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## **Building the Business Case for Coaching**

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# Learning Objectives: Building a Business Case

- Understanding the key elements of a successful business case for coaching
- Developing strategies for tapping into the network of influence within organizations
- Using return on investment (ROI) data to demonstrate the value of coaching
- Building the connection between coaching initiatives and business outcomes
- Learning how to convincingly relate how coaching creates intangible and monetary value for the organization

# Scenario A: Pierre Wrestles with the Value Question

- Pierre, the director of leadership development, had learned a great deal about leadership coaching from the coaching services provided by Marla, who managed a small coaching company. Marla and her coaches had successfully coached a dozen executives over the past year. Feedback from the executives was very positive.
- Feedback was so positive, in fact, that Pierre proposed expanding the availability of coaching to mid-level managers and high potentials. When Pierre's manager, the VP of human resources, heard the proposal, he was concerned about how much all of this coaching would cost. "Why can't we train some of our HR people to do this?" he asked.
- The VP of HR said that he would be willing to ask the CEO to expand the investment in coaching if he had a comprehensive plan that showed how this investment would be wisely spent. Pierre arranged a meeting with Marla so that he could decide on how best to proceed.

# Scenario: Focusing Questions

- What do you see as the major issues facing Pierre as he intends to expand coaching in the organization?
- What coaching would you give Pierre on how best to address these issues?

# Building a Business Case for Coaching

- A business case clearly articulates the rationale for making an investment in leadership coaching.
- You may present your case in writing, such as in a work proposal, or verbally through conversations or presentations.
- While the business case is very logical, the decision-making process may not be. The client may also be influenced by political and emotional factors.

# Four Guidelines for a Business Case

## 1. Find Your Friends – Create More

- Who will sponsor coaching, and how can the sponsor be influenced in his or her decisions about coaching?
- What other leaders will likely support coaching?
- Who can be your “pathfinder” to identify the key players and help you build relationships with them.
- How best can all people – sponsors, HR, leadership development, coaches – partner effectively to create a powerful coaching program?

# Four Guidelines for a Business Case

## 2. Get on the Same Page

- How can you dispel any misconceptions about coaching?
- How will the coaching program be integrated with other developmental programs?
- How can a sustainable coaching capability be established in the organization?

# Four Guidelines for a Business Case

## **3. Connect the Pain with the Gain**

- What do leaders expect from coaching, or even from leadership development?
- How will coaching create the kind of value that business leaders are looking for?
- What are the performance gaps?
- What objectives will be set for the coaching program that link to leaders' expectations, meet business needs and close performance gaps?

# Four Guidelines for a Business Case

## **4. Speak the Language of Business**

- How will the coaching program add value to the business, in terms of intangible and tangible benefits?
- Does the expected business value justify the investment?
- What are the costs of not investing in coaching?

# Summary: 8 Elements of a Winning Business Case

1. A summary of leaders' **expectations**, performance gaps and business needs
2. A crisp synopsis of the **value** message: How coaching will meet these expectations, close the gaps and help achieve business goals
3. Description of the coaching **program**, including objectives
4. Roles and responsibilities for successful **partnership**
5. The **benefits** of the coaching program
6. The **investment** required for the coaching program
7. **Risk factors** that may mitigate benefits; drive up costs
8. How the program will be **evaluated**, e.g., how we will know that we have been successful

# Focusing Questions

1. What challenges do you face in presenting the business value of coaching?
2. What are some ways that you've met those challenges?
3. What new approaches will you include in how you present the business value of coaching?

# How to Respond to the “Value Questions”

- “What will leaders do differently as a result of coaching?”
- “How will this coaching program benefit the business?”
- “How will we know if coaching has been successful?”

# Let's Clear the Air About ROI

## *What it is:*

- One way of showing business value
- Feedback about how to increase value
- Important for us to do as business people

## *What it is not:*

- A way of replacing intangible value
- A “final grade” about performance
- A defense of last resort to justify our programs

# The Centerpiece of Coaching Evaluation: The Value Conversation

- This conversation is conducted with each leader who was coached, typically about three months after the coaching was concluded.
- The format of these conversations includes:
  - The **insights** that the leader gained from coaching,
  - The **actions** that the leader took as a result of these insights
  - The **impact** of these actions on creating **intangible value**, such as increased employee engagement, improved decision making, improved communications, improved team work, better performance management, etc.
  - The **impact** of these actions to produce **tangible value**, such as increased productivity, increased quality, increased net sales, reduced cost, etc.

# Tangible Value May be Converted to Monetary Benefits

- Each **action is described** in detail and potential monetary implications are explored.
- **Value is expressed** in terms of hours gained, money produced or percent improvements.
- All **value is converted** to annualized monetary benefits
- **Monetary benefits are isolated** as directly due to the leadership coaching:
  - Leaders are asked to estimate (on a percentage basis) the **contribution** that coaching made to create the value
  - Leaders then express their **confidence** (on a percentage basis) in their estimate.
  - The annualized monetary value is then multiplied by these two percentages.

# Data are Analyzed After All Data are Collected

- Monetary **benefits** from all leaders are tallied, and organized by the sources of benefits, e.g., productivity, cost reduction, etc.
- The total **fully loaded cost** of the coaching initiative is determined, which includes opportunity costs (e.g., the time the leaders spent in coaching sessions).
- The **ROI** is calculated by  $(\text{Benefits} - \text{Cost}) / \text{Cost} \times 100$
- Monetary benefits are **validated** through third parties or pre / post metrics.
- A **report** is written, including recommendations for increasing the value of leadership coaching for the business.

# Case Study: Clare Leads the Way

- **Situation:** VP of Business Development in a medium sized technology company
- **Coaching Focus:** Building support for an integrated technology solution that required new levels of collaboration across the company
- **Outcomes:** Clare was able to create the support that needed to implement the new approach

# Clare Increases **Net Revenue** in an Emerging Market

- Determine total annualized benefit
  - First year revenue expected to be over \$10M
  - At time of interview Acct Rec = \$5.5 M
  - Sales margin = 35%
  - $\$5.5 \text{ M} \times 35\% = \$1,925,000$
- Isolate the effects
  - Clare attributed 25% of benefit to coaching
  - She was 50% confident in estimate
  - $\$1,925,000 \times 25\% \times 50\% = \mathbf{\$240,625}$

# Profiles of Coaching ROI Studies

- **Organization: Telecommunications Company**

ROI: 795%

Sources: Cost reduction

Retention of leaders

Productivity

Outcome: Study revealed how coaching was enabling leaders to successfully manage tumultuous change. 100% of leaders who were coached were still with company after one year.

# Profiles of Coaching ROI Studies

- **Organization:** **U.S. Government Agency**  
ROI: 64%  
Sources: Productivity  
Cost reduction  
Improved team work

Outcome: Study showed how coaching was creating a new, more collaborative leadership style and building critical leadership competencies. Recommendations included better integrating coaching with other leadership development activities, offering coaching to more junior leaders who are earlier in their careers and utilizing best practices in managing coaching as a strategic initiative.

# Profiles of Coaching ROI Studies

- **Organization:** **Global Consulting Company**  
ROI: 689%  
Sources: Improved team work  
Improved quality of consulting services  
Retention of leaders  
Client satisfaction  
Outcome: Study pointed the way for the leadership development function to manage coaching as a strategic asset for the business. Coaching was managed with more discipline and expanded to other groups.

# Summary: 5 Steps to Demonstrate ROI

1. Document what the client did differently as a result of coaching
2. Ask the client if these actions impacted: productivity, team effectiveness, operating cost, revenue, quality of products / services, etc.
3. Further probe each impact area, including monetary benefits
4. Ask the client to estimate the contribution of coaching to produce the benefits, and to express confidence in the estimate
5. Tally benefits and total program cost; calculate ROI

# Scenario B: Pierre Prepares for the CEO

- Even though the VP of HR still had some reservations, he asked Pierre to present his plan to the CEO. The plan included:
  - Continuing to use Marla's company for more senior level leaders
  - Training a cadre of internal coaches to coach more mid-level leaders
  - Making coaching available first to "high potential" leaders, and then to others per recommendations from the business unit and HR leader
  - Evaluating the effectiveness of both internal and external coaches

# Focusing Questions

- What coaching would you give Pierre to make the CEO meeting successful?
- What questions should Pierre expect from the CEO and how could he answer these questions?

# Managing Coaching as a Strategic Initiative

- A coaching initiative is more than just a collection of coaching relationships
- Manage coaching as you would any other initiative
  - Link to the business goals
  - Set objectives
  - Measure results

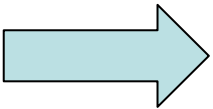

# Five Practical Approaches for Implementing World-Class Coaching

1. **Sponsorship** for coaching must be sustained and unwavering
  1. It's more than just the money
  2. Keep the big picture top-of-mind
  3. Be active, visible champions
  4. Share sponsorship broadly in the organization

# Five Practical Approaches for Implementing World-Class Coaching

2. The **strategic needs** of the business must be articulated and shared
  1. Coaching is a means to an end – not the end itself
  2. Conduct a needs assessment; coaching will be only part of the answer
  3. Be satisfied that you are addressing root cause problems, not symptoms

# Five Practical Approaches for Implementing World-Class Coaching

3. Clear **objectives** for the initiative must be set that link to the strategic needs
  1. Draw a line-of-sight:  
objectives  needs  strategy
  2. Capture senior leader expectations
  3. Identify potential sources of value
  4. Build a business case for coaching

# Five Practical Approaches for Implementing World-Class Coaching

4. The **outcomes** of the coaching initiative must be evaluated to determine if the initiative delivered on its value promise
  1. Develop evaluation objectives that flow from the objectives for coaching
  2. Look for intangible and monetary value
  3. Evaluation is part of change management

# Five Practical Approaches for Implementing World-Class Coaching

5. The coaching initiative must be **integrated** with other HR and development processes, e.g.,
  1. Performance management
  2. Succession management
  3. Leadership development programs

# Focusing Questions

1. Overall, what are your key learnings?
2. What ideas do you have to strengthen your business case for coaching?
3. How can you apply what you learned today to your work or project in your organization?

# Resources

- Please visit [www.metrixglobal.net](http://www.metrixglobal.net) to download free ROI executive summaries, ROI tools and other materials. You may contact Dianna Anderson at +1.515.727.4200 or [dianna@metrixglobal.net](mailto:dianna@metrixglobal.net)
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