

Making the case for strategic investment in coaching

Coaching – well meaning but ineffectual?

As coaches we are often seen as worthy, well-intentioned folks by our clients, and justly so. Most of us decided to become coaches to make a positive difference to others' working lives. But we are often faced with the challenge of justifying why an organisation should invest in our services.

Few buyers of coaching would expect that investing in coaching would do much harm (though there is of course the potential for harm to be done via unintended consequences of coaching). But buyers are often unsure what the benefits would be.

They may take too narrow a view of the potential benefits of coaching, or they may be sceptical about the ability of the coach to deliver the benefits that they seek. They may even view coaching as a very expensive investment where better results could be obtained through another, cheaper, intervention.

With these challenges in mind, here are some perspectives on how to help others to make the decision to invest in coaching.

Return on Investment – the solution?

Many buyers of coaching view ROI as an important measure for any investment. And rightly so – coaching is intensive, and relatively expensive compared with other

development interventions.

Mary Beth O'Neill¹ suggests that for coaching to be taken seriously, both by the buyer and by a senior coaching client, we need to tie the measures into a financial return.

She suggests using a simple equation/ formula to set clear goals at the start of coaching, and ascribing a financial value to the achievement of these goals:

$$\frac{\text{FACTOR 1: Business results (in pounds)} \times \text{FACTOR 2: \% Impact of executive coaching}}{\text{FACTOR 3: Cost of executive coaching (in pounds)}}$$

I have used this to great effect when coaching clients on certain kinds of issues.

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A few years ago I was working with Eve, a Chief Executive in the UK's National Health Service. Eve needed to get her team to make significant savings within her organisation – a reduction in spend of c. £20 million pounds, when the original target for the year had been a reduction in spend of £17 million.

Finding this extra £3 million was one of Eve's principal goals for the coaching. She needed to organise and engage her team around this, and get them working together to share the goal (rather than 'playing games' and passing responsibility onto each other).

This was a complex issue – and whilst the coaching would have helped, it was only

one of many things which would have a bearing on her ability to achieve this goal.

At the start of our coaching, I used the equation to show Eve how our coaching work could have a real impact on achieving the extra cost savings required. This helped us focus the discussion on the things that would have the biggest impact on her organisation – and crucially, made the case for her to invest her time and money in coaching. Fast forward to the end of the year's coaching contract: we looked at the results and we were able to demonstrate a sizeable return on investment for the coaching.

So here's how the equation worked out:

FACTOR 1: Business results: £3 million in additional savings achieved

FACTOR 2: % Impact of executive coaching: 10% (Eve's estimate based on her view that the coaching improved her ability to lead the team, set visionary, challenging goals and to promote highly collaborative working)

FACTOR 3: Cost of executive coaching: £8,200 for a year's support (including expenses etc.)

Let's put these into the equation:

$$\frac{\text{Business results (£3 million in additional cost savings)} \times \text{\% Impact of executive coaching (10\%)}}{\text{Cost of executive coaching (£8,200)}}$$

This yields a very healthy **return on investment of 36.5 times the original investment.**

Sounds great, right? Let's use this every time we do coaching, right? Well, not quite. As is often the case for us coaches, when we explore the issue further there is more to it than meets the eye.

Limitations of Return on Investment to make a case for coaching

The ROI equation worked brilliantly when I was working with Eve. She had personal responsibility for a large budget. She had a clear, measurable financial goal. Most importantly, Eve was confident and well-informed enough to make a realistic estimate of the percentage impact of coaching on her goal. And even if Eve had over-estimated the coaching impact by as much as a factor of 5 (only 2% of the results being attributable to the coaching), the ROI would still have been a very healthy 7 times the original investment.

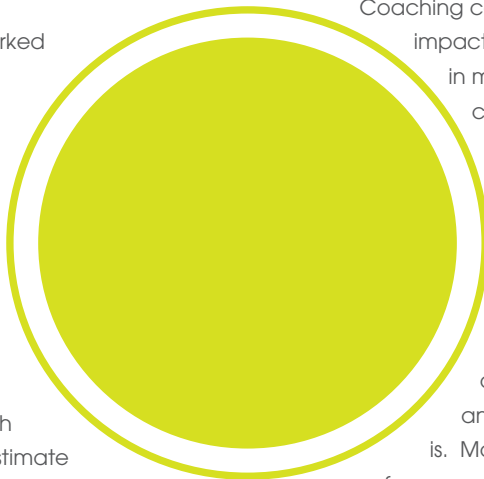
This example brings into sharp relief some real limitations on using ROI in coaching – in its strictest form at least.

As coaches – or as buyers of coaching – we can probably all think of times when coaching has had a truly transformative impact on someone. But in a lot of cases the positive financial impact on the wider business may be hard to measure – or may take years to manifest itself. In these cases, someone with a strict view on ROI would therefore contend that the coaching was worthy but unnecessary.

Should we ditch ROI?

So, should we avoid talking about ROI because it doesn't apply equally to all coaching situations? In my view NO – unless we don't want to sell much coaching! The ROI equation does provide us with some useful parameters: it's just that we need to take a broader view of each of them to really make a case for coaching to solve strategic business issues.

EQUATION FACTOR 1: Business Results



Coaching can have a positive impact on the business in many ways, and as coaches we need to be better at articulating these. To put this into context, let's start with some key measures of how effective an organisation is. McKinsey have a framework with two key concepts:

1. Performance – directly measurable business results
2. Organisational health – “the ability of your organisation to align, execute, and renew itself faster than your competitors... organisational health is about adapting to the present and shaping the future faster and better than the competition... Healthy organisations don't merely learn to adjust themselves to their current context or to challenges that lie just ahead; they create a capacity to learn and keep changing over time.”²

In my view, this holds the key to making the case for coaching. Enlightened leaders know that both these concepts are critical. But a relentless focus on business results – directly measurable and relatively short-term – often

overwhelms plans and initiatives to improve organisational health.

Great coaching promotes business performance, and also helps build capability in individuals and teams to grow the 'health' of the wider organisation.

Key for us as coaches is that drivers of performance and organisational health are different for different businesses. We need to understand our client organisations in order to make a case for coaching. Borrowing a few basic techniques and models from management consulting or business schools will help here.

i Understand their business

It helps to have an idea of the fundamentals of your client's business – how they make money (business model), the business strategy, how they are organised in order to execute the strategy (operating model) etc. A little research will help here but a lot of information is available in annual reports or elsewhere in the public domain.

ii Understand external and internal pressures

Then it's important to understand the organisation's marketplace, customer environment and internal and external pressures. Using basic tools like SWOT, PESTLE and Porter's 5 forces will help you understand the system in which the



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Making the case for strategic investment in coaching (cont.)

organisation as a whole is operating – and some of the pressures which could be impacting on individuals and teams.

Depending on your relationship with the client organisation, there may be people you can ask who can give you some more insight into these areas.

iii Understand what organisational health looks like for them

This is where it starts to get really interesting. An organisation’s strategy and situation have an enormous impact on what performance and health look like for them.

Making a business case often involves showing that coaching (in all its various forms) can impact on performance and on organisational health, both in the shorter term and in the longer term. If you have



a sound understanding of the business and its unique situation, it’s much easier to make the case for coaching interventions to address them.

In the table below I have listed some examples of aspects of organisational health and performance which could be relevant to a large consumer business. Clearly these will be different for different industries and markets.

When trying to make the case for coaching, the more specific you can be about the aspects of performance

and health which you are trying to address, the more likely the buyer and the ultimate client will buy into your suggestions.

Linking to a balanced scorecard

Another option is to think about a balanced scorecard of objectives and

measures which will be key to achieving a business’s strategy. Linking coaching to these can help make the case for coaching and can broaden the discussion out from purely financial measures, as per Kaplan and Norton, 1992³.

EQUATION FACTOR 2: % Impact of Coaching

Demonstrating the extent to which coaching can improve performance and health is just as important as showing that coaching can have an impact on these issues.

Usually, this is not an exact science. Even with the example of Eve above, the 10% impact was an estimate. In a lot of cases, it’s not possible to accurately estimate even a range of percentages.

However, this needn’t mean we can’t be bold about the potentially transformative impact of well-delivered coaching.

Table 1 – Example issues and corresponding coaching interventions

Example organisational issues	Simple examples of coaching interventions to address them
Risks to delivery of a multi-disciplinary project	Team coaching intervention to establish shared goals, ways of working and contingency plans to deal with conflict
Upcoming retirement of mission-critical technical staff	Coaching training and individual coaching to promote knowledge sharing and collaborative working between employee groups
Retention issues in mission-critical talent pools	Individual coaching for team leaders to improve leadership capability and improve perception of employment proposition
Reduced customer retention and loss of market share	Coaching for sales teams around customer understanding and engagement
Poor knowledge transfer and knowledge sharing	Structured mentoring programme, including training and ongoing support for mentors

In larger organisations, coaching interventions are often commissioned as part of a broader suite of measures which fit into an HR / Talent strategy. Understanding this – and linking into it – will take you a long way because you can show how the coaching contributes to achieving the strategic objectives.

Equally, there are times when coaching for teams or individuals is commissioned in a more ad-hoc way. In this case you often need to broaden the conversation to show how coaching both addresses the presenting issue and also offers benefits to the business's performance or health beyond this. At its best, coaching solves the immediate issue and leaves the wider business stronger and more capable at the same time. Coaching can also 'de-risk' an organisation in a number of ways, including reducing attrition, improving decision-making, and improving the quality of conversations within companies, and with external parties such as unions, customers and the supply chain. As coaches we should not be afraid to emphasise these 'added extras'.

When an organisation systematically invests in coaching it demonstrates that it is interested in the well-being and development of staff. There are likely to be concomitant benefits to employee engagement where coaching is used fairly as a strategic tool to build capability.

Furthermore, a series of coaching interventions can often improve the quality of formal and informal internal coaching and mentoring conversations within a business. This often leads to a range of benefits in my coaching organisation.

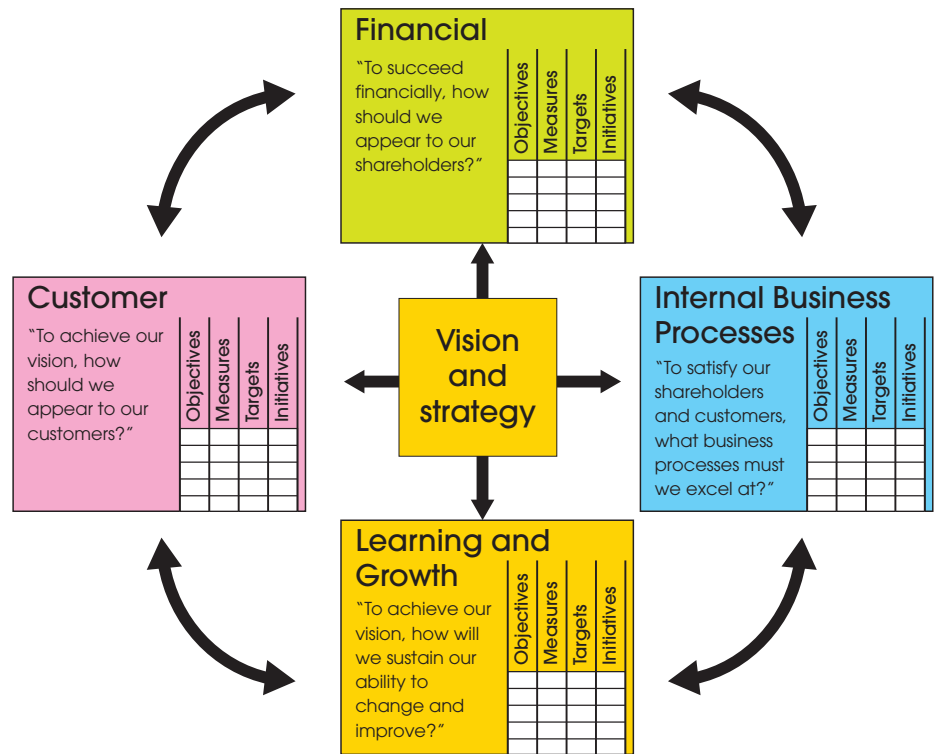
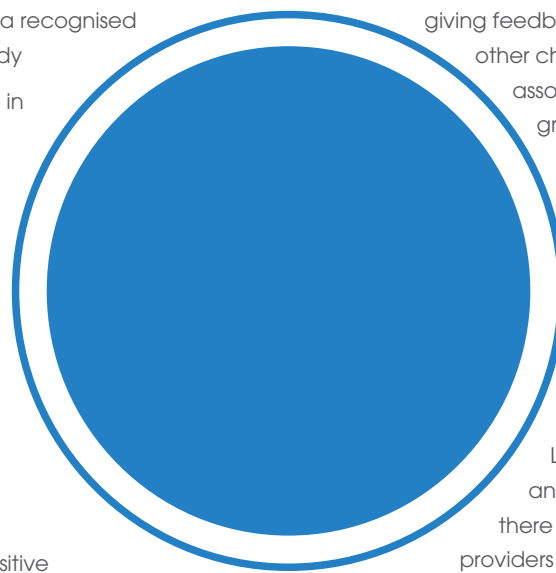


Fig 1 The balanced scorecard framework³

Clearly there are many factors at play here, and I have listed some of the principal ones below:

- Qualifications – and demonstration of expertise in a range of coaching methods
- Membership of a recognised professional body
- Ethical stance – in conversation it is critical to demonstrate how you will best represent the needs of the client organisation as well as the coaching client(s)
- Demonstrated evidence of positive impact – testimonials, case studies etc.

- Supervision
 - Experience – relevant to the industry and coaching specialism required to deliver the desired impact
 - Your personal impact – authenticity, empathy, support-challenge, listening, giving feedback and all the other characteristics associated with great coaches.
- EQUATION FACTOR 3:**
Cost of Coaching
- Coaching is often funded from squeezed L&D budgets, and of course there are many providers of other services who are keen to secure some of these budgets.



Making the case for strategic investment in coaching (cont.)

There is no right or wrong answer around what to charge for coaching, or indeed for any other professional service. As a minimum though, you need to know the costs associated with delivering your service and have a good idea of where you sit in relation to the market. If you have done a good job of showing how your intervention can improve performance and health – and by how much – then your conversation will be more about value than cost. This makes it easier to demand a fair price for your services.

Helping others make the case for coaching on our behalf

Several parties often contribute to the decision to invest in coaching. As much as possible we need to get a good idea of the 'buying landscape' in our client organisations. As a coach we can help buyers to understand this stakeholder environment and – where necessary – to make the case in different ways to different stakeholders.

This is a big topic in itself but an approach such as one proposed by Miller-Heiman⁴ can add some discipline and rigour to how we do this.

Post-coaching evaluation

Future coaching work often comes from a thorough evaluation of the efficacy of previous coaching. There are many ways of evaluating coaching but Kirkpatrick's model is a good one. Combining Kirkpatrick's approach with the ROI equation described above is a

powerful way of showing how coaching interventions contribute to business results as well as some of the less tangible measures of success.

Conclusion

Making the case for coaching is something we are all called upon to do almost daily. We need to challenge ourselves to make sure we are emphasising the direct and indirect benefits of coaching, and to show how coaching contributes to organisational performance and health. This isn't always easy and it requires a disciplined and structured approach on

the part of us as coaches. But if we aspire to be true business partners, this is what our clients need from us.

Over time this will make it easier to introduce coaching to more people who can benefit from it – but only if we link it back to specific business issues. If we can do this, our clients will thank us for it, and will put more coaching work our way in the future.

References

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3. Kaplan, R. S. and D. P. Norton (1993) Putting the balanced scorecard to work. *Harvard Business Review* (September-October): 134-147
4. Miller, R; Heiman, S; Tuleja, T; Marriott, J. W. (2011) *The New Strategic Selling: The Unique Sales System Proven Successful by the World's Best Companies*, London, UK: Kogan Page

Further reading

"Does coaching work and does anyone really care?" Briner, R. *OP Matters* No. 16 November 2012

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