Measuring the Success of Coaching

A Step-by-Step Guide for Measuring Impact and Calculating ROI

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1

ROI in Coaching: The Basics

WHAT IS COACHING?

According to the *Merriam-Webster* online dictionary, the word *coach* originated in Hungary in 1556, where the Hungarian word *kocs* referred to a wagon used to transport people from one place to a new destination. Used as a noun, kocs, which is *coach* in English, is also a great metaphor for the meaning of the verb *to coach*. Not only has the word *coach* become a verb, but it also has become a profession.

While there are many definitions of coaching, the International Coach Federation (ICF) defines coaching as *"partnering with clients in a thought-provoking and creative process that inspires them to maximize their personal and professional potential"* (www.coachfederation.org). Blessing White takes this definition one step further and defines coaching as *"helping another person figure out the best way to achieve his or her goals, build skill sets or expertise, and produce the results the organization needs"* (Blessing White, 2009). No matter which definition you choose to describe coaching, one thing is certain, there are many types of coaching, including business coaching, career coaching, communications coaching, dating coaching, executive coaching, financial coaching, health coaching, life coaching, peer coaching, performance coaching, relationship coaching, sports coaching, team coaching, and many others.

So what does a coach do, specifically? Essentially, a coach assists the coachees to discover and clarify what they want to achieve, encourages the coachees' self-discovery, facilitates client-generated solutions and strategies, and holds the client responsible and accountable (www.coachfederation.org).

THE EVOLUTION OF COACHING

From executive coaching to team coaching to peer coaching—coaching is in. International Coach Federation data for 2012 estimated that there are 47,500 professional coaches worldwide, who generate nearly $2 billion in revenue globally (International Coach Federation, 2012). Moreover, the number of individuals who are becoming coaches continues to increase year after year. As the profession continues to grow and mature, so does the need for greater accountability in coaching.

In fact, recent research shows that after coach rapport and personal compatibility, effectiveness of coaching is the biggest driver of coach selection. In other words, when choosing a coach, coaching effectiveness is more important than the coach's background and education, their level of experience, and their reputation (International Coach Federation, 2009).

Consider one global media organization whose CEO and several key executives had a coach during a period when the media industry was undergoing significant change. As the media industry was becoming increasingly competitive due to the rise in user-generated content and increasing media channels provided by the Internet, this organization seemed an ideal candidate for its senior executives to participate in coaching. The CEO and senior executives who participated in coaching spoke of the great experience provided by their coaches. In fact, their coaches were frequently seen in meetings and throughout the corporate hallways as further demonstration of their importance. Yet, as increasing pressure required further budget cuts, all professional coaching was eliminated. When asked why coaching was eliminated, the senior vice president of HR stated that while the executives enjoyed the coaching experience and felt it was of value, they could not see any real, monetary impact to the organization.

We hope you will never face this issue. This book will provide you with an approach to measure the success of coaching, including return on investment (ROI) in coaching, so that you will have a method for ensuring accountability and demonstrating the value of coaching.

WHAT IS ROI?

ROI stands for "return on investment" and is the ultimate measure of accountability. Within the context of coaching, it answers the question: For every dollar invested in coaching, how many dollars were returned, above and beyond the investment? ROI is an economic indicator that compares earnings or net benefits to investment and is represented as a percentage. The concept of ROI to measure the success of investment opportunities has been used in business for centuries. As the need for greater accountability for coaching and demonstrated effectiveness and value increase, ROI is becoming an accepted way to measure the impact and return on investment of coaching programs.

The counterpart to ROI, benefit-cost ratio, has been around for centuries as well. Benefit-cost analysis became prominent in the United States in the early 1900s when it was used to justify projects initiated under the River and Harbor Act of 1902 and the Flood Control Act of 1936. ROI and the benefit-cost ratio provide similar indicators of investment success, though one (ROI) presents the earnings (net benefits) as compared to the cost, while the other (BCR) compares benefits to costs. Below are the basic equations used to calculate the benefit-cost ratio and the ROI:

$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI (\%)} = \frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100$$

What is the difference between these two equations? A benefit-cost ratio of 2:1 means that for every $1 invested, you get $2 back. This translates into an ROI of 100%, which says that for every $1 invested, you get $1 back after the costs are covered (you get your investment back plus $1).

Benefit-cost ratios were used in the past primarily in public sector settings, while ROI was used mainly by accountants managing funds in business and industry. Either can be, and are, used in both settings, but it is important to understand the difference. In many cases the benefit-cost ratio and the ROI are reported together.

While ROI is the ultimate measure of profitability, basic accounting practice says that reporting the ROI metric alone is insufficient. To be meaningful, ROI must be reported with other performance measures. That is the approach taken with the ROI Methodology (trademarked by ROI Institute, Inc.).

The ROI Methodology

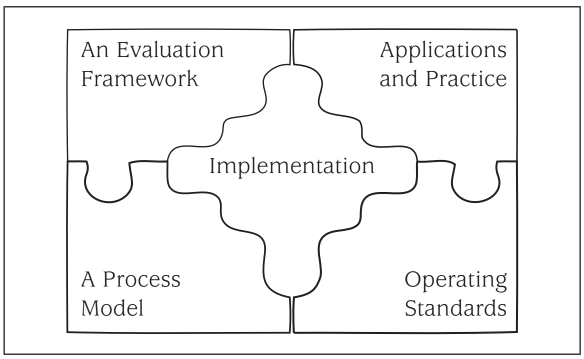
The ROI Methodology comprises five key elements. Together, these five pieces complete the evaluation puzzle.

The five pieces include:

- the evaluation framework
- the ROI process model
- operating standards and philosophy
- case application and practice
- implementation.

Figure 1.1 demonstrates how these pieces come together to complete the evaluation puzzle.

FIGURE 1-1. The Evaluation Puzzle



Source: ROI Institute, Inc.

Evaluation Framework

ROI for coaching is reported in the context of the five-level ROI framework, developed in the 1970s and becoming prominent in the 1980s (Phillips, 1983).

Today, this framework is used to categorize results for all types of programs and projects, including coaching.

- Level 1 *Reaction, Satisfaction, and Planned Action*—data representing coachees' reactions to the initiative and their planned actions are collected and analyzed. Reactions may include coachees' views of the coaching format, duration, coach effectiveness, and fit. This category of data also includes data often used to predict application of acquired knowledge and skills, including measures of utility such as relevance, importance, amount of new information, and participants' willingness to recommend the coach or coaching program to others.
- Level 2 *Learning*—data representing the extent to which coachees acquired new knowledge about their strengths, development areas, and skills are collected and analyzed. This category of data also includes the level of confidence coachees feel they will apply their newly acquired knowledge and insights on the job.
- Level 3 *Application and Implementation*—data are collected and analyzed to determine the extent to which coachees effectively apply their newly acquired knowledge and skills. This category of data also includes data that describe the barriers that prevent application as well as any supporting elements (enablers) in the knowledge transfer process.
- Level 4 *Business Impact*—data are collected and analyzed to determine the extent to which coachees' applications of acquired knowledge and skills positively influenced key measures that were intended to improve as a result of the coaching experience. When reporting data at Level 4, a step to isolate the program's effects on these measures from other influences is always taken.
- Level 5 *Return on Investment*—impact measures are converted to monetary values and compared to the fully loaded program costs. Improvement can occur in productivity, for example, but to calculate ROI, the measure of improvement must be converted to monetary value and compared to the cost of the program. If the monetary value of productivity's improvement exceeds the cost, your calculation results in a positive ROI

Each level of evaluation answers basic questions regarding the coaching program's success. Table 1-1 presents these questions.

Referring to evaluation data as levels provides a clear and understandable framework to manage the coaching programs' design and objectives, as well as the data collection process. More importantly, however, these five levels present data in a way that makes it easy for the audience to understand the results reported for the coaching program. While each level of evaluation provides important, stand-alone data, when reported together, the five-level ROI framework represents data that tell the complete story of program success or failure. Figure 1-2 presents the chain of impact that occurs

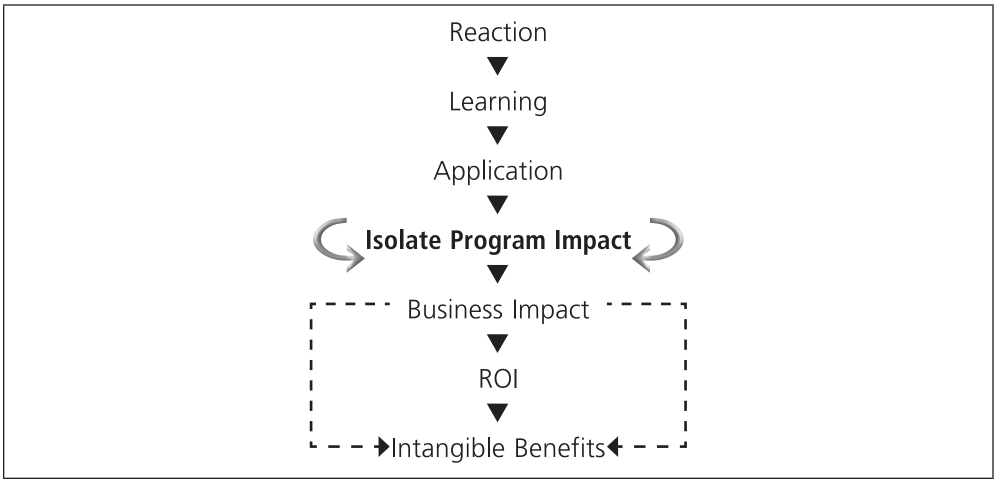
TABLE 1-1. Evaluation Framework and Key Questions

Level of Evaluation	Key Questions
Level 1: Reaction, Satisfaction, and Planned Action	• Was the coaching relevant to coachees' jobs and purpose of their roles? • Was the coaching important to coachees' jobs and success? • Did the coaching provide the coachees with new information? • Do coachees intend to use what they learned? • Would coachees recommend the program or process to others? • Is there room for improvement with coach selection and match, coaching session duration and frequency, and the setting for the coaching work?
Level 2: Learning	• Did the coachees gain the knowledge and insights identified at the start of the coaching? • Do coachees know how to apply what they learned? • Are coachees confident to apply what they learned?
Level 3: Application and Implementation	• How effectively are coachees applying what they learned? • How frequently are coachees applying what they learned? • If coachees are applying what they learned, what is supporting them? • If coachees are not applying what they learned, why not?
Level 4: Business Impact	• So what if the application is successful—what impact does it make to the business? • To what extent does application of knowledge and insights improve the business measures the coaching program was intended to improve? • How does the coaching program affect output, quality, cost, time, customer satisfaction, employee satisfaction, and other measures? • How do you know it was the coaching that improved these measures?
Level 5: ROI	• Do the monetary benefits of the improvement in business impact measures outweigh the cost of the coaching initiative?

Source: ROI Institute, Inc.

as coachees react positively to a coaching initiative; acquire new knowledge, skills, and awareness; apply the new knowledge, skills, and awareness; and, as a consequence, positively affect key business measures. When these measures are converted to monetary value and compared to the fully loaded costs, an ROI is calculated. Along with the ROI and the four other categories of data, intangible benefits are reported. These represent Level 4 measures that are not converted to monetary value.

FIGURE 1-2. Chain of Impact



Source: Phillips, P.P. and J.J. Phillips, *Return on Investment Basics* (Alexandria, VA: ASTD Press, 2005).

ROI Process Model

The second piece of the evaluation puzzle is the process model. The process model is a step-by-step guide to ensure a consistent approach to evaluating a coaching project. Each phase of the four-phase process contains critical steps that must be taken to ensure the output of a credible coaching evaluation. The ROI process is described in more detail in the next section.

1. Evaluation planning
   a. Develop/review objectives
   b. Develop evaluation plans and baseline data
2. Data collection
   a. Collect data during the coaching program
   b. Collect data after the coaching program
3. Data analysis
   a. Isolate the effects of the coaching
   b. Convert data to monetary value
   c. Tabulate fully loaded costs of coaching
   d. Identify intangible benefits
   e. Calculate the ROI
4. Reporting
   a. Develop impact study
   b. Communicate results to stakeholders

Operating Standards and Philosophy

This third piece of the evaluation puzzle ensures consistent decision making around the application of the ROI Methodology. These standards provide clear guidance about the specific ways to implement the ROI Methodology to ensure consistent, reliable practice in evaluating coaching. When the 12 guiding principles shown in Table 1-2 are followed, consistent results can be achieved. Additionally, these guiding principles help maintain a conservative and credible approach to data collection and analysis. The 12 guiding principles serve as a decision-making tool and influence decisions on the best approach by which to collect data, the best source and timing for data collection, the most appropriate approach for isolation and data conversion, the costs to be included, and the stakeholders to whom results are reported. Adhering to the 12 guiding principles allows for consistency and credibility in developing and reporting results of the coaching intervention.

Case Applications and Practice

The fourth piece of the ROI Methodology evaluation puzzle is case applications and practice, which allows for a deeper understanding of the ROI Methodology's comprehensive evaluation process. Case application is a way to provide evidence of a coaching program's success. Thousands of case studies across many industries, including business and industry, healthcare, government, and even community and faith-based initiatives, have been developed, describing the application of the ROI Methodology.

TABLE 1-2. 12 Guiding Principles

1. When a higher level of evaluation is conducted, data must be collected at lower levels.
2. When an evaluation is planned for a higher level, the previous level of evaluation does not have to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, choose the most conservative alternatives for calculations.
5. At least one method must be used to isolate the effects of the solution/program.
6. If no improvement data are available for a population or from a specific source, it is assumed that no improvement has occurred.
7. Estimates of improvements should be adjusted for the potential error of the estimate.
8. Extreme data items and unsupported claims should not be used in ROI calculations.
9. Only the first year of benefits (annual) should be used in the ROI analysis for short-term solutions/programs.
10. Costs of the solution/program should be fully loaded for ROI analysis.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. The results from the ROI Methodology must be communicated to all key stakeholders.

Source: ROI Institute, Inc.

While practitioners who are beginning their pursuit of the ROI Methodology can learn from these case studies, as well as those found in other publications, the best learning comes from actual application. Conducting your own coaching ROI study will allow you to see how the framework, process model, and operating standards come together. Your first coaching ROI study serves as a starting line for your track record of coaching program success.

Implementation

Finally, the last piece of the ROI Methodology evaluation puzzle is implementation. While it is important to conduct a coaching ROI study, one study alone adds little value to your efforts to continuously improve and account for your coaching investments. Anyone can conduct one coaching ROI study, but the key to ensuring continued coaching effectiveness is in sustaining the practice. Building the philosophy of the ROI Methodology into everyday decisions about your coaching practice is imperative for attaining credibility and consistency in coaching effectiveness. Implementing the ROI Methodology requires assessing the organization's culture for accountability and its readiness for evaluating coaching programs at the ROI level. It also requires defining the purpose for pursuing this level of evaluation, building expertise and capability, and creating tools, templates, and standard processes.

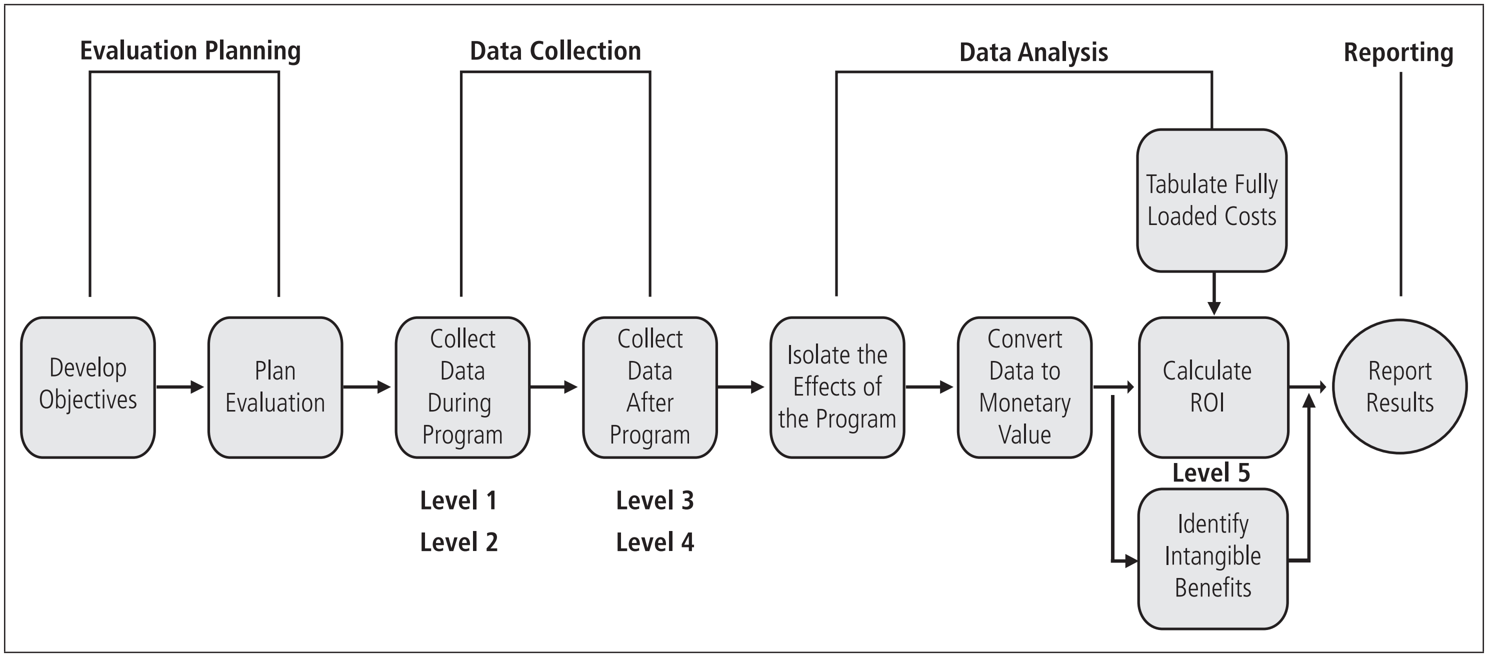
ROI Process

To evaluate a coaching program using the ROI Methodology, it is important to follow the step-by-step process to ensure consistent, reliable results. These 10 steps taken during the four phases of a coaching evaluation project make up the evaluation process model. Figure 1-3 presents the ROI Methodology process model.

Evaluation Planning

The first phase of a successful application of the ROI Methodology is planning. Having a plan allows you to know where you are going and helps you define how you will know when you have arrived at your destination for measuring the success of your coaching initiative. The plan begins with developing and reviewing the coaching objectives. After the overall coaching objectives have been defined, you then develop your data collection plan. The data collection plan includes defining the measures for each level of evaluation, selecting the data collection instrument, identifying the source of the data, and timing of data collection. The baseline data for the measures you are taking should be collected during this time. The next step within this phase is to develop the ROI analysis plan. The ROI analysis plan is where you select the most appropriate technique to isolate the effects of the coaching initiative on impact data. In the ROI analysis plan, you also will identify the most credible method for converting data to money, the cost categories you will be using, and your communication targets for your final report.

FIGURE 1-3. ROI Methodology Process Model



Data Collection

Once the planning phase is completed, the data collection phase begins. Levels 1 and 2 data are collected as coaching takes place, using common instruments including end-of-course questionnaires, completion of exercises, demonstrations, and a variety of other techniques. Follow-up data, at Levels 3 and 4, are collected sometime after the coaching, when application of the newly acquired knowledge, skills, attitudes, and awareness becomes routine and enough time has passed to observe impact on key measures.

Data Analysis

Once the data become available, the data analysis begins. As described earlier, the method for data analysis is defined in the planning stage; so when the time comes to conduct data analysis, it is just a matter of execution. The first step in data analysis is to isolate the effects of the coaching on impact data. Isolation is often overlooked in evaluating success of coaching programs, yet, this step answers the critical question, "How much of the improvement in business measures is due to coaching?"

Moving from Level 4 to Level 5 begins with converting Level 4 impact measures to monetary value. This step can be challenging, but once you understand and practice the available techniques to convert data to money, it becomes easier. The fully loaded costs are developed during the data analysis phase. These costs include needs assessment (when conducted), design, coaching sessions, coachees' time, overhead, and evaluation costs.

Intangible benefits also are identified during the data analysis phase. Intangible benefits are the Level 4 measures that are not converted to monetary value. These measures also can represent any unplanned program benefits that were not identified during the planning phase.

The final step of the data analysis phase is the ROI calculation. Using simple addition, subtraction, multiplication, and division, the ROI is calculated.

Reporting

The most important phase in the evaluation process is the final report. Evaluation without communication is a meaningless endeavor. If you tell no one how the coaching is progressing, how can you improve the process, secure additional funding, justify coaching, and market programs to future coachees?

There are a variety of ways to report data. A micro-level report of the complete ROI impact study is important as it is your record of the success of the coaching program. A macro-level reporting process includes results for all programs, projects, and initiatives and serves as a scorecard of results for all initiatives. An important point to remember, however, is regardless of how detailed or brief the report may be, the information in it must be actionable. Otherwise, there is no ROI on conducting the ROI.

Putting Results to Use

The ultimate use of data generated through the ROI Methodology is to show value of programs, specifically the economic value. However, there are a variety of other uses for these data, including justification of spending, improvement of the coaching process, and gain of support for coaching.

Justify Spending

Being able to justify spending on coaching programs is becoming more commonplace than it was in the past. Managers of coaching programs are often required to justify investments in existing and new coaching programs, as well as investment in changes or enhancements to existing coaching processes.

In the past, coaching was introduced to the organization with only limited thought as to how it would contribute to the business. While many coaching programs provided coachees with personal insight, there was no business justification for them. Today, new initiatives undergo a greater amount of scrutiny. At a minimum, managers of coaching programs consider the costs and provide some esoteric justification for investing the resources.

For those who are serious about justifying investments in new coaching programs, the ROI Methodology described in this book is a valuable tool. For new coaching programs where a pre-program justification is required, there are two approaches that can be used: pre-program forecasts and ROI calculated on pilot implementation.

Calculating ROI in existing programs is more common in practice than forecasting success for new programs. Typically, ROI is used to justify continued investments in existing coaching programs. These are coaching programs that have taken place, but there is concern that the value does not justify continuation of the program.

Improve the Coaching Process

The most important use of the ROI Methodology is to improve the coaching programs and processes. Often, coachees, as well as the coaches, believe that they are being evaluated in the coaching program. Though they are asked to be accountable for applying their learning to improve business measures, the coaching evaluation is about making decisions concerning the coaching process rather than about the individual performance of the people involved in the program. The ROI Methodology can improve the coaching program and process by helping to set coaching priorities, eliminating unsuccessful initiatives, and reinventing coaching for greater success.

Set Priorities

In almost all organizations, the need for coaching exceeds the available resources. A comprehensive evaluation process, such as the ROI Methodology, can help determine which coaching programs rank as the highest priority. Coaching initiatives with greatest impact (or the potential for greatest impact) are often top priority. Of course, this approach has to be moderated by taking a long view, ensuring that developmental efforts are in place for a long-term payoff. Also, some coaching programs are necessary and represent commitments by the organization. Those concerns aside, the coaching programs generating the greatest impact or potential impact should be given the highest priority when allocating resources.

Eliminate Unsuccessful Programs

You hate to think of eliminating a coaching initiative—to some people this translates into the elimination of responsibility and ultimately the elimination of jobs. This is not necessarily true. Sometimes, one coaching program is no longer needed or necessary, but a need for a different coaching process emerges. The ROI Methodology can be a tool to help decide which approach is eliminated and which alternative is selected as a replacement.

Reinvent the Coaching Process

Implementing a comprehensive evaluation process can have many long-term payoffs, one of which is the reinvention of the coaching process for greater effectiveness. While evaluating to the ROI level is not necessary for all coaching interventions, the process itself provides valuable data that can help reinvent those that are successful but expensive. The funds saved by making these decisions can be transferred to the front-end assessment, resulting in better, more focused programs and processes. This allows for better alignment between the coaching programs and the business.

Gain Support

Another use for the ROI Methodology is to gain support for the coaching process. A successful coaching strategy or intervention needs support from key executives and administrators. Showing the ROI for programs that include a coaching element can alter managers' and supervisors' perceptions and enhance the respect and credibility of all performance improvement processes.

Key Executives and Administrators

Senior executives and administrators are likely the most important group to influence with respect to the coaching program. They commit resources and show support for functions achieving results that positively affect the strategy of the organization. Executives and administrators are known for their support of development programs and often suggest coaching as the solution to many people-related problems. Unfortunately, coaching is not always the solution, so when the problem exists after coaching, executives and administrators quickly dismiss future coaching interventions. That is why some coaching programs are cut.

To ensure that effective coaching programs are not cut, it is necessary for the managers of coaching activities to think like the business—focusing programs on results and organizational strategy. ROI is one way this focus can occur. ROI evaluation provides the economic justification and value of investing in the coaching program selected to solve the problem.

Managers and Supervisors

Managers and supervisors can sometimes be antagonists of coaching programs because they often question the value of coaching. When this occurs, generally it is because the managers or supervisors have not seen success with a change in behavior in past coaching participants. Managers and supervisors aren't interested in what their coachees learn; they are interested in what coachees do with what they learn. Coaching programs must take learning gained through coaching a step further by showing the effect of what coachees do with what they learn on outcomes in productivity, quality, cost, and time. If coaching programs can show results linked to the business, managers and supervisors may give greater support to coaching processes and programs.

Coachees and Prospective Coachees

Showing the value of coaching programs, including ROI, can enhance the credibility of the coaching program. When you show that coaching is achieving serious results, coachees will view coaching programs as a valuable way to spend time away from their pressing duties. Also, by making adjustments in the coaching process based on the evaluation findings, coachees will see that the evaluation process is not just a superficial attempt to show value.