

What ROI Studies of Executive Coaching Tell Us By: Merrill C. Anderson, Ph.D.

Executive coaching has emerged in recent years as a popular – and powerful – way to develop leadership skills. Recent studies conducted by MetrixGlobal, LLC with *Fortune* 500 companies clearly demonstrate that leadership coaching consistently delivers value. However, not all value is created equally. Cost savings gained through increases in personal effectiveness pale in comparison to the strategic value organizations realize when leaders are retained in critical positions or revenue is increased through stronger market leadership. The important question now being tackled is how to leverage the power of coaching to drive *strategic* value for organizations.

Studies of coaching initiatives have revealed three major levers to increase the strategic value of coaching:

1. To start with, coaching must be managed as a strategic initiative and be more than simply a collection of coaching relationships.

This means that sponsors of coaching initiatives must clearly state expectations for outcomes and business impact. These expectations provide a general focus for the coaching, which each coaching client will work with in a way that recognizes individual development needs. Setting overarching business objectives in no way impinges upon the privacy or integrity of individual coaching relationships. Sponsors and other business leaders are making a substantial investment in coaching and have a right to expect a return on this investment. Recently published studies have shown the ROI of coaching to be in the neighborhood of 700%! However, an ROI – no matter how high – will ring hollow unless the sources of this monetary value align with the expectations of the business leaders and the strategic needs of the organization. For example, if the business leaders expect coaching to increase the number of high potential leaders who are “ready now” for promotion to the next level, but coaching ends up producing a positive ROI from mostly productivity gains, then the business leaders will not be satisfied with the results of coaching regardless of how high the ROI was. The business leaders’ concerns about having too many open leadership positions were not addressed.

2. Once the sponsors’ expectations for coaching are known, then these expectations are translated into strategic objectives for the coaching initiative.

So, for example, an objective for coaching could be: “Increase by 10% the high potential leaders who are ready for immediate promotion.” Setting an objective like this ensures that the link from coaching to delivering expected business value is clear. Communicating this clear link to business leaders, coaches and clients reinforces in their minds that coaching is not only a developmental initiative, it is a *business* initiative. Coaching is therefore in a stronger position to be perceived as adding value to the business as well as to the individual participants.

3. Periodically evaluate progress in achieving the initiative objectives and meeting sponsor expectations.

One effective technique to track the progress of coaching is to periodically conduct a conference call with all of the coaches. Together, important topics can be covered such as success in setting developmental objectives for clients and the effective use of individual competency-based assessments. Another technique to track progress is to conduct focus groups of clients about halfway through the coaching

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initiative so that the clients can learn from the experiences of others, share best practices and better shape their expectations for what coaching can deliver. For the managers of the coaching initiative, these focus groups provide a wealth of data about how coaching is progressing and perhaps suggesting some mid-course corrections to make coaching even more effective.

Studies of coaching initiatives conducted by MetrixGlobal, LLC in the past three years have shown that coaching relationships tend to evolve from initially being focused on more tactical issues, such as increasing personal effectiveness – to working on more strategic issues, such as restructuring a department. The more coaching is managed as a strategic initiative, the greater the strategic payoff for the business.

Coaching Initiatives – Key Findings:

1. 58% of those clients whose coaching experience was limited to working on the more tactical issues reported that their coaching significantly impacted the business. In contrast, 100% of those who's coaching progressed to work on more strategic issues reported making a significant impact on the business.
2. 70% of all monetary benefits attributed directly to the coaching people received came from clients who worked on the more strategic issues.
3. Less than half (43%) of all clients progressed to work on more strategic issues.

These findings suggest that there is additional opportunity to drive greater strategic value from coaching. Of course, not all clients have the opportunity or need to work on the more strategic issues, however, for those clients who do have these opportunities it is in everyone's best interest to seize these strategic opportunities. Managing coaching as a strategic initiative maximizes business impact and ROI.

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