

The ROI of Leadership Coaching: Three Key Insights for Value Creation

Leadership coaching has emerged in recent years as a popular—and powerful—way to develop leadership skills. ROI studies conducted by MetrixGlobal, LLC, over the past four years clearly demonstrate that leadership coaching consistently delivers business value. The ROIs have generally been in the range of 500% to 700%. This being said, what have we really learned about how coaching delivers value?

There are three key insights that we have drawn from the data:

1. Leaders who were coached developed according to a fundamental evolutionary process. We describe this process in the book *Coaching That Counts* as a four-quadrant model. These quadrants are described from the perspective of the leader, or client, being coached.

a. The first quadrant involves the client finding focus and creating the space to make change. Often there is some proximate issue that the client feels must be addressed. Getting more organized to focus on strategically important issues, and overcoming dysfunctional habits and behaviors are some examples of first quadrant learning.

b. The second quadrant involves relationships. Building stronger partnerships or strengthening peer relationships through more effective collaboration could be examples of Quadrant Two coaching goals.

c. In the third quadrant, clients create alignment between intentions and actions. With the help of the coach, they align who they are with what they do. The focus of the client's outward actions is increasingly strategic, as larger projects, such as managing change, are taken on.

d. The fourth quadrant is characterized by clients taking bold and original action to make positive change in their organizations. This may include launching a new product line or restructuring a department.

2. As leaders transformed themselves, they created strategic value for the organization. We examined how each leader took actions as a result of their coaching and the impact that these actions had in the organization.

a. 58% of those clients whose coaching experience was limited to working on the more tactical issues in Quadrant One reported that their coaching significantly impacted the business. In contrast, 100% of those whose coaching progressed to work on more strategic issues in Quadrant Four reported making a significant impact on the business.

b. 70% of all monetary benefits attributed directly to the coaching leaders received came from those leaders who worked on the more strategic issues in Quadrants Three and Four. The remaining 30% of the monetary benefits came from those clients working on issues related to Quadrants One and Two.

c. In looking at the sources of benefits, clients in Quadrant One tended to cite personal productivity, while clients in Quadrant Four cited examples such as increased net revenue from launching a new product line.

From a strategic perspective, launching a new product line is far greater than gaining increases in personal productivity. Leaders transform themselves as they progress through the four quadrants. According to our research, their impact on the organization increases accordingly.

3. Insight—and deepening levels of insight—is the key enabler for transformational change. Unfortunately, only 15% of all leaders progressed through all four quadrants. There were a variety of reasons why the other 85% did not make it to Quadrant Four: the leader's lack of will or understanding that this level of transformational change was possible or desirable, lack of time or budget to pursue coaching sufficiently, or the skill level of the coach.

However, the key enabler for the progressive development of the leader was insight, specifically, how the coach and leader together created deeper and deeper levels of insight. The leader takes actions based on new insights. The coach helps the leader explore the outcomes of these actions, which then creates a new platform—and new questions—for even deeper insights to be created.

We have identified four levels of insight, each of which is associated with one of the four quadrants:

- a. Reflective insight, Quadrant One, opens up the possibilities for change.
- b. Emotional insight, Quadrant Two, comes from learning how to discern and decipher the emotional context of situations.
- c. Intuitive insight, Quadrant Three, affords the leader the opportunities to tap into their own intuitive knowing.
- d. Inspirational insight, Quadrant Four, enables the leader to act with the faith and courage to achieve major accomplishments.

The good news is that leaders and coaches can acquire both the insightful capabilities and the understanding of how to achieve transformational change. The four-quadrant model suggests a developmental process that leaders can utilize. Both coaches and leaders can employ the four levels of insight to achieve transformational change. And, as our work clearly shows, this transformational change will lead to strategic value for the organization.

What can coaches do to structure their coaching engagement and make their coaching count? Here are some ideas:

1. Use the four quadrants as stepping stones to structure the coaching relationship. For example, be sure that the client has done the appropriate work with finding focus (Quadrant One) before exploring the emotional context of the client's situation (Quadrant Two).
2. Be sure to set objectives for coaching that relate to Quadrant Three. So often, we have observed coaching relationships that set their sights too low (e.g., Quadrant

One). Begin with Quadrant One or Two objectives, however, at the appropriate point in the relationship, reset the objectives to dig deeper into Quadrant Three issues.

3. Occasionally probe for specific examples of application and explore potential impact on the business. When giving feedback to coaches on what their clients have accomplished, they are often (pleasantly) surprised at how seemingly little ideas or suggested actions that came up during coaching have had a huge impact on the organization. Coaches can explore with their clients the business impact of their actions as part of the coaching process. In fact, we find that exploring business impact is an important aspect of developing insights.

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