

COACHING ROI: MEASURE FOR MEASURING'S SAKE

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Coaches don't come cheap – so how can organisations measure their return on investment in coaching?

As fears of a recession grow, training and HR specialists are under pressure to justify their spending, and must brace themselves to fight back against the traditional arguments that they are cost centres. People developers have to prove that what they spend brings a clear benefit to the business. But first they have to measure those benefits.

"HR departments are quite lax at measuring anything," says Geoff Tame, programme leader at the Masters in Human Resource Management and Development at Newcastle Business School, Northumbria University. He says HR will be under pressure to document its role.

"Overall I would like to see people management decisions made with valid information rather than best practice," Tame says. "HR and training have to demonstrate added value."

Poor Relation

Coaching looks like being the poor relation in this quest to justify costs.

The *Coaching Counts* research, by our sister publication *Personnel Today* with Chiumento, showed that 67% of organisations do not formally measure their coaching return on investment (ROI), and more than half believe it is impossible to get anything more than anecdotal evidence about the effectiveness of coaching.

So does this mean there should be a formula for measuring ROI? Probably not.

"Coaching is not about painting by numbers," says Mike Amos, head of coaching at Chiumento.

He says planning and managing the coaching will help to demonstrate its value to an organisation. All participants, but especially the coach, coachee and sponsor, need to set realistic and specific outcomes, which are recorded as part of the coaching contract.

"It's helpful to have transparency," he says. "And organisations need to be clear about why they are coaching and matching the coach and coachee. Once the coaching is under way, it's about getting feedback."

Amos says coaching is no longer seen as a standalone discipline but embedding it into other training and HR initiatives. "Companies are taking a structured approach and tying it into succession planning and management development initiatives."

The reporting and recording of the results and performance from such methods has matured, and this integrated business approach seems to be the future for measuring ROI in coaching.

Perhaps sponsors of coaching don't ask about ROI because they are comfortable about how it can be proven. This is certainly the experience of Elizabeth Mullins, business coach at Peer Professionals.

"We find that ROI doesn't come up with sponsors as a formal measurement," says Mullins. "Clients don't ask about it, probably because those who engage have seen the benefits. They see the return on investment."

Success Measurements

Mullins says the history of coaching, with its roots in sports training – which is focused on clear outcomes, such as winning a game – leads many people to think that it will have specific success measurements anyway.

"All coaching is goal-oriented, but it is also not an inexpensive choice and establishing the link to the benefits has not always been done extensively," she says. "There have been few studies on measuring its ROI, except the Manchester Review."

Mullins refers to the work done in 2001 from the Manchester Consultancy in the US, which looked at 100 executives from Fortune 100 companies. The consultancy took outcomes and success measurements and compared them at the end with the extent to which behaviours had changed.

"Results from that study showed a five-fold return, so, for example, for every £5 invested in individuals, you might get £25 return," says Mullins.

In her experience, ROI isn't routinely handled in a formal way. "It could be and it lends itself to that sort of process, albeit that a number of impacts will be intangible," she says.

"There is no magic formula but coaching lends itself by its very process, which is goal-oriented."

Mullins has hit on the dichotomy of ROI in coaching – it could be measured but what value should be attached to the benefits that are being measured, particularly if they are around behaviour change?

"It's simple, yet at the same time very complicated," agrees Robin Linnecar, a partner at Praesta.

Linnecar points out that coaching is invariably about behaviour change, but how does the organisation know what constitutes effective behaviour and good performance?

"If they haven't got any measurement, it might be that the scores in satisfaction levels of managers improve," he says.

The coaching contract should help define what is needed from the coach and what the desired outcomes should be.

"We use a clean, clear contract and a model that takes into account business objectives, personal objectives and business outcomes," he says.

Linnecar adds that the outcomes will take into account the timescales involved – for example, is two years long enough for the impact of a people development initiative to become fully evident, or is two months long enough to wait for performance improvement to show?

"You need to adjust expectations as you go along," says Linnecar.

Managing Expectations

Management of expectations extends to the perceptions of what coaching is for and what the ROI should be.

Simon Bailey, head of learning and development at Winning Pitch consultancy, runs extensive interviews with his clients to measure the effects of his training and coaching in terms of performance benefits, but he says that ROI isn't just about money.

"It's about people's success and happiness," he says, explaining that coaching – which he deploys in person and via e-mail to back up learning from a Winning Pitch training course – can lead to greater confidence, and in turn, enhanced performance .

This view is extending globally, as Diane Brennan, president of the 13,000-strong International Coach Federation, explains. "When I talk with coaches around the world , the feedback is that it is important to define measures for success, working with the client to determine what is important to them on a specific project, or their expectation about what they want to accomplish," she says. The most common measures she has encountered are the use of 360-degree feedback, or employee satisfaction or the savings and improvements from a specific project. And it can be helpful to think of coaching as a benefit.

"The simplest formula I have heard of is to compare the benefit of coaching to its cost as a percentage. Take the monetary value of the improvement minus the cost of coaching, multiply by 100 then divide it by the cost of coaching."

Yet Brennan still believes in keeping the equations and the methodologies simple. She says that organisations can use existing measures, such as improvements in results to specific answers in an employee satisfaction survey, to measure the effectiveness of coaching."

What matters is what is important to organisations," she says. "I sometimes hear of ROI referred to as 'return on expectations, which is often about right."