

Measuring the ROI on coaching

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:

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

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

Innovation

- New product/service introductions
- Idea to sales profitability

Personal

- Personal satisfaction with work
- Compensation/reward increase
- Promotion/career achievements
- Work/Life balance
- Family and friends satisfaction
- Health-related costs

Improved communication

- Less repetition, second-guessing and rework

Streamlined meetings

- Less time spent in meetings
- Greater percentage of agenda completed per meeting
- Less rework after meetings

Timely achievement of goals and objectives

- On-time delivery of goals and objectives
- Less breakdown during delivery

Effective decision-making

- Success rate of decisions
- No passive aggressiveness post decision-making

Increased creativity

- Number of new ideas generated
- Ratio of new ideas to profit

Learning and growth

- Achievement of development plans
- Frequency and speed of skill acquisition

Well-being

- Fewer EAP visits
- Less absenteeism and lateness
- Lower medical premiums

Work satisfaction and morale

- Improved employee survey scores
- Lower turnover

SUMMARY OF VARIOUS STUDIES ON EXECUTIVE COACHING ROI

Training can improve performance by 22%. Training accompanied by coaching can improve performance by 88%.

The International Personal Management Association

Coaching produced a 529% return on investment and significant intangible benefits to the business.

Metrix Global survey

The actual investment in coaching was way below the training expense, yet the benefit was enormous (not just in financial terms).

The payback was 2,000 to 3,000%.

Geoff Hinsley Study

80% of managers believe they would benefit from coaching / more coaching in their place of work.

93% per cent of managers believe that coaching should be available to all employees, regardless of seniority.

Coaching at Work survey 2002 conducted by Chartered Management Institute