

Case study: Return on investment of executive coaching

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A Fortune 500 firm and Pyramid Resource Group, a coaching services company, recently engaged MetrixGlobal LLC to determine the business benefits and return on investment for an executive coaching program. This executive briefing was excerpted from the final report of the study.

The Bottom Line: Coaching produced a 529% return on investment and significant intangible benefits to the business. The study provided powerful new insights into how to maximize the business impact from executive coaching.

INTRODUCTION

A Fortune 500 firm launched an innovative leadership development effort that was expected to accelerate the development of next generation leaders. The participants in this effort were drawn mostly from the ranks of middle managers and from many different business units and functional areas. Leadership development activities included group mentoring, individual assessments and development planning, a leadership workshop and work on strategic business projects.

Coaching was considered to be a key enabler for this approach to leadership development because the participants could work privately and individually with his

or her coach to develop specific leadership competencies. The client organization engaged the Pyramid Resource Group to provide coaching to the leadership development participants. While participants spoke very highly of their experience with coaching it was decided to conduct a formal assessment of the effectiveness and business impact of coaching.

It is intended that the results from this study be used to determine:

1. How did coaching add value to the business and what was the return on investment?
2. How could coaching be best leveraged in the future, especially if coaching was to be expanded to other business regions?

DATA COLLECTION PROCEDURES

It was decided that the best way to isolate and capture the effects of coaching on the business was through a questionnaire. This questionnaire had two parts. Part one was completed electronically via email and examined clients' initial reaction to coaching, what they learned, how they applied what they learned and captured their initial assessment of business impact.

Part two was conducted over the telephone with each respondent and probed more deeply into business impact and the financial return on investment.

The target population for the survey was 43 leadership development participants. These participants were drawn from two regions: Eastern United States (37) and Mexico (6). These participants represented a cross section of the business and included those in sales, operations, technology, finance and marketing. All had been identified as potential leaders and executives.

Thirty (30) of 43 leadership development participants returned their surveys for a 70% response rate.

RESULTS

Coaching was a very effective developmental tool for the leadership development participants, producing financial and intangible benefits for the business. Coaching sessions were rich learning environments that enabled the learning to be applied to a variety of business situations. Decision-making, team performance and the motivation of others were enhanced. Many of these business applications contributed annualized financial benefits. Other applications created significant intangible benefits. Overall, the participants appreciated their coaching experiences and would highly recommend coaching to others.

Three-quarters (77%) of the 30 respondents indicated that coaching had significant or very significant impact on at least one of nine business measures. In-depth discussions were conducted over the telephone with each respondent to further explore the business impact of coaching. Sixty percent of the respondents were able to identify specific financial benefits that came as a result of their coaching.

Overall, productivity (60% favorable) and employee satisfaction (53%) were cited as the most significantly impacted by the coaching. Respondents defined productivity in this context as relating to their personal or to their work group productivity and half (50%) documented annualized financial benefits. Employee satisfaction was viewed both in terms of the respondents being personally more satisfied as a result of the coaching as well as the being able to increase the employee satisfaction of their team members. The respondents could not quantify this benefit in financial terms. Employee satisfaction, then, was a significant source of intangible benefits. Customer satisfaction (53%) was also a significant source of intangible benefits.

The next most frequently cited as being significantly impacted by coaching were work output (30%) and work quality (40%). Twenty percent of the respondents identified financial benefits as a result of increased work output. Many respondents reported improvements in work quality, however, they were not able to quantify these improvements in terms of dollar benefits. Work quality improvements were considered an intangible benefit of the coaching.

Program costs were tabulated for all 43 leadership development participants in determining the return on investment. A 529% return on investment was produced by the coaching process (excluding the benefits from employee retention). While those clients who had customer or people responsibilities produced proportionally greater financial benefits, the realization of benefits to the business was fairly widespread throughout the group involved in this study.

RECOMMENDATIONS WERE MADE TO MAXIMIZE THE BUSINESS BENEFITS FROM EXECUTIVE COACHING:

Manage the entire coaching process to ensure consistency and quality.

Though the content of individual coaching sessions should always be confidential, the coaching process itself needs to be managed to ensure that the coaching clients and the coaches are following the appropriate process and leveraging best practices. Prepare clients in advance for coaching and don't force coaching on anyone.

Because coaching remains a relatively new development technique, people may not understand how the coaching process can help them become better business professionals. The sooner they understand the process, the sooner they will see results.

Offer clients the ability to select their coaches. Chemistry is important to build an effective coaching relationship. Provide prospective coaching clients with information about the coaches including biographies, education, coaching credentials, functional expertise, industry experience and other background information.

Provide coaching strong organizational support. Those being coached should receive encouragement and support from their immediate managers. Also, coaching should be conducted in the context of other developmental efforts such as competency development, assessments, mentoring and leadership workshops.

Ensure coaches are grounded in the company's business and culture. Coaches are more effective when they can identify with and talk about the realities of their client's

environment. Allow each coaching relationship to follow its own path. A major difference between coaching and training is that coaching allows the individual to determine what works best for him or her at a very personal level. Coaches need wide latitude to work with "the whole person" and help each client be more effective as a person as well as to be more effective as a business leader.

Build performance measurement into the coaching process. Evaluation of coaching should be designed into the process from the beginning to better set performance expectations and open up new learning opportunities for making coaching more effective while the coaching is being conducted. For example, coaching can be refocused to deal with issues or to ensure that business priorities will be met. In this way, the evaluation of coaching becomes more than just a measuring stick - it becomes a structured approach to deepen the business value of coaching.

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