ASSESSING THE VALUE OF EXECUTIVE COACHING

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Measuring the impact of any HR intervention has traditionally been challenging\(^1\). While there are hundreds of books on coaching, the amount of research on the effectiveness of different coaching practices is somewhat limited. In recent years though, some studies have explored the impact and added-value of executive coaching to organizations. The focus of measuring the value added of executive coaching has evolved from level one studies - exploring personal satisfaction of participating executives and perceived personal improvements - to the measurement of organizational improvements as well as establishing substantial and quantifiable business results\(^2\).

The World Bank Institute conducted a study in 2002 on the WB Individual Coaching Program for Managers. Findings indicated that coaching appeared to be an especially “effective learning process... because: participants can closely observe and model their coaches’ behavior; it is tailored to meet the participant’s needs; participants feel safe in discussing, practicing and evaluating their own behavior and are given feedback on their behavior”.\(^3\)

Turner\(^4\) cites a study by the International Personnel Management Association, which explored executive learning and showed that when executive training was paired with coaching, productivity increased by 88 percent as contrasted with a 22 percent increase through executive training alone.

Another study highlights that executives who receive coaching score higher business results for their organizations than executives who do not.\(^5\)

CLC\(^6\) refers to a study\(^7\) conducted by MetrixGlobal, LLC a Fortune 500 telecommunications firm. The study states that introduction of executive coaching resulted in a return on investment of 529 percent. In addition, the study reports

\(^3\) World Bank Institute: The Quality and Impact of the Individual Coaching Program, September 2002
\(^6\) Corporate Leadership Council, 2002 Corporate Executive Board, Catalogue Number: CLC1 YWSE: “ROI on Executive Coaching”.
significant intangible benefits to the business. The study specifically calculated the financial benefits from increased retention – the ROI of executive coaching increased thus to 788 percent.

Fortune mentions a study\(^8\), conducted at Metropolitan Life Financial Services, which again strongly suggests that executive coaching does pay off “in dollars and cents” – the company counted the measurable gains to be $3.2 million from a coaching program geared to a part of its retail sales force with a total investment in the program of $620,000. The gains were calculated based on increased productivity, identification of new markets, participant’s pursuit of licenses of professional designation, and retention.

Manchester\(^9\), itself a significant provider of coaching services, conducted a study among 100 executives from Fortune 1000 companies. The participants were asked to quantify the business impacts they had identified. The estimates were adjusted and standardized for isolation of the ROI component attributable to the coaching, as distinct from other factors. The study documented overall gains in corporate performance – with gained benefits particularly in productivity, quality, organizational strength, customer service, executive retention and profitability as well as reductions in customer complaints and costs. The outcome of the Manchester study was that the average return on investment for executive coaching among these companies, was a total of 5.7 times the cost of coaching.\(^10\)

\(^11\) Eichinger uses the ROI concept in establishing the value of coaching - including retention of not only the coached executive him or herself but also retention of team members as a result of altered behavior of the coached executive.

J. Phillips, in his book “Return on Investment in Training and Performance Improvement Programs”, states that a performance improvement program should generate at least 25 percent ROI in its first years to be considered a desirable investment. All studies, aimed at measuring the value of coaching show that coaching by far exceeds this requirement.

The available information about assessing executive coaching suggests, that coaching can provide great benefits in personal development and improved functioning of executives. This in turn creates benefits not only for them, but also

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\(^8\) Fisher, Anne: “Ask Annie – Executive Coaching – with returns a CFO could love”, Fortune, February 19, 2002

\(^9\) McGovern, Joy & Lindemann, Michael & Vergara, Monica et al.: ”Maximizing the Impact of Executive Coaching: Behavioral Change, Organizational Outcomes and Return on Investment”, The Manchester Review, 201,Vol 6, Number 1

\(^10\) Manchester: “Executive Coaching Yields return on investment of almost six times its costs, says study”, www.manchetserus.com April 9, 2002

\(^11\) Eichinger, Robert; What is the return on Executive Coaching and Development?” Conference Board Conference on Coaching for Business Results, New York, January, 2003
for their staff and teams as well as for the whole organization – benefits that are measurable and that have an impact on bottom-line results.

What most studies emphasize is the importance of selecting professional coaches with care. This is particularly so in the current booming market of executive coaches. Anderson\textsuperscript{12} emphasizes the importance of having the coaches grounded in the company’s business and culture as well as the importance of management of the entire coaching process to ensure consistency and quality. Similarly important is having organizational support in place: involvement of the participants’ manager and of HR from the outset when setting individual goals.

The manner in which coaching is communicated in the organization as a support and source of learning for executives rather than a remedial intervention is important\textsuperscript{13}. Other qualitative areas that can enhance or obstruct the success of executive coaching include: the assessment process, effectiveness of feedback received, the executive’s commitment to the process, the coach-executive relationship, the confidentiality of the coaching, the availability of the coach and of the executive. In addition, a strong measurement system is essential as well as an action plan and substantive follow-up.\textsuperscript{14}

Whichever the focus and level of the studies, all study outcomes declare the substantial value of coaching. Based on their study, McGovern et al.\textsuperscript{15} state that coaching

“…has a lasting impact on the individuals who participate in it, on the larger organization of which that are a part and on the organization’s financial bottom line.”

They further state that while coaching is increasingly becoming a part of executive development practice, coaching has remained an underutilized source for learning and increased efficiency.

\textsuperscript{13} McGovern, Joy & Lindemann, Michael & Vergara, Monica et al.: “Maximizing the Impact of Executive Coaching: Behavioral Change, Organizational Outcomes and Return on Investment”, The Manchester Review, 201, Vol 6, Number 1
\textsuperscript{14} Niemes, Jim: “Discovering the Values of Executive Coaching as a Business Transformation Tool”, Journal of Organizational Excellence, Autumn 2002