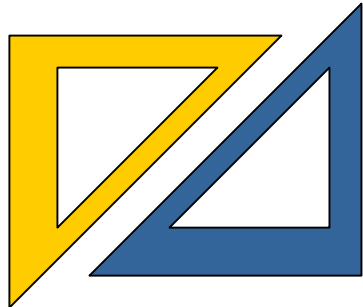


*Coaching For Increased  
Profitability: How to Deliver  
and Demonstrate Tangible  
Results to the Bottom Line*

Merrill C. Anderson, Ph.D.

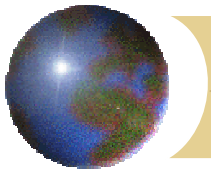


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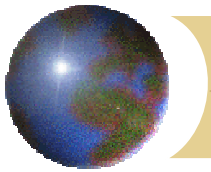
## *Merrill C. Anderson, Ph.D.*

- Chief Executive Officer of MetrixGlobal, LLC
- Clinical Professor of Education at Drake University
- ASTD ROI Network Advisory Council (Elected Member)
- Experience as founding dean of corporate university, senior HR executive, consultant
- Author of *Bottom-Line Organization Development (8-03)*
- Demonstrated expertise in maximizing the value from people and change initiatives
- Merrill may be reached: [merrilland@metrixglobal.net](mailto:merrilland@metrixglobal.net)



## *Session Objectives*

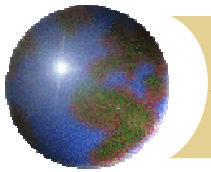
1. Gain insights into how best to design coaching initiatives with impact
2. Learn from a case study about how to demonstrate the monetary value of coaching to the business
3. Review the seven essential practices for managing a coaching initiative



## *A Familiar Story: Act One*

Sarah, the director of leadership development, was riding high. She had just come back from a meeting with the SVP HR and gained the go-ahead to offer coaching to 23 emerging leaders. HR would provide funding. She was excited about coaching because she had heard so many good things about it and she was sure that most of the 23 leaders would sign up right away.

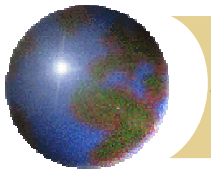
Sarah got busy. She contacted four coaches, sent out invitations to the 23 leaders (and their bosses) and “rang the dinner bell” to get started. As she surmised, most of the 23 leaders quickly signed up. Coaching was off and running.



## *Design Consideration #1*

A coaching initiative is more than just a collection of coaching relationships – manage coaching as you would any initiative

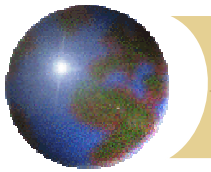
- Conduct needs assessment
- Set objectives
- Integrate coaching in the leader supply process



## *Act Two: The Plot Thickens . . .*

As the coaching proceeded with the 19 leaders, Sarah noticed that coaching styles – and apparent success – varied quite a bit with the coaches. Two coaches used the company’s 360-degree data while the other two used their own assessment tool. Sarah had informally talked with several clients and was impressed with the variety of issues that were being worked on, although some issues seemed more relevant to work performance than other issues.

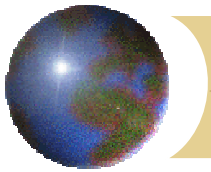
For the most part, the leader’s feedback on coaching was very good. Leaders seemed to be gaining value from coaching. Sarah had a meeting soon with the SVP HR to discuss the progress of coaching and what would come next.



## *Design Consideration #2*

Managing a coaching initiative requires understanding the coaching process

- All coaching relationships follow an evolutionary pattern
- Understanding this pattern helps illustrate how coaching adds value – and suggests ways to increase value

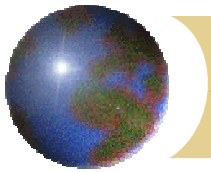


# *Four Essential Coaching Questions*

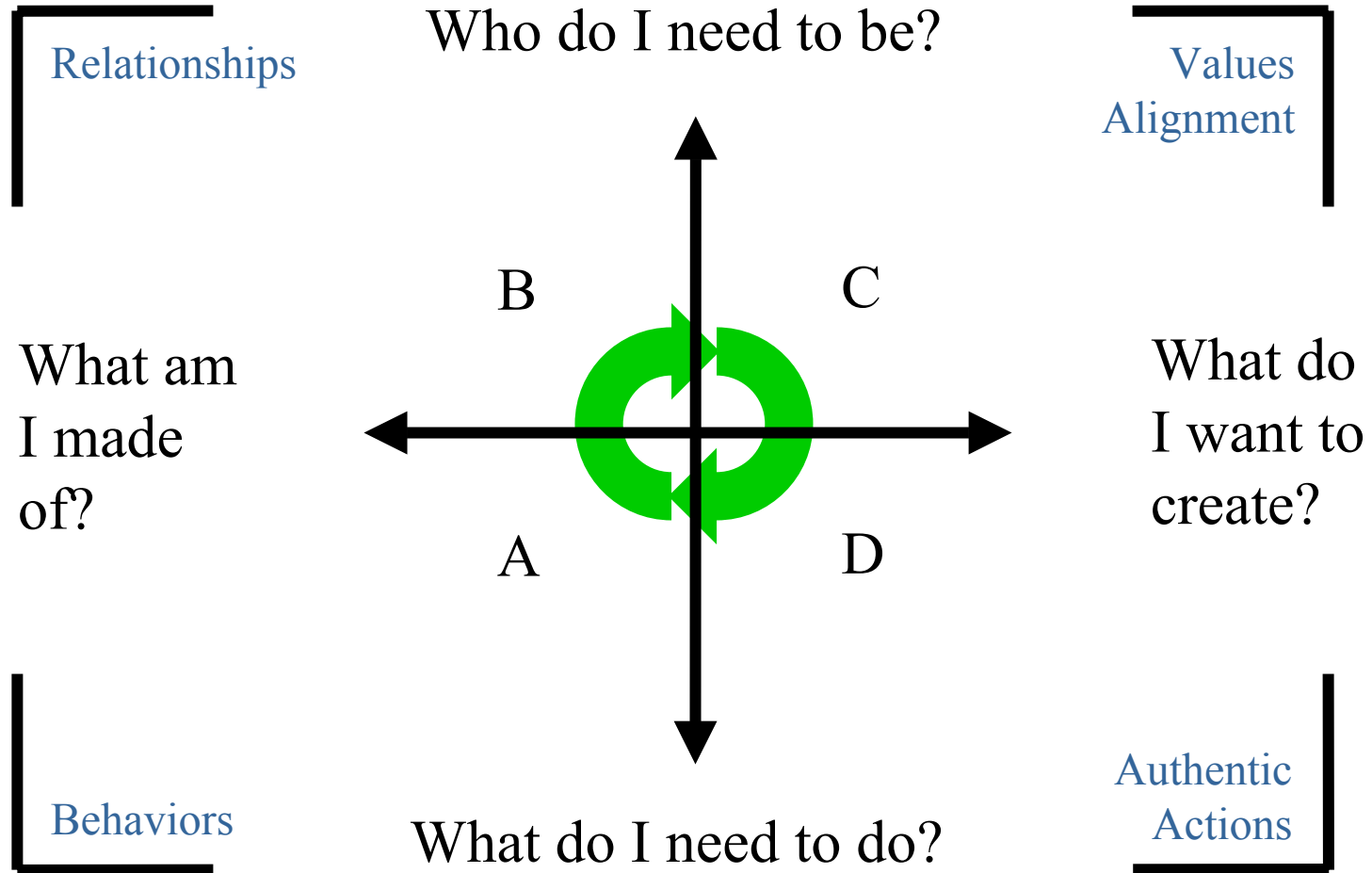
1. What do I need to do?
2. What am I made of?
3. Who do I need to be?
4. What do I want to create?

Coaching relationships evolve as clients dig deeper to answer these questions.



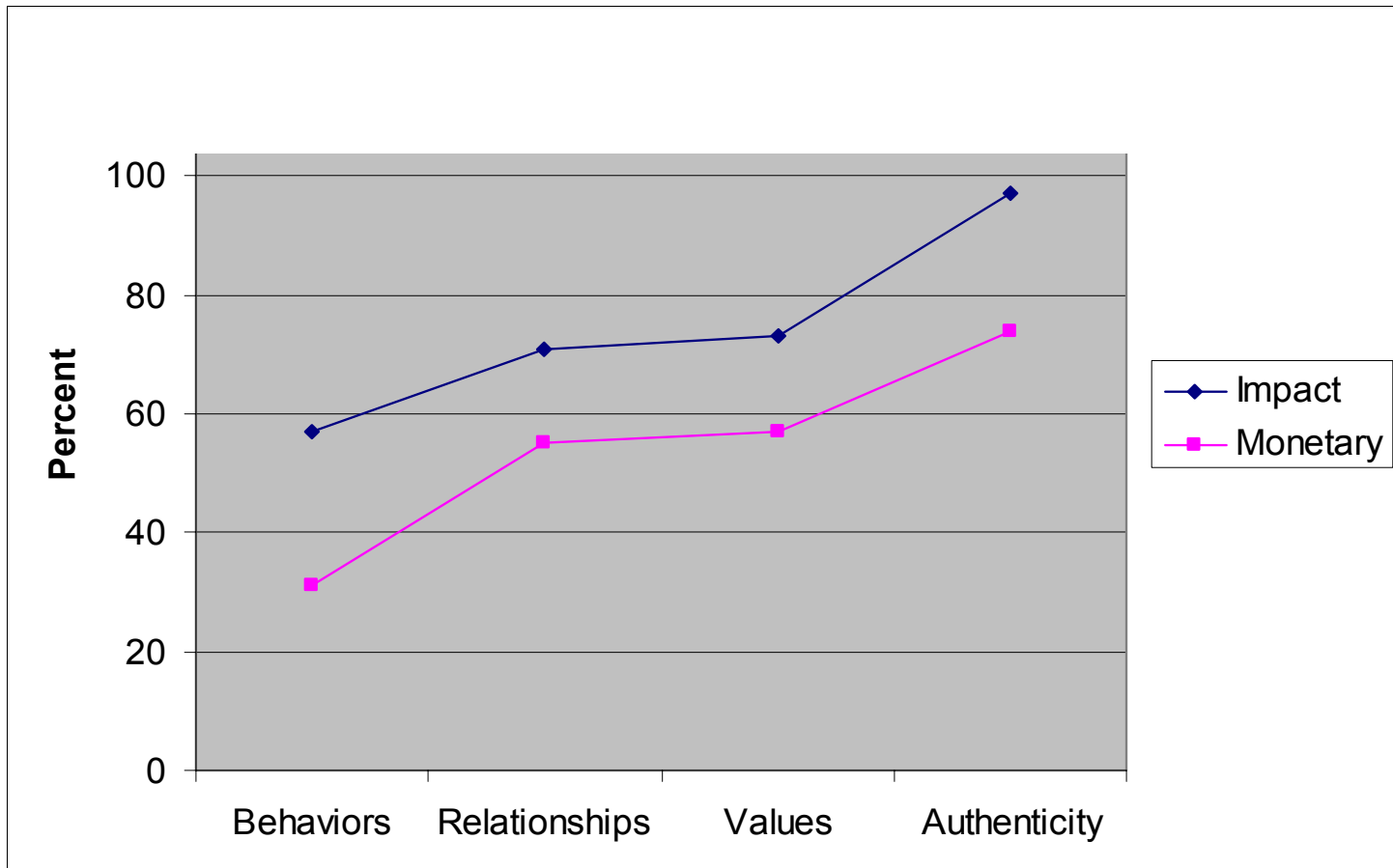


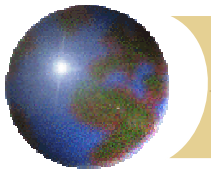
# Evolution of Coaching





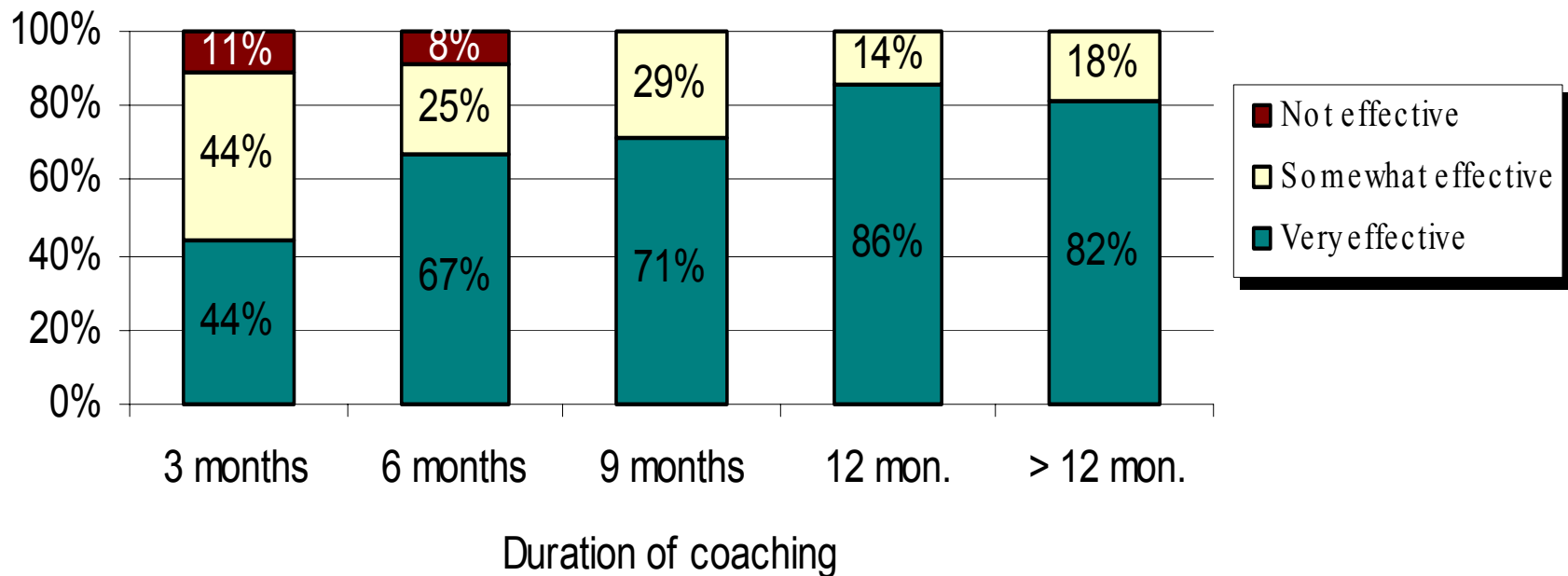
# *Business Impact Increases as the Coaching Evolves*



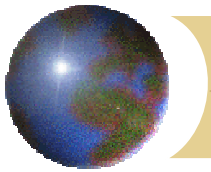


# *Respondents With a Longer Coaching Experience are More Satisfied*

How effective was the coaching in helping you reach your development goals?



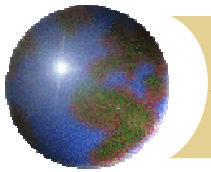
Source: Booz Allen Hamilton



## *Act Three: The Storm Clouds Are Gathering . . .*

Sarah's meeting with the SVP HR took a surprising twist: She was asked about how coaching contributed value to the *business*. She was armed with individual testimonials, however, the SVP HR was unmoved. Sarah's plans to expand coaching were shelved until she could answer the "value question."

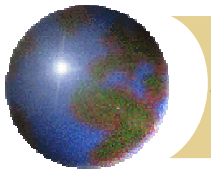
She didn't know where to turn, so she brought in an external evaluator.



## *Design Consideration #3*

Coaching must meet *business* needs, not just the needs of individuals being coached

- Understand senior leader expectations
- Evaluate business impact of coaching
- Make any needed mid-course corrections

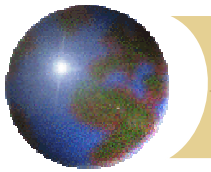


## *Case Study: Nortel Networks*

- Leadership Edge: Accelerating the next generation of leaders
- Participants sponsored by BU / function
- Included assessments, development planning, coaching
- Coaches were external; coaching mostly via telephone

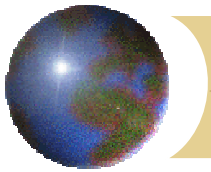
Source: Anderson, et. al, "The ROI of Executive Coaching," in *Coaching For Extraordinary Results*, Alexandria, VA: ASTD Publications, 2003.

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## *Case Study: Coaching Initiative*

1. Communications to LE participants
2. Orientation with clients / coaches
3. Matching clients (43) with coaches (9)
4. Coaching conducted for about 5 mos.
  - 2 – 3 hours per month
  - Periodic progress reviews with vendor
5. Evaluation conducted for ROI

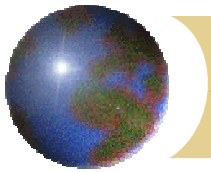


## *Case Study: Evaluation*

- Data collected through written survey and follow-up interviews (N = 43)
- 70% response rate (30 respondents)
- Data collection was rigorous, thorough
- Limited access to data validation (third party assessments, business indicators)







# *Isolating the Effects of Coaching*

- Personal interview with each respondent
- Causal connection established:  
coaching → behavior change → impact
- Effects of coaching were isolated:
  - Estimate of change due to coaching
  - Estimate of confidence (error)



## *Example: Personal Productivity*

Captured in terms of hours saved per week. Respondents noted how coaching led to behavior changes and then estimated the hours saved per week from these behavior changes.

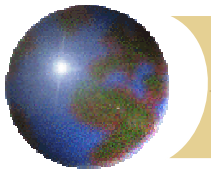
Respondent: "Focused on business priorities . . . Get more done in shorter time . . . Leading more effective meetings"

Estimated at 3 - 5 hours/week

3 hrs @ \$75 / hour x 48 weeks = \$10,800

\$10,800 x 80% (coaching) x 75% (confidence)

***Net benefit = \$6,480***



## *Example: Sales Volume*

Captured as margin contribution, not total sales increase

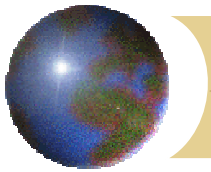
Respondent: "Actions took as a result of coaching enabled me to better handle sales situations."

Of \$6.8 MM sales / year, 10% attributable to coaching

10% of \$6.8 MM = \$680 k, \$680 k x 25% = \$170 k

\$170 k x 60%(coaching) x 60%(confidence) = \$61,200

***Net benefit = \$61,200***

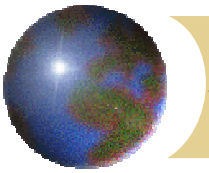


# *Business Impact and Monetary Benefits*

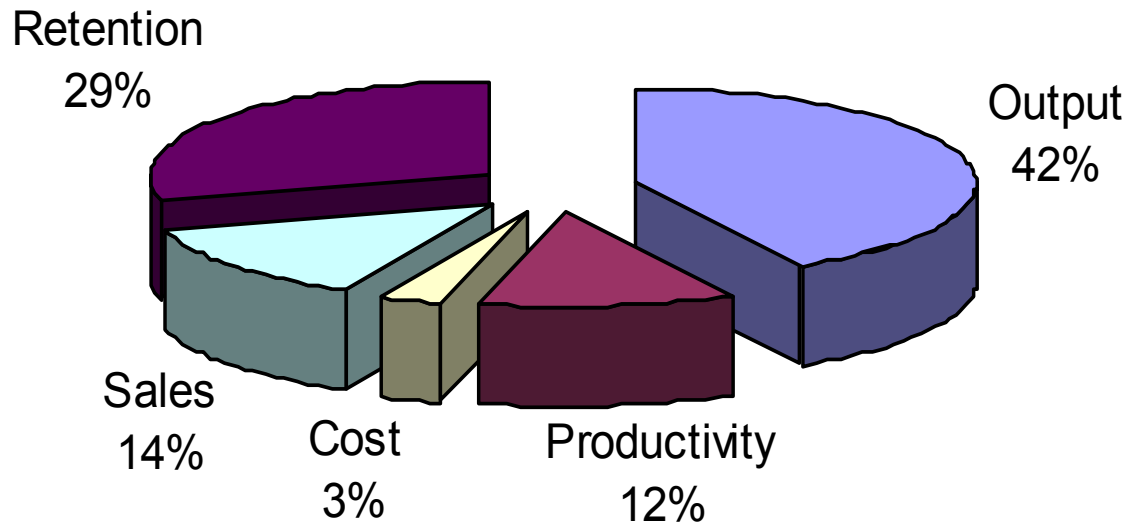
<b>Business Impact Area</b>	<b>% Total (30) Citing Significant Impact</b>	<b>% Total Identifying \$ Benefits</b>	<b>\$ Benefits (Discounted by estimators)</b>
Work Output	30%	20%	\$ 947,208
Productivity	60	50	277,526
Cost Control	3	3	67,200
Employee Retention	27	13	660,000
Sales Volume	10	10	311,200
<b>Total Benefit</b>			<b>\$ 2,263,134</b>

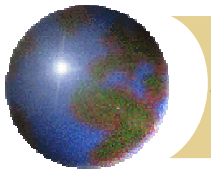
Individual conversations revealed that 77% (23 of 30) cited coaching as having significant impact on at least one business area.

Sixty percent (18) were able to quantify this impact in monetary terms.



# *Sources of Monetary Benefits*

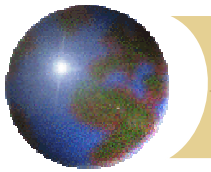




## *Nortel Networks ROI Calculation*

The total cost for the 43 participants was \$255,000, which included all costs for administration, vendor, Advisory Council, and time for clients to be coached.

$$\frac{\$ 2,263\text{K} - \$255\text{K}}{\$255\text{K}} \times 100 = 788\%$$

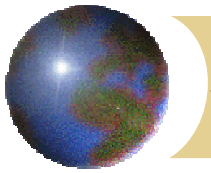


## *Story Epilogue*

Sarah and the external evaluator were able to formally document several success stories of leaders who created real business value as a result of their coaching. Monetary value and a modest ROI were gained as well. Sarah got the green light from the SVP HR to expand coaching to other leaders.

The evaluation also revealed how to gain maximum value from the additional coaching in the form of:

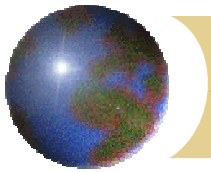
### *7 Essential Practices For Managing a Coaching Initiative*



# *1. Manage the entire coaching process to ensure consistency and quality*

Though the content of individual coaching sessions should always be confidential, the coaching process itself needs to be managed to ensure that the coaching clients and the coaches are following the appropriate process and leveraging best practices.





## *2. Prepare clients and coaches for the coaching process*

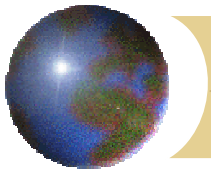
Because coaching remains a relatively new development technique, people may not understand how the coaching process can help them to develop. The sooner they understand the process, the sooner they will see results.

Ensure coaches are grounded in the company's business and culture. Coaches are more effective when they can identify with and talk about the realities of their client's environment.



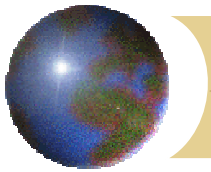
### *3. Offer clients the ability to select their coaches*

Chemistry is important to build an effective coaching relationship. Provide prospective coaching clients with information about the coaches including biographies, education, coaching credentials, functional expertise, industry experience and other background information.



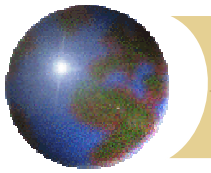
## *4. Allow each coaching relationship to follow it's own path*

A major difference between coaching and training is that coaching allows the individual to determine what works best for him or her at a very personal level. Coaches need wide latitude to work with “the whole person” and help each client be more effective as a person as well as to be more effective as a business leader.



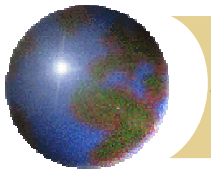
## *5. Provide coaching strong organizational support*

Those being coached should receive encouragement and support from their immediate managers. Also, coaching should be conducted in the context of other developmental efforts such as competency development, assessments, mentoring and leadership workshops.



## *6. Build performance measurement into the coaching process*

Evaluation of coaching should be designed into the process from the beginning. This facilitates setting clear performance expectations. Mid-course evaluations enable timely corrective actions to be taken. For example, coaching approaches can be refined or the coaching refocused to ensure that business priorities will be met. In this way, the evaluation of coaching becomes more than just a measuring stick – it becomes a structured approach to increase the business value of coaching.



## *7. Open up dialogue to learn from the coaching experience*

Conducting debrief sessions with the coaches and their clients reveals insights into the coaching process and the company. Sharing these insights with senior leaders and stakeholders increases their understanding of coaching and increases their ownership of the results. Decisions regarding the use of coaching in the future will be enhanced by incorporating lessons learned and building upon organization strengths.