

Business Purpose: To determine, and monitor, the financial costs and value of the coaching intervention.

Return on Investment



We describe a coaching culture as a deliberate policy to make use of coaching techniques in an organisation that supports their use. Because the use of coaching is deliberate, it will take time, money and human resource to establish a coaching culture. Committing these resources calls for two sets of considerations: an assessment of the potential value to the organisation of going ahead; and an assessment of the impact of a coaching culture having put it in place. There are various ways to assess the impact of a coaching culture ranging from broad evaluations to measures of learning, and improved performance. Increasingly however organisations want a more robust measure of return on investment. Gauging return on investment does require careful preparation, data collection, and data analysis but should give an important financial estimation of benefits against costs. The following notes towards return on investment are an outline of the steps. If you want to put a formal process in place, we have found the Phillips approach very effective¹.

Return on investment (ROI)

ROI is a formal measure, expressed as a percentage, of the net benefits of a programme against the costs incurred in setting it up and running it.

The formula for determining ROI is taken from the more generally used financial formula:

$$\text{ROI (\%)} = \frac{\text{Net benefits of coaching culture (benefits - costs)}}{\text{Costs of coaching culture}} \times 100$$

Steps towards attaching a monetary value to benefits

The most difficult aspect of determining ROI is attaching a credible monetary value to the benefits of any programme. There are three steps to this: first determining the broad benefits of a coaching culture once it is in place; second, isolating those benefits for which reliable data can be collected **and** to which a monetary value can be attached; and third attaching a monetary value to the latter benefits.

The following are some typical benefits that might be sought from coaching:

- Greater employee engagement (because of individual interest taken in work)
- Reduced absenteeism (because of greater engagement)
- Improved employee satisfaction (again, because of greater engagement)
- Improved customer, stakeholder, partner, supplier satisfaction (employees respond to queries/concerns with more skill, awareness and promptness)
- Improved output of goods (less manager time taken, more initiative taken)
- Improved take up of training (coaching clarifies individual needs, including training so makes training more relevant and attractive)
- Savings in time (again, less manager time taken, more willingness to streamline work)
- General savings against historical costs

¹Jack and Patricia Phillips have written a number of books on ROI. A good, general example is *Show me the money* (2007) published by Berrett-Koehler.

Business Purpose: To determine, and monitor, the financial costs and value of the coaching intervention.

It is possible to gain data for most of the latter benefits:

- Measures such as Gallup's Q12 are designed to give a measure of engagement and could be used as a baseline before coaching and a measure after it
- Reduced absenteeism using historical records and, for example, line manager discussions so as to isolate reduction to coaching (and not, for instance, higher pay)
- Employee satisfaction could also be linked to employee surveys to ensure that coaching is the source
- Broader measures of stakeholder, partner and supplier satisfaction would need further scrutiny/questions to ensure that satisfaction comes down to staff efforts and not, for instance, quicker payment of suppliers
- Improved output, savings in time, and general savings would also need to be isolated to coaching
- Improved take up of training could be measured through questionnaires.

Converting these benefits to costs may not always be possible and would require prior data as a check for improvements. Assuming, however, that it has been possible to show (or sufficiently show) that improvements have arisen as a result of coaching, then the following approaches could be used to convert data to monetary value:

- Employee engagement is very broad but would be expected to show up in general outputs of goods, improvements in service measures, targets achieved, reductions in waiting times and similar
- Reduced absenteeism is equivalent to having more resource (a person working for 250 days per year as opposed to 240) and hence more output
- Employee satisfaction may be measurable but may not result in a meaningful monetary value so may be considered an 'intangible' benefit
- Stakeholder, partner and supplier satisfaction are a greater benefit as they should result in fewer complaints, more streamlined delivery of goods and services and similar measures which could be compared with historical data
- General savings and improved output should also show up in comparison with historical data
- Improved take up of training should result in higher levels of service or output

Costs

The following is a list of potential contributors to costs:

- Time spent analysing needs
- Time spent designing and developing the project
- Costs of a dedicated coaching culture team or of individuals' time on the project
- Salaries or proportion of salaries
- Costs of any materials
- Costs of any facilities used by a team or individual
- Travel, fuel, accommodation and similar used by team or individual
- Administration and overheads
- Evaluation costs

Once reliable and valid financial benefits have been assessed and totalled up, along with costs, the production of a ratio using the ROI formula is relatively straightforward. The implication of the ratio is less so. Whether a given ratio is as expected, or exceeds expectations is a matter for you to determine but you should get an objective sense, in money terms, of what coaching has brought to you, as well as the potential to boost the value of a coaching culture by isolating those elements which can reinforce it or which have impaired its effectiveness.