

Case Study on The Return on Investment (ROI) of Leadership Coaching

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November 2, 2001, A Fortune 500 firm and a coaching services company, recently engaged MetrixGlobal, LLC to determine the business benefits and return on investment for an leadership coaching program. This executive briefing was excerpted from the final report of the study and is intended for the private use of MetrixGlobal clients and professional associates.

The Bottom Line ROI of Leadership Coaching:

Leadership coaching produced a 529% return on investment (ROI) and significant intangible benefits to the business. The study provided powerful new insights into how to maximize the business impact from leadership coaching.

INTRODUCTION

A Fortune 500 firm launched an innovative leadership development effort that was expected to accelerate the development of next generation leaders. The participants in this effort were drawn mostly from the ranks of middle managers and from many different business units and functional areas. Leadership development activities included group mentoring, individual assessments and development planning, a leadership workshop and work on strategic business projects.

Leadership coaching was considered to be a key enabler for this approach to leadership development because the participants could work privately and individually with his or her coach to develop specific leadership competencies. The client organization engaged a coaching group to provide leadership coaching to the leadership development participants. While participants spoke very highly of their experience with coaching it was decided to conduct a formal assessment of the effectiveness and business impact of coaching. It is intended that the results from this study be used to determine:

1. How did leadership coaching add value to the business and what was the return on investment?
2. How could leadership coaching be best leveraged in the future, especially if coaching was to be expanded to other business regions?

DATA COLLECTION

It was decided that the best way to isolate and capture the effects of leadership coaching on the business was through a questionnaire. This questionnaire had two parts. Part one was completed electronically via email and examined clients initial reaction to coaching, what they learned, how they applied what they learned and captured their initial assessment of business impact. Part two was conducted over the telephone with each respondent and probed more deeply into business impact and the financial return on investment.

The target population for the survey was 43 leadership development participants. These participants were drawn from two regions: Eastern United States (37) and Mexico (6). These participants represented a cross section of the business and included those in sales, operations, technology, finance and marketing. All had been identified as potential leaders and executives. Thirty (30) of 43 leadership development participants returned their surveys for a 70% response rate.

STUDY RESULTS

Leadership coaching was a very effective developmental tool for the leadership development participants, producing financial and intangible benefits for the business. Coaching sessions were

rich learning environments that enabled the learning to be applied to a variety of business situations. Decision-making, team performance and the motivation of others were enhanced. Many of these business applications contributed annualized financial benefits. Other applications created significant intangible benefits. Overall, the participants appreciated their coaching experiences and would highly recommend coaching to others.

Three-quarters (77%) of the 30 respondents indicated that leadership coaching had significant or very significant impact on at least one of nine business measures. In-depth discussions were conducted over the telephone with each respondent to further explore the business impact of coaching. Sixty percent of the respondents were able to identify specific financial benefits that came as a result of their coaching.

Overall, productivity (60% favorable) and employee satisfaction (53%) were cited as the most significantly impacted by the leadership coaching. Respondents defined productivity in this context as relating to their personal or to their work group productivity and half (50%) documented annualized financial benefits. Employee satisfaction was viewed both in terms of the respondents being personally more satisfied as a result of the coaching as well as the being able to increase the employee satisfaction of their team members. The respondents could not quantify this benefit in financial terms. Employee satisfaction, then, was a significant source of intangible benefits. Customer satisfaction (53%) was also a significant source of intangible benefits.

The next most frequently cited as being significantly impacted by leadership coaching were work output (30%) and work quality (40%). Twenty percent of the respondents identified financial benefits as a result of increased work output. Many respondents reported improvements in work quality, however, they were not able to quantify these improvements in terms of dollar benefits. Work quality improvements were considered an intangible benefit of the coaching.

Program costs were tabulated for all 43 leadership development participants in determining the return on investment.

A 529% return on investment was produced by the leadership coaching process (excluding the benefits from employee retention). While those clients who had customer or people responsibilities produced proportionally greater financial benefits, the realization of benefits to the business was fairly widespread throughout the group involved in this study.

About MetrixGlobal, LLC

MetrixGlobal LLC is a professional services firm specializing in performance measurement solutions that increase accountability for bottom-line business results. Whether it's developing a scorecard for a corporate university, determining return on investment for a human resources program or conducting a business impact study on an organization change initiative, MetrixGlobal consultants partner with clients to create powerful measurement methodology.