MEASURING RETURN ON INVESTMENT

EVALUATING COACHING

Thought Piece

Looking beyond goodwill to prove the pay-back from coaching

By Clive Johnson

Few organisations haven't been touched by coaching in at least some form. Large and small public sector, not-for-profit and commercial organisations alike have embraced coaching in a big way, often allocating sizeable budgets and dedicated individuals to manage their company-wide programme.

"Proving the return of an initiative which produces 'soft' outputs has long proved a luckless task, especially when a wide range of factors other than coaching can come into play."

As countless beneficiaries will testify, the impacts of coaching can be dramatic. Amongst other areas, coaching is used to help prepare high flyers for senior roles, help top decision makers clarify their thinking, settle new staff after a merger, and speed induction and training for newcomers. Of course, coaching is also widely used to support staff development.

However, the talent-focused era of the late 1990's and larger part of the "noughties" is now under scrutiny. As *Financial Times* columnist Lucy Kellaway predicts that 2009 will be "the year of the CFO", as companies focus on survival and smart ways of working rather than developing people.

The dynamic has changed: mobility of people between jobs has fallen, survival is a bigger priority than reaching for new targets, and in the public sector, what might be seen by some as a "luxury spend" needs to be justified.

Coaching programmes are vulnerable as organisations batten down the hatches, cut budgets and focus on "sticking to the knitting". Anything which isn't seen as a "must have" is vulnerable. After all, organisations survived and thrived without such initiatives as recently as five years ago,: the days before the arrival of coaching aren't yet confined to distant memory.

Fortunately, advocates of coaching include those who take decisions on where to invest an organisation's coffers: executives were amongst the first to embrace coaching and recognise the value it offers them. Regular "quality time" with a coach is likely to continue to be seen as a valuable use of resource for those charged with steering an organisation through a difficult time. However, for everyone else - line managers, staff receiving coaching as part of their personal development entitlement, those put on a remedial action plan, and the rest - a large investment in coaching may be much more difficult to justify. Yet cutting spending may be a false economy.

private conversations

Proving the real returns of initiatives which produce "soft outputs" has long proved a luckless task for Talent Managers and HR specialists, especially when a range of influences *other* than the topic in focus (coaching) can come into play, and also considering that much coaching takes place behind closed doors.

Even where it is possible to measure benefits in financial or other tangible terms, the time and complexity needed to do so is often just not worth the effort.

For many, good feeling and perception is enough to justify on-going investments - after all, everyone *knows* that coaching helps individuals exploit their potential, don't they?

Sometimes, the evidence is clear for everyone to see. For example, someone with an "attitude problem" emerges from a few sessions with a coach as a new person, a timid manager who didn't have the confidence to delegate shows a new self assurance in controlling the reigns, or a newly promoted manager proves to be an effective leader from day one.

But in times of budget squeezes, good feelings on their own aren't enough. Even where it is clear that performance has improved since embarking on a new initiative, it's still important to know whether the initiative alone has made the difference and whether what are believed to be the crucial influencing factors actually have been responsible for the change.

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Gillian Flynn

For those responsible for leading coaching initiatives, knowing what's really being delivered is critical for pinning down what is and isn't working. Understanding the effectiveness of a coaching programme is part and parcel of understanding its investment return.

Popular frameworks developed for evaluating training programmes might offer a solution for finding out what coaching is delivering (for example, Donald Kirkpatrick' "four levels" model). But the real benefits of coaching come from improved performance, which is level 4 in the Kirkpatrick model – the level which usually proves the most elusive to attain.

What then can be done to crack the return on investment (ROI) 'Holy Grail'? What can be done to gain real insight and *proof* of return on coaching without having to justify the ROI for doing so in the process?

This difficulty became apparent to me during a study of coaching implementations. Of 70 organisations consulted, very few interviewees could put their hand on heart and say what their coaching programmes were really delivering. Those who could had generally set very specific objectives for coaching at the outset, and also tended to have access to a wealth of performance data - contact centres, mystery shopper surveys, sales team performance and the like. Only one fell outside these categories.

looming questions

This finding was striking. My attention then turned to finding a simple but compelling way to offer help. Any response would need to keep the accountants happy, but not reduce analysis of returns to financial-speak. After all, Return on Investment (ROI) refers in a general sense to the recognised benefits which have resulted from a course of action – the 'soft' benefits such as improved staff morale as well as the 'hard'.

Soft benefits are usually difficult or impossible to measure in precise terms, however this doesn't detract from the value of trying nor from the value of obtaining significant evidence to understand what is actually happening and why it is succeeding (or otherwise).

Sometimes, measuring pure financial ROI is readily achievable, however, as *Workforce* writer Gillian Flynn comments, "the idea of an absolute number that shows the exact value returned for an exact value invested in training is a seductive idea. In some cases, it's quite attainable. In others, it may simply be a seductive idea" [2].

Inspiration for finding an answer to measuring any programme's return came from not just reviewing current thinking on ROI (or rather 'ROP', Return on People) assessment, but by recognising the power of combining anecdotal with other data analysis.

telling tales

Anecdotes are very important for gaining understanding, and for telling the 'story' of a coaching intervention.

In talking to HR specialists about the feedback they had received from managers, coaches and coachees about their experiences with coaching, it was the small handful which could relate 2 or 3 stories which impressed me most.

What was impressive about these was not just that they powerfully illustrated the consequence of the intervention, but that they made clear why coaching, rather than something else, had made the difference.

Many academics have traditionally derided anecdotal evidence as not fitting with what they see as being 'the scientific method'. But scientists have always been split on this matter - and necessarily so - since the disciplines of some don't always lend themselves to neat, empirical analysis. Human psychology and animal ethology provide examples.

For many, the plural of an anecdote is data, and this is often more powerful than 'data' points gathered in a controlled study. "Often all we have is anecdotes", comments Peter Klein, Associate Professor of Social Sciences at the University of Missouri, "[and] a well informed anecdote is better than quantitative data that proxy only very crudely for the underlying phenomenon of interest" [3].

The ethologist Marc Bekoff comments that "anecdotes and stories drive much of science although they are not enough on their own. But to claim they aren't a useful heuristic flies in the face of how hard science and soft science are conducted" [4].

Where coaching evaluation is concerned, current thinking on ROI assessment is playing down the significance of finding a 'magic number' and putting emphasis on the importance of really knowing where differences are being felt.

This gets back to thinking about what sponsors really want to hear. As Learning & Development specialist Daniel Tobin remarks "When [an organisation's] leaders stand up and say 'We had a really good year, meeting [or exceeding] our business goals', then I know that the [training, coaching, etc...] has been successful" [5]. Jay Cross continues, "The *R* is no longer the famous bottom line and the *I* is more likely a subscription fee rather than a one-time payment" [6]. And in their recent book What Happy Companies Know, citing a wide of recent research, Dan Baker, Cathy Greenberg and Collins Hemingway observe that "...Return on people is that the choice is not between people and high profits. Being good to people *causes* high profits" [7].

Happily, we've reached a time when sufficient proof of people investments have convinced many accountants of the bottom line value of such initiatives, even if the benefits only become apparent over a relatively long time. This adds credibility to the worth of analysis in addition to traditional 'number crunching'.

compelling evidence

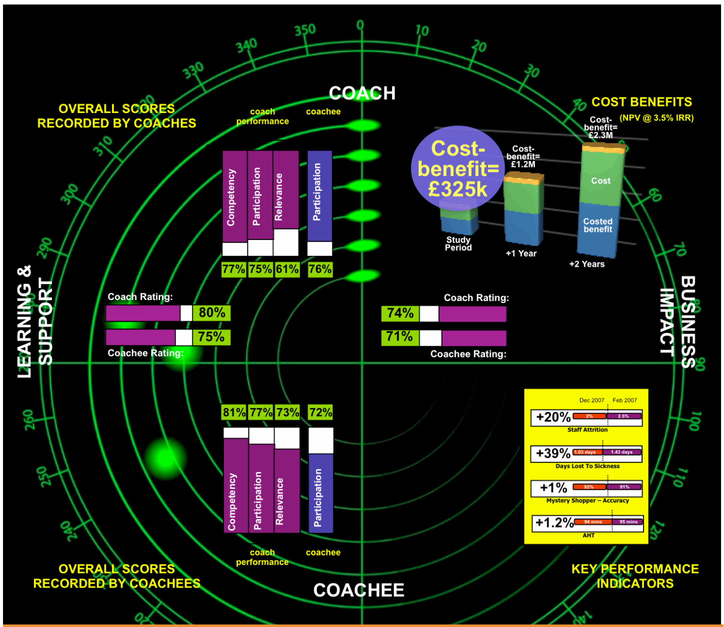
ROI is always context sensitive. Whilst it can be applied to measuring the financial value of changed behaviour, the impact on the bottom line is what matters most.

Stories are all well and good, but of course it's also important to know whether they are isolated examples or representative of general impacts. As with the examples which impressed me during research, getting to understand *why* changes in mindset, behaviour, attitude or skill have happened is key.

This is where having a structured means for analysing anecdotes is needed. Barbara Minto's 'Pyramid Principle' [8], originally developed for McKingsey & Co, provides a well-known method in consultancy circles for analysing and relating a collection of seemingly isolated comments. The method produces compelling, logical insight into the theme of study.

Such analysis requires human intervention and hard thinking. This is the real 'nuts and bolts' of a coaching evaluation exercise.

Where the analysis is combined with correlations with other data sources such as 180º surveys, costed data and performance metrics, the insights drawn are doubly powerful and convincing - the 'case for the defence' can rest safely in the knowledge that any critic will be hard-pressed to offer up an alternative argument.



Correlating a range of data sources builds a compelling picture of what a programme is really delivering.

considering the options

This approach of considering and countering 'devil's advocate' arguments allows a range of alternatives to be compared. For example, the question of bringing coaching in-house might be looked at - not just what the relative costs or savings might be compared with existing arrangements, but how practical such an option might be. Similarly, informed decisions might be made on where to focus coaching effort and what to allow to be put on the back burner, where to favour coaching over training or another development approach, and whether the biggest benefits of coaching can be achieved in a shorter timeframe than is currently given over to private "one-to-one's".

References

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"Evaluation allows an opportunity to consider possible alternatives...for example, whether to bring coaching in-house - not just what the relative costs or savings might be, but how practical such an option might be."

There can then be a very good basis for continuing to put the case for coaching. Even in difficult times, organisations need to consider their investment options. Armed with compelling, comprehensive data, a decision which lets the baby being thrown out with the bath water can be avoided◆

Clive Johnson is director of Proactive Style and creator of The Radial Method, a comprehensive toolset and method for measuring return on people investments, and presenting the results simply and succinctly.

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Proactive Style offers fixed price ROI studies and portfolio evaluation, typically costing around £2,000. We also offer consultancy, tools and training in evaluation framework enhancement and implementation.

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