

Measuring ROI in Business Coaching: An Overview

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***Measuring ROI? In business coaching? Yes and yes.
Isn't this just a fad? Isn't this impossible? No and no.***

As more and more organizations use business coaching as a human resources, performance improvement, and leadership development approach, many executives question its value, particularly as coaching expenditures grow. Whether the engagement takes place in the context of an internal department for coaching or through arrangement with a business coaching firm, coaching assignments and commitments are planned and executed with good intentions. Unfortunately, however, not all coaching engagements produce the value desired by either the individual being coached (participant) or the sponsor who often pays for it. It will be increasingly important that business coaches measure a significant return on investment (ROI) and show the value of business coaching in terms that managers and executives understand.

It's Not a Fad . . .

Measuring ROI enjoys a history of nearly thirty years of application in a variety of human resource and performance improvement processes and across the full spectrum of industries and organizations. Thousands of trained practitioners implement an ROI process in their own settings and thousands of impact studies are generated annually worldwide. The methodology is the subject of many books in many languages.

It's Not Impossible . . .

Successfully measuring ROI for business coaching involves much more than simply assessing results achieved. The most effective ROI processes involve four phases: planning, data collection, data analysis, and reporting.

In the **planning** phase the coach, the person being coached, his or her manager, and the sponsor (client organization) agree on the evaluation plans and establish a baseline for expectations.

The **data collection** phase occurs in two time frames. Data is collected first during the coaching experience and then at the conclusion of the engagement or at an appropriate follow up time. The data collected include satisfaction and reaction, learning, application and implementation, business impact, and ROI. See Figure 1.

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Evaluation Levels

| Level | Measurement Focus |
|-----------------------------------|--|
| 1. Reaction & Planned Action | Measures participant satisfaction with the coaching experience and captures planned actions. |
| 2. Learning | Measures changes in knowledge, skills, and attitudes. |
| 3. Application and Implementation | Measures changes in on-the-job behavior and progress with application. |
| 4. Business Impact | Captures changes in business impact measures. |
| 5. Return on Investment | Compares coaching engagement monetary benefits to the program costs. |

Figure 1

The third phase in the ROI Methodology—**data analysis**—isolates the effects of the coaching on the business. The process includes converting data to monetary values using conservative figures (higher figures for costs, lower figures for benefits), capturing costs, calculating the return on investment, and identifying intangible measures and benefits.

Phase four—**reporting**—requires reaching conclusions, generating reports, and communicating the information to target groups. This new knowledge affords all involved—from the coach and the person being coached to upper level executives in the client organization—the ability to assess the value of the coaching engagement and the opportunity to make adjustments going forward.

Final Thoughts . . .

Developing the ROI in business coaching is not a fad, and it's not impossible. Measuring ROI in business coaching is and will increasingly become an imperative for organizations and coaching firms pursuing the highest standards of accountability.

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