals and Objectives

Effective decision-making

Increased creativity

Learning and growth

Well-being

Work satisfaction and morale

As Measured by:

- New product/service introductions
- Idea to sales profitability
- Personal satisfaction with work
- Compensation/reward increase
- Promotion/career achievements
- Work/Life balance
- Family and friends satisfaction
- Health-related costs
- Less repetition, second-guessing and rework
- Less time spent in meetings
- Greater percentage of agenda completed per meeting
- Less rework after meetings
- On-time delivery of goals and objectives
- Less breakdown during delivery
- Success rate of decisions
- No passive aggressiveness post decision-making
- Number of new ideas generated
- Ratio of new ideas to profit
- Achievement of development plans
- Frequency and speed of skill acquisition
- Fewer EAP visits
- Less absenteeism and lateness
- Lower medical premiums
- Improved employee survey scores
- Lower turnover

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Integrabiz provides tailored personal and professional growth solutions to individuals and businesses wanting to clarify, develop, and accelerate the realisation of their desired growth strategy.

For more information please visit us on the web at <http://www.integrabiz.com.au>



PS. It's pronounced In-teg-ra-biz ©

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- **Individuals** use us to achieve their desired results in a way that is meaningful and lasting. (*we don't believe in quick fixes*)
- **Small Business Owners** use us as a sounding board to strategise, brainstorm new ideas, and co-create solutions.
- **Companies** partner with us to provide a coaching arm to their employee, client and/or membership base