

STUDIES REVEAL COACHING PAYS OFF

THE STATE-OF-THE-ART IN RETURN ON INVESTMENT (ROI) IN COACHING

REY CARR

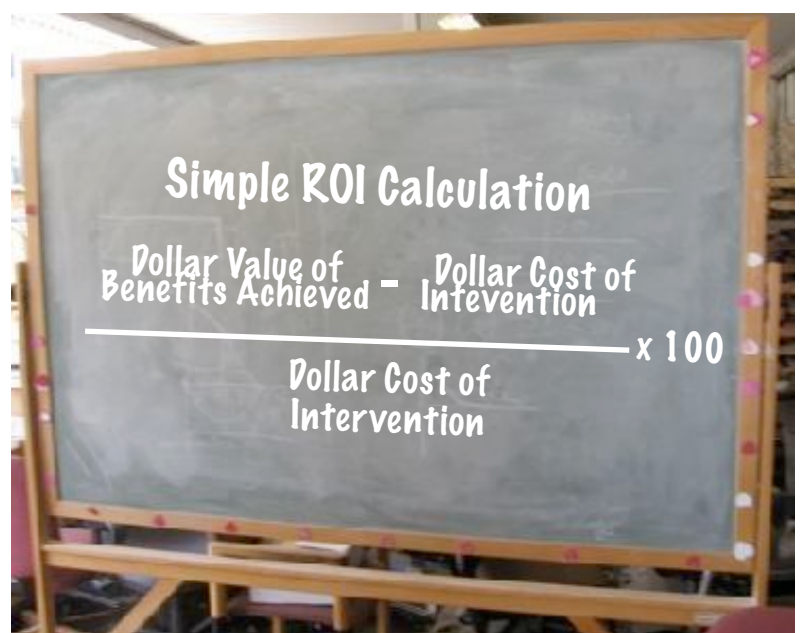


Return on investment or "ROI" is often considered a "bottom-line" concern when it comes to business coaching. Sometimes known as "coaching effectiveness," ROI is often discussed as if it is the key metric to determine value, impact, or effectiveness of coaching. ROI typically measures the impact on the target group (clients) and the organization (stakeholders, colleagues, productivity, and other factors). It is often used as a way of measuring total benefits rather than just the benefit to the direct recipient of coaching (the client).

Regardless of the importance placed on ROI, many researchers have noted how infrequently it is actually used in a business setting. Coaching experts believe this lack of attention to ROI stems from many factors including (1) difficulty of measuring more intangible outcomes; (2) reluctance to quantify an essentially qualitative interaction; (3) a strong reliance on verbally reported outcomes, based on the belief system of clients that a significant change has taken place and therefore additional metrics are not necessary; and (4) reluctance to accept ROI as a valid construct, and instead proposing alternative metrics such as a learning contract or a return on value (ROV) calculation.

An additional factor that may reduce the motivation for calculating ROI for coaching in business is the availability of existing ROI studies. A few pioneering studies, known as the "MetrixGlobal" and "Manchester" studies, quoted by literally hundreds of sources, have been used extensively to illustrate the benefits of business coaching in general. The results of these often quoted studies have been generalized to all businesses that use coaches; consequently, very few individual practitioners or businesses may believe there is a need for further documentation of ROI within their particular organization.

The typical formula for calculating ROI is based on (1) a calculation in dollars of the



cost of a coaching intervention; (2) subtracted from a calculation in dollars of the benefits achieved; (3) with the resulting amount multiplied by 100; and (4) that total divided by the calculation of the cost of the coaching intervention. The resulting calculation is expressed as a percentage.

Additional Resources on Coaching ROI

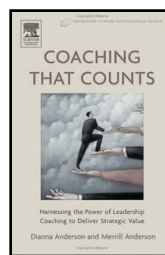
In the resources that follow we have identified the best websites, articles, and books (or book chapters) that discuss coaching's return on investment. We also include, where possible, links to the original studies or sources, including the most often cited references on ROI.

This list was updated in 2011, and the astute reader may recognize that few references appear current and are often based on the "classic" studies reported almost 10 years ago. This gap may reflect the idea expressed above of a waning attention to ROI. However, it may also reflect the fact that many individual practitioners have developed their own method for demonstrating ROI, and have placed the information on their own websites.

These more individualized approaches to ROI typically use client testimonials, descriptions of outcomes of their particular coaching intervention, or other self-developed metrics. In addition, with the extensive number of books on coaching or executive or business coaching that have been published in the last 10 years, many authors have commented on ROI within their own publications rather than publishing independent articles about ROI.

The sources that appear in this list are meant to help coaches and others (1) develop a general understanding of ROI concepts and issues; (2) gain familiarity with the most popular or most frequently quoted studies; and (3) save time seeking out the best of the best as well as the most up-to-date information on coaching ROI

Books or Book Chapters on Coaching ROI



Anderson, D. and Anderson, M. (2004). *Coaching that counts: Harnessing the power of leadership coaching to deliver strategic value*. Oxford, UK: Butterworth-Heinemann.

This book, authored by a husband and wife team, answers three of the big questions now being asked about leadership coaching: (1) What do leaders experience through the process of coaching? (2) What needs to be done to manage coaching as a strategic initiative? and (3) How does coaching add value for individuals and organizations?

Merrill Anderson, internationally recognized as the leading evaluator of corporate coaching initiatives, and Dianna Anderson, a Master Certified Coach, build on their collective years of experience, insight and research to provide a practical, user-friendly exploration of leadership coaching. The first section of their book presents an empirically-based client-centered model of coaching that clearly reveals what coaches and their clients need to do to achieve transformational change.

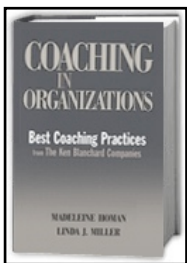
The fact that this model is empirically-based is important, because it has face validity and resonates with the reader's

Coaching ROI...(continued)

experience. The model reveals the underlying dynamics that make leadership coaching such a powerful development tool, including the process of translating ever deepening insight into meaningful action.

The second section speaks to those who manage large scale coaching initiatives. In this section the authors clearly demonstrate the steps that need to be taken to ensure that coaching programs deliver strategic value. In the third section the authors address the value that coaching delivers to the bottom-line. They provide practical, real-world tools and methods that enable the reader to demonstrate the ROI of a coaching initiative.

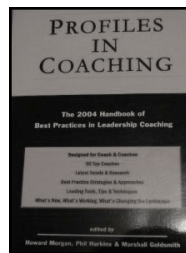
The authors also provide a powerful business case for leadership coaching, based on the latest ROI studies of coaching that the authors have conducted. (This summary is adapted with permission from the February, 2005 issue of Linkage Incorporated's [Link & Learn](#). (This book can be purchased from [Amazon.com](#), or [Amazon.ca](#), or [Amazon.co.uk](#))



Homan, M., and Miller, L.J. (2008). *Coaching in organizations: Best coaching practices from The Ken Blanchard Companies*. Hoboken, New Jersey: Wiley.

Written by two master certified business coaches and leaders in the business coaching field, the book examines the history of and trends in coaching, provides details on how to establish a coach-friendly work environment, analyzes coaching process, and reviews the advantages of both internal and external coaching assignments.

Chapter Four of this book provides an overview of different ways of measuring ROI. The authors understand ROI as a way to learn whether coaching and the development of people on a deep personal level is a best use of investment dollars. They reinforce the idea that ROI must begin with the clarity and specificity of goals; in other words, ROI must "start with the end in sight." In addition to providing ideas about alternatives to ROI, the authors also show how to calculate ROI. (This book can be purchased through [Amazon.com](#), [Amazon.ca](#), or [Amazon.co.uk](#))



Morgan, H., Harkins, P., and Goldsmith, M. (Eds.). (2003). *Profiles in Coaching: The 2004 Handbook of Best Practices in Leadership Coaching*. Burlington, MA: Linkage, Inc.

The content of this book is the result of interviews with 50 thought leaders and well-known coaching practitioners who responded to questions such as "What is your philosophy of coaching?" "What is your approach?" "What capabilities make you successful?" and "What type of a client makes the coaching engagement work?"

Analysis of their responses provides a state-of-the-art summary of where coaching is today, including how to select the right coach and maximize the impact of the coaching engagement; five distinct categories of business-oriented coaching currently used by senior leaders and top organizations; case studies of best practice organizations developing internal coaching or leader-as-coach capabilities; research on the ROI of coaching debate; and checklists, assessments, tips, and tools.

For those that responded to the initial Linkage survey that preceded the book, the

results from the survey are described and analyzed in Chapter 9 of this book. (Available from used book sellers via Amazon.com)

Phillips, J.J., and Phillips, P.P. (2010). *Measuring the success of coaching in organizations*.

Details about this book from two experts in ROI are not yet available but should appear soon on their ROI Institute [website](#).

Websites Featuring Coaching ROI

Many websites mention coaching ROI as a way of promoting their own coaching services. The four listed in this section are more focused on providing illumination of the ROI concept and general information about ROI.

1. [Performance Mastery](#). Compiled by Dan Johnson, this site includes brief summaries of the "classic studies" such as Manchester and Metrix Global LLC, as well as information about coaching and sales; coaching combined with training; and the value of coaching at work.

2. [Graduate School of Master Coaches](#). This site provides a definition of ROI along with a few examples and case studies.

3. [Facilitator](#). Simplifies many different formulas for ROI and translates them into useful tools and techniques for coaches, trainers, and peer and mentor program leaders.

4. [Research Portal](#) of The International Coach Federation (ICF). A compilation of articles from sources other than the ICF.

The Classic ROI Studies

The two most cited studies, neither of which was included in a peer-reviewed publication, and often referred to as "pioneering" articles on coaching ROI are:

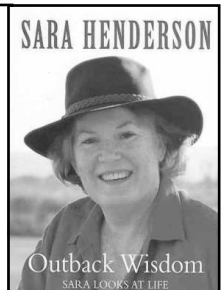
Anderson, M.C. (2001). *Executive briefing: Case study on the return on investment of executive coaching* (Known as "The MetrixGlobal study"). (Retrieved November 6, 2010 from [Wendy Hearn Coaching](#)).

This study was designed for a Fortune 500 firm and a coaching group to determine the business benefits and return on investment of coaching. Thirty of forty-three leadership development executives within the firm returned a two-part questionnaire (one part conducted by e-mail and the second part conducted via telephone).

Overall results revealed that coaching had a significant to very significant benefit on nine business measures. Although specifics are not mentioned, the study author concludes that coaching produced a 529 percent return on investment and significant intangible benefits. When employee retention was included as a benefit overall ROI increased to 788 percent.

"All the strength you need to achieve anything is within you."

~ Sara Henderson (1936-2005)~
Australian writer and outback station manager
[Biography](#)



McGovern, J., Lindemann, M., Vergara, M., Murphy, S., Barber, L., and Warrenfeltz, R. (2001). Maximizing the impact of executive coaching: Behavioral change, organizational outcomes, and return on investment. *The Manchester Review*, 6, 1, 1-9. (Known as "The Manchester Study"). (Retrieved November 6, 2010 as a PDF from the [ICF](#))

This study revealed strong evidence of the effectiveness of executive coaching, demonstrated across all five levels of evaluation, beginning with participants' reactions: 86 percent of participants and 74 percent of stakeholders were "very satisfied" or "extremely satisfied."

Seventy-three percent of participants considered that they had achieved their goals "very effectively" or "extremely effectively," as did 54 percent of stakeholders. There were only 12 cases where participants reported not sustaining at least one of their developmental priorities. Relationships improved by 77 percent; teamwork improved by 67 percent; job satisfaction went up by 61 percent; productivity improved by 54 percent; and quality improved by 48 percent.

Return on investment showed a value of \$100,000 for the sample, or 5.7 times the initial estimate. Some estimates were as

high as \$1 million, \$5 million, or even \$25 million. The authors caution to select coaches with care, provide strong organizational support, and measure and communicate the impact to reproduce similar results in other organizations.

Best Articles about Coaching ROI

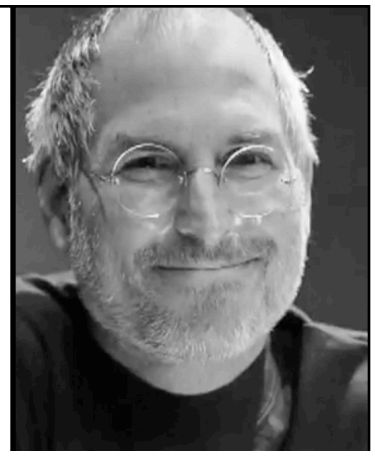
With a Google search yielding more than 5.5 million hits on the term "coaching roi" it's a daunting task to select the best articles or even to know which ones can be trusted. In addition, most coaches use the term ROI on their websites to promote their own coaching services or products. There is nothing inherently wrong with this type of marketing, and in many cases their explanations and examples of ROI can be instructive and educational.

We've selected articles (and listed them in alphabetical order by author) based on the following six criteria (1) the credibility of the author and source; (2) accessibility to the article; (3) the quality of the writing; (4) the emphasis on the detailing the concept of ROI and the de-emphasis on promoting self-interest; (5) the willingness of the author to identify potential problems or difficulties associated with ROI; and (6) the degree to

"Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow know what you truly want to become."

~ Steve Jobs (1955-2011) ~

Co-founder of Apple Computers, visionary and creative genius
Mentor to Mark Zuckerberg & many others
[Biography & Remembrances](#)



Coaching ROI...(continued)

which the author proposes innovative solutions or alternatives to ROI.

We've included brief annotations for most of the articles listed to provide more of a summary of what is included in the article. For those articles without annotation, we thought that the title was sufficient to explain the content.

Battley, S. (u.d.). Coaching ROI: 'Wow' your clients with real results. *Management Consulting News*. (Retrieved November 6, 2010 from www.managementconsultingnews.com/articles/battley_coaching_roi.php)

Reinforces the importance of using ROI to make a business case for coaching and provides a few ideas on what elements in a coaching interaction for ROI.

Benedict, S.L. (April/May, 2005). Wellness coaching: A life coach's collaborative approach to integrative healthcare. *Integrative Medicine: A Clinician's Journal*, 4, 2.

Personal interviews with leading professional coaches and allied healthcare organizations led the author to conclude that a consensus has been reached showing coaching to be an ongoing relationship that focuses on

clients taking forward action toward realizing their visions, goals, and desires.

Interviews with wellness coaches and quantitative outcome studies clearly show increased return on investment (ROI) using coaching, as well as improved wellness. This return was especially present for weight loss and cardiac risk reduction. The author believes that the benefits of life/wellness coaching are being increasingly recognized throughout the US healthcare system, particularly within complementary and alternative medicine and integrative practices. Conventional practitioners are still uncertain about what coaching is and where it might fit within their profession.

The author calls for more research and outcome studies to further validate the benefits of coaching to the healthcare system, and states that a more health-conscious and vocal public will lead to a wider use of coaching in the healthcare profession.

Bolch, M. (May, 2001). Proactive coaching. *Training*, 38, 5, 58+.

The author provides examples of how coaching has become welcomed in the world of business executives. Rather than being seen as a corrective measure for people in trouble, coaching is perceived

“What we say and what we do ultimately comes back to us so let us own our responsibility, place it in our hands, and carry it with dignity and strength.”

~ Gloria Anzaldúa (1942-2004) ~

American writer poet, mentor program director, and scholar
Mentor to Kleya Forte-Escamilla, Eglá J. Martínez and others
[Biography](#)



as a way to develop potential, build a team atmosphere, re-start a stalled career, help people with blind spots, and inspire company loyalty.

The author suggests that most coaches who are successful provide a personal touch, that in addition to email or phone contact includes face-to-face contact. While fees vary widely, hourly rates of \$200(US) to \$500(US) are common and most experienced coaches charge a day rate of \$2500(US) to \$3500(US).

Two sidebars included with the article focus on how coaching provided a return on investment (ROI) and what to look for when searching for a top coach (integrity, fit and form, training, relevant experience, individual vs. group practice, references, measuring progress, and cost). The author also suggests that four factors contribute to a successful coaching engagement: a motivated client, organizational support, tracking progress, and maintaining dynamics.

Bowery-Ireland, B. (2007). The ROI of business coaching revisited: Self-directed learning—the real ROI. *Business Coaching Worldwide*, 3, 3. (Retrieved November 6, 2010 from www.wabccoaches.com/bcw/pdf/2007_v3_i3.pdf)

Chief Learning Officer. (April 3, 2006). Survey: Coaching can have financial impact in the millions. *Chief Learning Officer*. (Retrieved April 27, 2006 from www.clomedia.com/common/newscenter/newsdisplay.cfm?id=5024).

This article quotes a study by TRIAD, a Cleveland-based independent research group, that estimated that the impact of coaching can be in the million dollar range and that ROI was in the 10 to 1 range with long-term returns even higher.

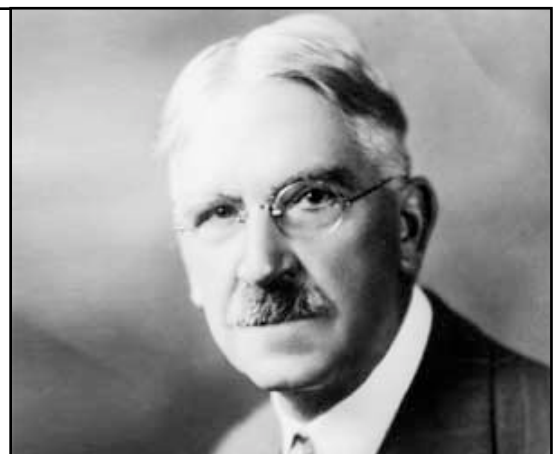
The TRIAD study showed that as a result of coaching there was less attrition of top performers, the creation of a positive work environment, increased salary levels, and reduction in erosion of customer-based revenue.

The article also details five factors for finding a good coach: check a coach's credentials; determine the relevance of a coach's professional experience; find out if the coach is associated with a trusted organization; determine if the coach is willing to do an interview to see if there is a fit; and find out the degree to which the coach lets you as the client set the agenda.

Gaskill, C. (November 12, 2007). Trade secrets: Measuring the impact of coaching. (Retrieved November 6, 2010

“There is all the difference in the world between having something to say and having to say something.”

~ John Dewey (1859-1952) ~
Psychologist, educator, and social critic
Mentored by H.A. Torry & George Morris
Mentor to Robert Bruce Raup, Sidney Hook, Max Eastman, and others
[Biography](#)



Coaching ROI...(continued)

from www.personneltoday.com/articles/2008/07/22/46692/coaching-roi-measure-for-measureings-sake.html)

Giannantonio, C. (u.d.). Coaching provides return on investment. *Ezine Articles*.

(Retrieved November 6, 2010

from www.ezinearticles.com/?Coaching-Provides-Return-on-Investment&id=1213698)

Hattiangadi, A.U. (April 10, 2000).

Upgrading workplace skills: Businesses' \$300 billion annual investment.

Contemporary Issues in Employment and Workplace Policy. Washington, DC:

Employment Policy Foundation. Retrieved March 1, 2003 from www.epf.org).

The private sector makes a substantial contribution to upgrading the skills of the US workforce. Using data on private sector GDP, direct training costs, and average annual hours spent in work and training, the Employment Policy Foundation estimates annual total training costs to firms of between \$2,625 and \$3,442 per worker—between \$78,750 and \$103,260 over a 30-year career. In aggregate terms, this means annual training expenditures by firms of \$284.7 billion to \$373.3 billion—more than the

total annual spending of colleges and universities combined.

This article lays a strong foundation for the use of mentoring and coaching as low cost interventions and can act as a basis for determining return on investment (ROI).

Hodges, G. (March 27, 2009). The ROI of executive coaching. *Article Alley* (Retrieved November 6, 2010

from www.articlealley.com/article_837152_15.html)

London, J. (December 14, 2007). Pinning down coaching ROI. *Trendwatcher*, 390.

(Retrieved November 6, 2010

from www.i4cp.com/trendwatchers/2007/12/14/pinning-down-coaching-roi)

Marcus, M. (2008). Executive onboard coaching: A winning strategy for your organization and high-potential talent. *Link&Learn eNewsletter*. (Retrieved May 6, 2008 from <http://tinyurl.com/3olyhm>).

A relatively new subset of executive coaching, "onboard coaching" focuses on working with "high potential talent" when they are making a transition within



“If you find it in your heart to care for somebody else, you will have succeeded.”

~ Maya Angelou ~

Poet, author, educator, and civil rights activist

Mentor to Oprah Winfrey

Mentored by Langston Hughes

[Biography](#)

or to a company. The author identifies seven key objectives to make onboard coaching a strategic activity: identify skills, evaluate present talent, accelerate the match between the executive and new role; develop collaborative relationships; gain understanding of both formal and informal structures; deliver results early; and support the new leader with success tactics and strategies.

The author also recommends the importance on focusing on ROV (return on value) as well as ROI (return on investment), and identifies six examples of ROV. To initiate onboarding within an organization the author suggests ideas as to how to establish the groundwork for success. (The author is a Certified Masterful Coach and the President of Break Through Consulting.)

Morin, T. (September-October, 2004). Calculating ROI from executive coaching. (Retrieved November 6, 2010 from www.wjmassoc.com/executive-coaching/roi-executive-coaching-onboarding/)

Parrot, K. (2008). *Executive coaching: A market research report*. Cambridge, Massachusetts: Dialogos.

This excellent report updates the report published in 2005 by Peer Resources (*Coaching Statistics, facts, guesses, conventional wisdom, and the state of the industry*). The report examines (1) coaching industry outlook and economics, including fee structures; (2) coaching outcomes and results, including impact studies and ROI; (3) organizations that support and educate coaches; and (4) how and for what services coaches are chosen by organizations.



A chart included with the report provides details on 27 coaching service providers, comparing them on criteria such as size, coach experience and background; products and services offered;

type of approach used; process used for contracting and engagement; and other details.

Phillips, J.J. (2005). Business coaching ROI: A real life example. *Business Coaching Worldwide*, 1, 3. (Retrieved November 6, 2010 from www.wabccoaches.com/bcw/2005_v1_i3/roi.html)

Phillips, J.J. (2007). Measuring the ROI of a coaching intervention, part 2. (Retrieved November 6, 2010 from www.media.roiinstitute.net/articles/pdf/2008/01/04/Coaching_Intervention_2_of_2_PIJournal.pdf)

Schlosser, B., Steinbrenner, D., Kumata, E, and Hunt, J. (2007). The coaching impact study: Measuring the value of executive coaching. *International Journal of Coaching in Organizations*, 4, 3, 8-26. (Retrieved November 6, 2010 from www.cambriaconsulting.com/wp-content/uploads/2007/06/coaching_impact.pdf)

Sparrow, S. (July 2008). Coaching ROI: Measure for measuring's sake. *Personnel Today* [Online]. (Retrieved November 6, 2010 from www.personneltoday.com/articles/2008/07/22/46692/coaching-roi-measure-for-measureings-sake.html)

Tobin, Daniel R. (1998). The fallacy of ROI calculations. [Online].

Dr. Tobin, one of the leading authorities on learning strategies in corporations points out the problems with calculations of ROI including whether ROI can ever really calculate powerful intangible factors, whether it actually includes the real reasons change occurred, and other problems. What makes this article unique is that Dr. Tobin has considerable experience in providing ROI calculations and formulas to corporations. In addition he specifies an alternative, which he calls the Learning Contract, that may have more power to detail change than ROI.

Wilson, C. (March, 2004). Coaching and coach training in the workplace. *Industrial and Commercial Training*, 36, 3, 96-98.

The author focuses on coaching and how the workplace is changing from authoritarian bosses and jobs for life towards self directed learning and portfolio careers. Outlines how the Virgin Empire was built using a coaching culture

and provides case histories of the implementation of coaching and coach training in the workplace. Provides some facts and figures about Return On Investment (ROI), and why companies introduce coaching. Concludes with a look into the future.

PostScript: Using ROI in Other Areas

If you've made it this far, we hope you've identified the common themes and principles associated with ROI. While we emphasized ROI in coaching, virtually all the general principles, calculations, cautions, and alternatives can be applied to mentoring as well as peer assistance. An example of using ROI principals in mentoring can be found in [Chapter 6](#) of *Strategies for Success in Mentoring: A Handbook for Mentors and Proteges* published by the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA).

“Experience taught me a few things. One is to listen to your gut, no matter how good something sounds on paper. The second is that you're generally better off sticking with what you know. And the third is that sometimes your best investments are the ones you don't make.”

~ Donald Trump ~
American financier, author, and business person
Mentored by George Ross and Fred Trump
[Biography](#)

