Measuring the Return on Investment in Coaching

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Equipping your managers and leaders (influencers) to coach costs money. Unless you have budgeted for this expenditure or can draw from discretionary funds, you will need to reallocate financial resources from something else. To do that, you need to justify that decision. You need a way to measure the return you can expect on an investment in coach training and support services. This paper will help you do that. Measuring the return on investment (ROI) on bringing coaching to your organization has 3 dimensions ...

1. Measuring the Return on Investment of Individual Coaching.

2. Measuring the Collective Impact of Coaching on Bottom Line Performance Indicators.

3. Measuring the Lost Opportunity Cost of Not Investing in Coaching.

Measuring the Return on Investment of Individual Coaching

Each time a manager or leader initiates a Formal Coaching relationship, they have an opportunity to define the expectations of that relationship – often referred to as the Return on Coaching Expectations (ROCE). Measuring ROCE requires planning prior to initiating a coaching relationship. On-The-Spot Coaching occurs spontaneously and does not provide an up-front planning opportunity.

The purpose of Formal Coaching is to empower the individual being coached to identify and achieve one or more goals that will take them from where they are to where they need and want to be. Many organizations use a **Personal Development Plan (PDP)** that is created by each individual being coached.

The goals can be either ...

- Professional Development – specific long-term job and career improvement areas that the individual and his or her manager agree are compatible with organizational goals. Such as...
    a. √ Develop or improve skills
    b. √ Earn credentials/licenses
    c. √ Improve work relationships

2. Personal Growth - specific and appropriate longer-term personal improvement areas that the individual wishes to pursue. Such as...

- √ Expand personal learning
- √ Improve life balance
- √ Expand personal networks Conversational Management White Paper

You have learned the IMR Goal Setting process. Drawing from that process, here are criteria that can be used for **goal-related measurements...**

• Time frame - specific dates.

- Defining their Critical Path - the specific weekly tasks and activities linked to their goal.
- The details of the "picture of their accomplished goal."
- Their answer to the question, "How will you and I know that you have achieved your goal?"

What You Can Expect...

As your managers and leaders utilize conversational, on-the-spot, and formal coaching to engage and empower employees, Coaching will emerge as the operating system that will enable you to reap benefits that go beyond achieving defined goals.

The following is taken from the 2012 ICF Global Coaching Client Study conducted independently by PricewaterhouseCoopers. (ICF = International Coaching Federation)

Increased Productivity

Effective coaching maximizes potential and, therefore, unlocks latent sources of productivity. Survey participants reported...

• Improved work performance – 70%

• Improved time management – 57%

• Improved business management – 61%

• Improved team effectiveness – 51%

Positive People

Effective coaching builds the self-confidence of employees to face challenges that are critical in meeting organizational demands. Survey participants reported...

• Improved self-confidence – 80%

• Improved communication skill – 72%

• Improved relationships – 73%

• Improved life/work balance – 67%

Return on Investment

Coaching generates learning and clarity for forward action with a commitment to measurable outcomes. Eighty-six percent of the survey participants said they at least made back their investment in coaching through the performance and productivity improvements they experienced.

Measuring the Collective Impact of Coaching on Bottom Line Performance Indicators.

The bottom line for a business is profits. For non-profits today, there is increasing stakeholder pressure to shift away from number of clients served or donations received and focus on outcome (or performance) measurements in terms of changes achieved in the lives of those they serve.

Whatever the bottom line, it is typically measured at the end of the accounting period – yearly or quarterly. It's beneficial to identify performance indicators that, if addressed during the accounting period, could have a positive impact on your bottom line. Here's our bottom line...

Here are 6 examples of **Performance Indicators** that can help measure the collective impact of coaching efforts...

√ Empowered and coached sales people are producing more sales.

√ Customer satisfaction surveys show continuous improvement.

√ Instead of only 10 to 20 percent of the workforce exhibiting goal-directed high performance, the percentage is steadily increasing to 80 to 90 percent...which means employee engagement is also increasing.

√ Productivity measurements are steadily increasing across the board because employees are individually and collectively working to get things done in less time with fewer delays, defects, and mistakes.

√ Team-based initiatives are producing greater results in less time because teamwork and collaboration have become an integral part of the culture - and teams are being led by individuals skilled in leading meetings and facilitating collective efforts.

√ The high cost of absenteeism and employee turnover are significantly reduced because everyone comes to work each day believing that this is a great place to work.

Measuring the Lost Opportunity Cost of Not Investing in Coaching

If we are honest, we will admit that we have a tendency to ignore some problems until we find it absolutely necessary to address them. In doing so, we fail to realize the lost opportunity cost that occurs in allowing problems to go unresolved.

Here is a quick and simple way to take a guess at what your Lost Opportunity Cost might be for key productivity areas...

Exercise

Start by guesstimating the number of hours per month that are lost due to disengagement and inadequate performance: Estimated lost hours per month = ___________ Next, multiply those hours by your average or medium monthly wage:

______ hours X $____________ = $______________ (A)

Finally, estimate your **monthly turnover cost**: $ ________________ annual cost / 12 = $ __________________ (B) Total Estimated Annual Lost Opportunity Cost...

A + B = $ _________________ X 12 = $ _________________

Would you say that this cost is **High – Medium – Low**? (Circle one)

Coaching is a solution that requires time and financial investment. The VALUE of that investment to your organization is in reducing, or even eliminating, the Lost Opportunity Cost of allowing productivity problems to go unresolved.

The question is this: Can you reduce/eliminate those Lost Opportunity Costs by equipping key people to be skilled coaches - and by building a support system to ensure that coaching is addressing the right problems?

This means 4 things...

1. Disengaged workers and managers are becoming both engaged and empowered to improve their performance. According to Gallup, engaged employees give 57% more effort and are 87% less likely to resign.

2. Poor performers are being empowered through coaching to evolve into high performers - or to transfer to a position where they can achieve their potential.

3. Your coaches are unlocking the potential of those they coach so they will become the innovators and problem solvers you need to gain a competitive edge and accelerate the achievement of your company goals.

4. As Millennials grow from 20% of the workforce to 50% in 5 years, and 75% in 10 years, you will be using a coachingbased operating system, the management style that Millennials prefer.