

Return on Investment: Frequently Asked Questions . . . and Answers!

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As businesses and organizations increasingly turn to coaching for performance improvement and leadership development, questions about the value of coaching naturally arise. In addition, calculating return on investment (ROI) of coaching can seem daunting. Here are five of the most frequently asked questions that business coaches ask about measuring the ROI of coaching.

- 1. Do I have to learn finance and accounting principles to understand the ROI Methodology™ and effectively measure the ROI in coaching?** No. Although – many of the basic principles of finance and accounting aren't required for developing the ROI in business coaching, it is important to understand issues such as revenue, profit, and cost. Ultimately, the payoff of coaching or any human resources project or program will be based on either direct costs saved or additional profits generated. It's helpful to understand the nature and types of costs and the different types of profits and profit margins.
- 2. Do I have to know complicated statistics to understand ROI?** No. Basic statistical processes—simple averages, variance, and the standard deviation—are all that are necessary to develop most ROI impact studies. These very simple concepts are, by design, simplified as much as possible so that the ROI Methodology™ can be used successfully with all types of business coaching solutions.
- 3. Isn't ROI too complicated for most business coaching professionals?** No. The ROI calculation itself is a very simple ratio net benefits divided by costs. The process follows a methodical, step-by-step sequence with guiding principles for collecting data and calculating benefits and costs. In all, six types of data are collected, including reaction, learning, application, impact, ROI, and intangibles. What can make the process somewhat complicated are the many options in each step in the process. Several methods are available for isolating the effects of coaching as well as for converting data to monetary values. Selecting the data collection methods for a given coaching assignment will be influenced by the nature of the coaching engagement and the particular environment and setting. To keep the process simple and clear the coach, the participant, and the sponsor or client organization must establish the parameters and expectations for the coaching experience at the beginning of the assignment.

This article was previously published in WABC's eZine

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4. **Shouldn't business coaches focus on the human dynamics rather than on the numbers?**

Certainly, within the coaching assignment the business coach's attention is on the coaching task and on developing rapport with the participant so that learning and change can happen. The astute coach and coaching firm will realize the need for accountability and for measurement and evaluation of the coaching engagement, including ROI. Assessing the value of business coaching and reporting that information to decision-makers enhances the likelihood of continuing and even increasing the opportunities to coach.

5. **Isn't this just a fad?** No. This methodology is comprehensive, consistent, and credible. ROI has been used as a business evaluation tool for 300 years. Although ROI has only recently begun to be used to evaluate coaching, its significance as the benchmark in measurement and evaluation is well-established and well-documented. To summarize the present status:

- The ROI Methodology is used by over 2000 private sector businesses and 200 government and non-profit organizations in over 40 countries.
- More than 2500 people have been certified to implement the methodology in their organizations.
- Individuals in public and private sector organizations conduct approximately 5000 ROI studies annually worldwide.
- Almost 20,000 specialists and managers around the world have taken either a one-day or two-day ROI workshop.
- A 600 member global ROI network provides an environment and resources for information sharing and professional growth. ROI networks have been launched in 12 countries.
- This methodology is the subject of more than 15 books which have been translated into 25 languages.

Measuring and evaluating the return on investment validates the critical role of coaching as a performance improvement solution. Expressing value in monetary terms puts business coaches on track to meet the growing demand for accountability.

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