



Without a doubt, coaching is the hottest approach to enhancing the performance of the people in an enterprise—whether it's teams of coaches working with managers in a Fortune 500 company, transition coaching for new C-level executive hires, or coaches working with the owners of a small businesses or sole proprietorships. It is clear from the increasing acceptance and investment in coaching, among the broad spectrum of business in many countries, that we believe coaching works.

But how well does it work? And how hard is it to measure?

In recent years, there have been a couple of detailed, well-documented studies that put the return on investment (ROI) of major coaching engagements within Fortune 500 companies between 600% and 700%, depending upon how improved retention was calculated.

But studies of this precision—funded by the corporate clients—are generally too costly to be meaningful as a sustained way of assessing the business benefits of coaching even at the level of large corporations.

Moreover, the issue of the benefits of coaching is, if anything, even more relevant to small business. For many firms considering hiring a coach, the notion of funding a major study to assess the results is laughable, yet it is critical that they be able to associate the benefits they are deriving from their investment in coaching.

The Challenges of Measuring

To a certain extent, the challenge of measuring the benefits of coaching depends upon why the coach has been

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engaged in the first place. In some cases, the goal of a coaching engagement can be fairly easy to quantify—improving meeting management skills, for example. You can measure how many meetings start on time, how many end on time and survey meeting attendees for their evaluation of the effectiveness of the meeting. With a little imagination, such measures could be converted to hard dollar savings or productivity increases and an actual ROI developed.

Often, however, the connection between the behavior and the result isn't so clear.

"One of the biggest challenges in measuring coaching is that tangible, behavioral change is usually linked to intangible mindsets and beliefs," explains researcher Terry Bacon, of Lore International Institute. "Effective measurement strategies require that we make those intangibles measurable."

Is it possible to capture all of those intangibles in some concrete, meaningful metric? The answer is generally "No, not precisely." However, there are techniques that can be employed to evaluate the effectiveness of coaching and often to achieve a realistic estimate of the ROI.

More importantly, setting up an evaluation process up front not only helps set performance expectations, but it can also make the coaching more effective. 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 key approach to deepen the business value of coaching.

Seven Steps to Measuring Coaching's ROI in Large Companies

For large firms, coaching consultancy MetrixGlobal suggests seven critical steps for measuring ROI from a coaching engagement:

1. Set objectives for the coaching session that are specific, measurable, achievable, realistic, and time bound. Establish a benchmark for performance from existing appraisals and reviews.
2. Ensure that coaching objectives flow from overall project objectives and/or business objectives.
3. Communicate the methodology for measuring the monetary value of the coaching program before the program begins.
4. Identify the opportunity costs of the client's time for participating in coaching.

5. Capture the monetary value of the coaching in tandem with the intangible value.
6. Validate the calculation with the managers being coached.
7. Communicate the results of the coaching program to key stakeholders in the organization.

Measuring Coaching's ROI in Small Companies

Smaller firms, on the other hand, often cannot spend the time and effort to achieve the same level of measurement precision. In that case, there are several steps they can take to come up with quantifiable measures, if not quite ROI metrics. Among them are:

- 360-degree surveys
- Climate surveys within the organization
- Employee performance metrics
- Customer surveys

However, such broad measures can be disconnected from the effect of specific behavior changes that the coach and the executive are addressing. The challenge is to figure out the connections between the executive's behavior and the behavior of the organization. Lore International Institute's Bacon suggests these possibilities:

- Improvements in productivity
- Reductions in absenteeism and employee turnover
- Reductions in cycle time
- Improvements in quality and/or reduction in waste
- Increased customer satisfaction
- Increased value of the opportunity pipeline

Several of these measures can even be translated into dollar values if the goal is to determine an ROI number. In every case, however, they provide a benchmark against which to measure the effectiveness of coaching.

The Bottom Line

Thus, though challenging, the business effectiveness of coaching can be measured, or at least closely approximated. And if coaching is to prove its worth, it ultimately must stand up to the same test as any other investment in the business. *