What research suggests as the link between coaching, engagement and business performance

- Business units with scores above the mid-line in employee engagement account for 70% of business performance, i.e. 50% of the units (those above the mid-line) account for 70% of business performance.¹
- Business units that scored in the top 25% in terms of employee engagement are more productive ($80,000-120,000 more in sales than those in the bottom 75%).¹
- Executive coaching has been shown to provide a return on investment of three² to six³ times cost. Areas most often cited as impacted were productivity, quality, revenue/sales, cost reduction, reduction of key staff, and customer satisfaction.
- One study³ quantified the anecdotal results that executives reported. They included better relationships with direct reports (noted by 77%), bosses (71%), peers (63%), and clients (37%). In addition, a little less than half cited a marked increase in job satisfaction and organizational commitment—i.e. they were less likely to quit than they were before coaching.
- While it is difficult to separate the impact of coaching from other factors that influence performance and outcomes, one source found that 69% of improvements in retention, cost savings, productivity, work output and sales, were attributable to coaching.⁴

Other factors that may affect measurement of ROI

- Executive leaders (the audience most often studied in terms of coaching return) often have greater influence to enact broad organizational actions that can significantly shape actions and drive business performance. Mid- to front-line managers generally act, shape and influence at narrower levels. Results from coaching provided to levels other than executives may be different from those noted above.
- In a number of the coaching studies cited above, participants volunteered for coaching. Results may be different in those instances where managers are assigned coaches.
- The coaching efforts cited in the studies above where long term (6 months to a year), focused solely on the leader, and each leader was provided up to 12 two-hour coaching meetings. Coaching assignments of shorter duration may not provide the same level of results.
- Most managers request coaching for a broad range of reasons (to aid with transition to new levels of management, to stretch up to current levels of management, to increase capacity to engage employees, to develop high potential). Any measurement strategy should come with a huge caution: Do not expect similar results across managers.
- Fairly regular movement in management ranks may make measurement a challenge. Even if the manager being coached remains in a stable position, there are often shifts immediately above him/her that could impact engagement, performance, and other measures.
- One of the challenges in quantifying any organizational improvement is the number of factors in addition to the targeted intervention and/or strategy that could impact results. Any measure focused solely on engagement scores could be prone to large, yet unmeasured, factors relative to what people believe they are rating and why they are rating it (i.e. the Union stance and how people perceive senior management).
Possible measurement strategies

1. **Develop broad estimates based on generalized relationships.** Research suggests that work units that are more engaged are more productive, therefore an increase in engagement should equate to an increase in business results. Develop correlation charts for each business unit to determine the correlation.

   **Benefits:** Relatively easy to do. Provides a good long-term, quick and dirty measure.

   **Drawbacks:** Significant change and other organizational challenges are likely to impact correlations (which would need to be updated over time). Organizational impacts would need to be identified from year to year in an attempt to separate coaching impacts from other organizational impacts. It should be anticipated that large organizational initiatives may greatly influence results since they would tend to be broader, last longer, and would effect/touch more people than coaching.

2. **Use an impact survey to assess best and worst cases.** We currently send out these surveys. A follow-up study could be done to investigate best cases (those that seem most measurable) and worst cases (to understand what could be done to ensure we meet the needs of all). The focus of this work would be to study the tail ends of the bell-shaped curve (rather than the whole). Instead of measuring everything, the focus is on:
   - The biggest successes which are used to justify that the program is providing a return. The critical few cases with the most measurable impacts are used to identify ROI.
   - The biggest non-successes to identify what’s not working, why it’s not working, what factors are at play and consequently what would be done to position the effort for even greater success.

   **Benefits:** Provides accurate, verifiable data. Good interviewing techniques can help separate the impact of other organizational factors that may be impacting results. Provides thick ancillary information about coaching and its impacts.

   **Drawbacks:** Can be labor intensive. If not managed well, can destroy the anonymity and confidentiality that ensures the success of a coaching program.

   The process recommended above could be supplemented by a process recommended by Sherpa\(^6\). See below.

   a. Estimate the total value of resolving an issue or issues
Recommendation:

Develop an integrated four-level evaluation strategy similar to the attached. Careful consideration and a second look at the questions currently being asked on the customer surveys and the impact surveys would take care of levels one and three. Further, it is suggested that you:

- Look at how data should be collected (when, how, by whom). The table that follows is provided as an example and should not be considered to be the preferred or ideal.
- Consider not only how to measure return, but also consider the development of outcome-based performance standards.

Example: Avoided $55,000 in turnover costs, increased productivity by $45,000
Total benefit: $100,000

b. **Multiply by the percentage of the improvement attributable to coaching**
   (in this example, 50% of the improvement comes from coaching)
   Coaching benefit $50,000 (#1 times #2: 50% of $100 K)

c. **Factor in the degree of confidence in the estimate(s)**
   (In this example, we are 90% sure that our estimates in steps 1 and 2 are correct.)
   Adjusted coaching benefit: 45,000 (#2 times #3: $50,000 times 0.9)

d. **Subtract the total cost of coaching (say $15,000)**
   Net benefit $30,000 (#3 minus #4)

e. **Calculate ROI: Divide net benefit (step 4: $30k) by coaching cost ($15k)**
   ROI = 200% . (#4 divided by #3: 30K/15K = 2.00)

1. **Use pre- and post- engagement scores.** This was done during the first year.

   **Benefits:** Provides a quick and easy read—and allows for statistical analysis.

   **Drawbacks:** While this is a good rough measure, there are a number of factors that can influence engagement over the course of the year (as noted earlier). Timing may also be an issue (and needs to be taken into consideration). To date, a majority of the coaching assignments have started at about the same time the employee engagement score survey rolled out. Is there a possibility that increases in scores are due to the Hawthorne effect?
2. **Target a business measure with each coachee.** Ask each manager being coached to identify a measure within the scope and control of his/her workgroup that will be impacted by the coaching. Identify the starting baseline and report the measure at the close of coaching.

Benefits: Would provided targeted data and stress the important link between leadership influence and business results.

Drawbacks: Would require a change in the current expectations of coaches (to demonstrate and discuss the link between leadership and the balanced measures rather than measure and reporting results). Would require greater administrative burden (cost in calculating, verifying and validating with manager). Data gathered may not be easily collapse-able into an overall measure.

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1. Study based on Gallop Workforce Audit that looked across 7939 business units in 36 companies to explore the link between engagement and business outcomes.
2. Study of 25 executives in large hotel corporation.
3. Study of 100 executive (VP or higher) done by Manchester.
5. Term coined as a consequence of phenomenon noticed during research. Study participants tend to demonstrate measured behaviors (i.e. watched behaviors) despite conditions or factors that might cause demonstration of those factors to fluctuate (e.g. simply measuring and/or watching tends to bring about positive behavioral change).

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Measure/ performance standards</th>
<th>How to collect? (instrument &amp; method)</th>
<th>From whom to collect? (sources)</th>
<th>When to collect (timing)</th>
<th>Who to collect? (responsibility)</th>
</tr>
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<table>
<thead>
<tr>
<th>I</th>
<th>Reaction/Satisfaction</th>
<th>__ out of 5 on a 5 point scale</th>
<th>Workgroup and Manager Customer Satisfaction surveys via web-based survey</th>
<th>Person being coached</th>
<th>Immediately after close of coaching</th>
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<tbody>
<tr>
<td></td>
<td>Relevant? Helpful?</td>
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<td>Make a difference?</td>
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<td>Value for time spent?</td>
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<td>Coach effectiveness?</td>
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<td>Satisfaction w/ process?</td>
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<td>II</td>
<td>Learning: What do coachees know now that they didn’t know before?</td>
<td>__ out of __ on a __ point scale</td>
<td>Survey or questionnaire</td>
<td>Manager who was coached</td>
<td>6 weeks to 3 months after close of coaching</td>
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<td></td>
<td>List of new skills/techniques</td>
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<td>Focus groups of those who have completed coaching</td>
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<td>III</td>
<td>Application: Successful use of new skills and insights on job</td>
<td>__% report implementing actions on the job and seeing (or expecting) positive results</td>
<td>Impact survey</td>
<td>Manager who was coached</td>
<td>6 weeks to 3 months after close of coaching</td>
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<td>Business Impact: Use of new skills and insights has marked impact on the business</td>
<td>Increased efficiency</td>
<td>Impact survey followed by interviews to assess measurable impact (return and/or cost savings)</td>
<td>Manager who was coached</td>
<td>3 to 6 months after close of coaching</td>
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<td>Increased cust sat</td>
<td>Decreased inventory</td>
<td>Decreased complaints/grievances</td>
<td>Etc.</td>
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