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Business impact of executive coaching: demonstrating monetary value

Vernita Parker-Wilkins

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Abstract

Purpose – *The purpose of this paper is to increase understanding of the business impact of executive coaching and enhance the utilization of coaching throughout the firm.*

Design/methodology/approach – *The ROI study consisted of a three-step process: understand the business value expected by the firm's senior leadership; document what staff have learned from coaching; explore how staff applied what they learned from coaching to create intangible and monetary value for the business.*

Findings – *After the effects of coaching were isolated: monetary benefits were discounted by the isolation (interviewees were asked how much of the value did they attribute directly to their coaching experience) and error percentages; two extreme values were eliminated from the analysis, each totaling over half a million dollars; all monetary benefits were reduced by an additional 50 percent to ensure a conservative set of monetary benefits; coaching produced intangible and monetary benefits for seven out of eight business impact areas; and ROI of \$3,268,325 (689 percent)*

Practical implications – *Attaining business benefits requires taking a more proactive stance in how coaching is managed: ongoing measurement of the value of coaching should be linked to the achievement of specific business objectives and value propositions set by Booz Allen officers; periodic reviews of progress and business outcomes will suggest ways to increase business value and meet senior leader expectations.*

Originality/value – *Provides leaders of executive development programs with an approach to assess the monetary value of executive coaching.*

Keywords *Management development, Coaching, Return on investment, Training evaluation*

Paper type *Case study*

Executive coaching is one of many executive development services offered by Booz Allen's learning and development organization, the Center for Performance Excellence (Center). The Executive Coaching Program enables senior leaders to quickly engage with an executive coach to accomplish their development goals. It also ensures quality and consistency of the coaching provided to senior leaders throughout the firm.

The Center was interested in gaining a better understanding of the business impact of executive coaching, in addition to enhancing the utilization of coaching throughout the firm. To that end, the Center for Performance Excellence partnered with MetrixGlobal, LLC to conduct a business impact study on the Executive Coaching Program. MetrixGlobal is a professional services firm that specializes in providing performance measurement solutions that increase bottom-line results.

The ROI study consisted of a three-step process:

1. Understand the business value expected by the firm's senior leadership.
2. Document what staff have learned from coaching, including impact on building competencies.

3. Explore how staff have applied what they learned from coaching to create intangible and monetary value for the business.

Step 1. Understand business expectations

1. Ten officers from across the firm's Worldwide public sector business were interviewed
2. Eight areas of potential business impact were expected from at least six of the ten (60 percent) officers included in the study:
 - Increased productivity.
 - Increased diversity.
 - Retention of leadership talent.
 - Increased team member satisfaction.
 - Accelerated senior leader promotions.
 - Increased client satisfaction.
 - Improved teamwork.
 - Increased quality of consulting services.

Step 2. Document learning and impact

1. An on-line survey was designed and distributed to all public sector principals and officers.
2. Respondents stated that coaching assisted them in the development of three main competencies:
 - Leadership behavior (82 percent).
 - Building teams (41 percent).
 - Developing staff (36 percent).
3. Respondents were very satisfied with coaching:
 - 86 percent rated coaching as very effective;
 - 95 percent are doing things differently as a result of coaching; and
 - 95 percent would recommend coaching to other Booz Allen staff.
4. Not all respondents sourced their coach through the Center's Executive Coaching Program.

Step 3. Exploring intangible and monetary benefits

1. A total of 43 individuals were identified as having worked with a coach over the course of a year.
2. A total of 28 respondents volunteered to provide additional information on their coaching experience (26 out of 28 volunteers were interviewed. Costs incurred by the 43 people known to have been coached were included in the ROI calculation).
3. Interviews focused on how senior leaders applied their coaching to create value according to one or more of the eight business impact areas:
 - Increased productivity.
 - Increased diversity.
 - Retention of leadership talent.
 - Increased team member satisfaction.

- Accelerated senior leader promotions.
- Increased client satisfaction.
- Improved teamwork.
- Increased quality of consulting services.

Data collection and analysis procedures

1. A total of 26 senior leader interviews were conducted by Center staff members and MetrixGlobal.
2. Respondents described specific actions they took as a result of their coaching experience.
3. Recognizing that other factors besides coaching may have influenced these actions, the effects of coaching were isolated as follows:
 - interviewees were asked to identify a monetary value for each benefit;
 - interviewees were asked to estimate (on a percentage basis) how much of the monetary benefit was attributable to coaching; and
 - interviewees were asked how confident they were in their estimates (on a percentage basis).

Findings

1. After the effects of coaching were isolated:
 - Monetary benefits were discounted by the isolation (interviewees were asked how much of the value did they attribute directly to their coaching experience) and error percentages.
 - Two extreme values were eliminated from the analysis, each totaling over a half million dollars.
 - All monetary benefits were summarily reduced by an additional 50 percent to ensure an extra conservative set of monetary benefits.

Example: improved team work

One of the leaders interviewed said that his coaching experiences enabled him to build teams more effectively. With the support of the coach, he developed techniques to create high performing teams and also improved his ability to contribute to high performing teams. His relationships with vice presidents were also improved.

He estimated that he gained at least 32 hours a month as a result of these actions. He attributed 100 percent of this gain to the coaching he received and was 100 percent confident in his estimate:

$$32 \text{ hours} \times \$110 \times 100\% \text{ contribution} \times 100\% \text{ confidence} = \$3,520$$

This amount was annualized by multiplying the value by 11 months and then reduced an additional 50 percent to be extra conservative:

$$\$3,520 \times 11 \text{ months} \times 50\% \text{ conservative} = \$19,360$$

A total of \$19,360 was added to the benefits tally:

1. All (100 percent) senior leaders reported they applied what they learned from their coaching experience to make significant strides in self development:
 - Leaders reported being less defensive and more self-confident in how they dealt with others. They asked questions more often and considered more information in making decisions.

- Leaders were able to better understand how they fit into the Booz Allen culture. Consequently, these leaders were able to raise their visibility within Booz Allen and better articulate career goals.
2. Half (53 percent) of the respondents went even further to directly apply what they learned to make significant improvements in their relationships with peers and team members:
 - Coaching provided some eye opening experiences in understanding and honoring the perspectives of other people – seeing the world from another set of eyes. Leaders appreciated different learning styles gained greater understanding of people's motivations, and what behaviors trigger people's hot buttons.
 - Leaders changed how they worked with peers and team members: encouraging more open discussions, giving feedback, increasing and improving mentoring, explaining roles and responsibilities and improving collaboration skills. As a result, leaders were better able to build bridges with peers, develop more effective teams and more readily resolve conflicts.
 3. Some senior leaders (18 percent) were able to apply learnings from coaching to significantly improve client relationships.
 4. Senior leaders reported one or more of the eight business areas were impacted by their coaching experience (see Table I):
 - Improved team work was cited by 58 percent of the leaders as having been impacted. For example, one leader cited improving team work as a key area of focus for the coaching and she accepted her role in making this happen. Her coaching enabled her to be more aware of the impact of what she says on her team and she is much more attuned to behaviors and reactions. As a result, she is managing team meetings more effectively. Her team is able to accomplish more. She is also getting more buy-in on her ideas and proposals from peers and vice presidents. She's a more effective member of the leadership team.
 - Team member satisfaction was identified by 54 percent of the leaders as being impacted by what they did differently as a result of their coaching experiences. For example, one leader said that he learned to consciously pay attention to staff, to become a mentor, make time for them, and accept that each person is different and there is no standard formula for working with them. As a result, he developed closer ties to people across the board, especially with several high potential junior staff. Increased productivity and retention was a result of higher team member satisfaction.
 - Increased retention was cited by 31 percent of the leaders as a consequence of their coaching. For example, one leader stated that he didn't leave Booz Allen because of his coaching experience. He was grateful that the firm was willing to invest in him. He described a situation where he had "the rug pulled out from under me," but went on to say that the firm also provided him with a safety net – it was willing to pay for a coach. He credited coaching with keeping him in the firm.

Table I Business impact areas

<i>Business impact area</i>	<i>% of leaders</i>
Improved team work	58
Team member satisfaction	54
Increased retention	31
Increased productivity	31
Increased quality of consulting	31
Accelerated promotions	19
Increased client satisfaction	12
Increased diversity	4

- Increased productivity was cited by 31 percent of the leaders as a business outcome of their coaching. Productivity gains were cited for the leaders as well as for their teams. In one example, the leader realized her communication skills were having a less than positive impact on her relationships with others. She was spending a lot of time re-building relationships. As a result of coaching, her communication style improved significantly and she became a better listener. These actions resulted in fewer mistakes and less re-work by her team. She estimated that she personally gained at least two hours a week and her team leads gained at least four hours a week.
- Increased quality of consulting was cited by 31 percent of the leaders. One leader said that, as a partial result of his coaching, he was able to establish a whole new area for creating intellectual capital for the firm. His coaching enabled him to successfully interact with more senior level clients. As a result, he positioned Booz Allen for new areas of work and produced millions of dollars of increased revenue.
- Accelerated promotions was cited by 19 percent of the leaders. One leader stated that since her coaching experience she had promoted one senior associate, and another person was in the pipeline for promotion. In addition to the promotions on her team, she was also in the window for promotion to an executive level position.
- Rounding out the categories that were impacted by coaching are increased client satisfaction (12 percent) and increased diversity (4 percent). Although increasing the diversity mix of leaders was only cited by one leader, it should be noted that at least one of the leaders who reported that coaching kept them in the firm (citing a retention benefit) was from a diverse background. So, some of the diversity gains may be included in the retention category.

The results – close to 700 percent return on investment (ROI)

1. Monetary benefits were identified by 61 percent of the leaders in seven of the eight business impact areas.
2. Total monetary benefits = \$3,268,325.
3. Four impact areas were identified as having produced at least \$500,000 of annualized benefit to the business:
 - Improved teamwork (\$981,980).
 - Quality of consulting (\$863,625).
 - Retention (\$626,456).
 - Team member satisfaction (\$541,250).
4. Total cost of coaching = \$414,310
 - Cost number was fully loaded with costs associated with administering and managing coaching, fees to the coaches, opportunity costs, etc.

The ROI calculation formula is:

$$((\$3,268,325 - \$414,310)/414,310) \times 100 = 689\%.$$

Summary

1. Officers who were interviewed about their expectations for executive coaching identified eight business impact areas:
 - Improved teamwork.
 - Team member satisfaction.
 - Increased retention.
 - Increased productivity.

- Increased quality of consulting.
 - Accelerated promotions.
 - Increased client satisfaction.
 - Increased diversity.
2. Coaching produced intangible and monetary benefits for all business impact areas except diversity.
 3. ROI of \$3,268,325 (close to 700 percent).

Recommendations

Attaining business benefits requires taking a more proactive stance in how coaching is managed:

- Officer interview data supported centralized management of executive coaching by the Center for Performance Excellence – Qualification, engagement, conduct, evaluation and cost management/tracking of all coaching managed by the Center.
- Ongoing measurement of the value of coaching should be linked to the achievement of specific business objectives and value propositions set by Booz Allen officers.
- Periodic reviews of progress and business outcomes will suggest ways to increase business value and meet senior leader expectations.

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