The FPG Guide to ROI

“Ordinary training typically increased productivity by 22%, while training combined with coaching increased productivity by 88%.”

IPMA
Many Happy Returns

Effective coaching can have a dramatic impact on your people, your culture and your organisation's bottom line. When successfully woven within the fabric of an organisation, coaching accelerates performance, talent development and leadership capability, improves staff and customer engagement and retention, increases revenue and profitability and ultimately enhances company value by optimising the potential of your human resource.

Full Potential Group™ (FPG) is proud of its reputation for delivering genuine ROI: we believe every organisation should expect it and deserves it.

Over more than 10 years we have partnered with a variety of organisations to develop, deliver and maximise the strategic (monetary and intangible) value of coaching – demonstrating ROI from Executive One-to-One Coaching initiatives to wider applications of Coaching as a Managerial Style and Embedding Sustainable Coaching Cultures.

In this short guide we share with you some of the fundamental insights we have gained to help you secure a significant return on investment from coaching. It’s based on the kind of genuine questions we hear every day from clients and organisations in the UK and across the globe.

We sincerely hope you’ll enjoy – and achieve value – from sharing our strategies for ROI success with 'The FPG Guide to ROI'.

With very best wishes

Carole Gaskell
Founder and CEO of Full Potential Group

For information, case studies and useful resources visit www.fullpotentialgroup.com
Why Measure ROI?

Full Potential Group research on measuring the return on investment (ROI) of coaching indicates that only 20% of organisations consistently measure the outcomes and return on investment of coaching activities and, even then, this is often via anecdotal evidence, rather than hard facts.

Coaching Delivers Tangible and Intangible Benefits

Measuring the effectiveness of coaching – and having strong, tangible business and intangible behavioural or attitudinal results – fast-tracks organisational performance and potential for growth, helps to satisfy key stakeholders that their investment has been worthwhile, validates an organisation's spending on coaching, is a powerful way of assessing progress and sets an organisation up for future success.

Tangible benefits include increases in sales and profitability, reductions in costs and staff churn and improvements in customer satisfaction levels and employee engagement scores. Depending on the measurements used, the process can also help to gauge more intangible benefits such as improvements in leadership behaviours and managerial competencies, in levels of confidence and belief in the organisation, in motivation and collaboration, speed of promotion, quality of performance conversations, succession planning, innovation and countless other variables.

Measuring ROI Maximises the Strategic Value of Coaching

Before you can measure ROI, you have to decide WHAT to measure. For ROI to be meaningful, what gets measured are usually the business goals that leaders value the most – and therefore coaching becomes inextricably linked to the strategic direction and goals of the organisation. By tracking improvements in sales or customer satisfaction levels, for example, coaching naturally becomes aligned with the strategic intent of the organisation. If, for instance, the critical issues facing an organisation are weak leadership capability and low staff engagement and these are measured during and after the coaching interventions, coaching becomes hard-wired to strategy and organisational growth.

What You Measure Is What You Get

We find that people get what they focus on. By clarifying desired results and objectives and then focusing on tracking progress towards these, people's focus becomes reality. By setting clear and positive intentions, you are setting yourself up for success at the outset. If the focus is on improving profitability and reducing costs and awareness is raised about these, by tracking the results being achieved, your thoughts, actions and behaviours start to follow your awareness. Sooner or later enhanced profitability and cost savings are realised. The evidence becomes plain to see.
How to Measure the ROI of Coaching

If you are considering investing a considerable amount of time, money and resources on your organisation’s coaching interventions, don’t you want to know how effective it has been?

FPG’s research revealed that many people wanted to measure the ROI of coaching, but were unsure about how to go about measuring in a way that was time-efficient and effective.

How do I measure ROI?

Designing ROI evaluation methodologies for coaching is not as difficult or time-consuming as people tend to imagine. There are five simple steps:

1. Begin by clarifying the business objectives for the coaching – both hard and soft – and why they are relevant to results
2. Agree your evaluation methodology at the outset – decide how to go about measuring the factors you believe are relevant to results
3. Create shared ownership of the evaluation
4. Agree the ‘isolation’ factor – set coaching into context with other organisational variables
5. Calculate ROI by creating a cost : benefit ratio.
Step 1: Clarify the Business Objectives for Coaching – Both Hard and Soft

Typically we suggest that organisations clarify three ‘hard’, tangible business measures and three ‘soft’, more intangible behavioural or attitudinal measures from the following chart:

<table>
<thead>
<tr>
<th>Money</th>
<th>Time</th>
<th>Quality</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ Sales / Revenue</td>
<td>↓ Project Length</td>
<td>↑ Quality Standards</td>
<td>↑ Production</td>
</tr>
<tr>
<td>↑ Profit</td>
<td>↓ Down Time</td>
<td>↑ Customer Satisfaction</td>
<td>↑ Customers</td>
</tr>
<tr>
<td>↑ Market Share</td>
<td>↓ Production Time</td>
<td>↑ Performance Management</td>
<td>↑ Vol. of Services</td>
</tr>
<tr>
<td>↓ Discounts / Costs</td>
<td>↓ Task Time</td>
<td>↑ Leadership Capability</td>
<td>↓ Inventories</td>
</tr>
<tr>
<td>↓ Absenteeism</td>
<td>↑ Retention</td>
<td>↑ First to Market</td>
<td>↑ Distribution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>↑ Innovations</td>
<td></td>
</tr>
</tbody>
</table>

"At Tesco we’ve seen both soft and hard benefits from coaching. As well as business results, retention rates have improved and many of those who’ve embraced the new culture have been promoted to even more challenging roles. Scores in the staff survey around people's attitudes to the business and the way in which they are managed are higher, which indicates improved motivation and morale at middle management level.

CEO of Tesco UK Clothing and International Sourcing"
Step 2: Agree Your Evaluation Methodology at the Outset

Decide **how to go about measuring** the factors you have decided are relevant to results. Some of the data may be readily available (on the P&L, via customer satisfaction surveys, from previous performance reviews, as a result of 360° assessments etc.) or you may have to devise a way of collecting data. Either way, **measure what you can BEFORE the coaching begins**: this is your benchmark for all future measurement.

For example, if you have decided that the three 'hard' business measures you are tracking are:

1. Sales
2. Profitability
3. Cost Reductions

Agree exactly **how** these three variables are going to be tracked. Depending upon your organisation sales might be reported on an hourly, daily, weekly, monthly or perhaps quarterly basis. What processes are already in place to capture this information? How can you access this information quickly and easily? Can someone else make this task easy for you?

Likewise there are probably processes in place to track profitability and costs. Which reports do you need and how can the information be streamlined to track improvements?

With regard to your three ‘soft’ measures, you may have decided to track the following:

1. Customer Satisfaction
2. Employee Engagement
3. Leadership Capability

You may already be tracking customer satisfaction levels by using regular customer opinion surveys, using mystery shoppers etc. If this information is available, use it. Employee engagement can be measured using employee attitude surveys, gathering data from exit interviews etc. Leadership capability can be tracked by collating data from leadership 360° assessments, from your performance management systems etc.
Step 3: Create Shared Ownership of the Evaluation

Ideally your job will be made easier if you are supported by a variety of specialists providing you with the relevant information you need. Your finance or IT colleagues may be able to support you in gathering key data.

The individuals, groups or teams on the receiving end of the coaching interventions could also be involved in tracking the results they are achieving.

A useful way of getting individuals to take ownership of tracking their results is to ask them to complete self evaluation forms at the outset of any coaching intervention, upon completion, six months following completion and even one to three years after the coaching has taken place. [Often the significant ROI is seen a year after any coaching development, as the people concerned have spent the year implementing and applying the coaching tools and techniques, changing their behaviour and mindset and thus major results are in evidence 12-months down the line].

Sample Questionnaire to Evaluate ROI of Coaching

1. What **are you doing differently** as a result of what you have learned from the coaching programme?

2. What has been the **impact** of the above on:

   a) Your **own** effectiveness?
      
      i. Increased your productivity ..............................................................
      
      ii. Increased your engagement ..............................................................
      
      iii. Improved quality of your work .........................................................
      
      iv. Improved decision making ...............................................................
      
      v. Increased clarity about priorities .......................................................
      
      vi. Reduced the time to complete a project ...........................................
      
      vii. Other: ................................................................................................

      Please describe an example of how you improved your effectiveness in your role.

      ..................................................................................................................
      
      ..................................................................................................................

   b) Your **team’s** effectiveness?

      i. Increased productivity of your team .....................................................
      
      ii. Increased team engagement level .......................................................
      
      iii. Increased team collaboration .............................................................
      
      iv. Improved team communications .......................................................
      
      v. Improved quality of the team’s work ..................................................
vi. Other:  

Please describe an example of how you improved your team's effectiveness:

__________________________________________________________________________
__________________________________________________________________________


c) **Business** performance?

i. Improved staff retention  

ii. Increased employee engagement  

iii. Increased sales  

iv. Increased productivity of organisation  

v. Increased customer satisfaction  

vi. Other:

Please describe an example of how you improved business performance:

__________________________________________________________________________
__________________________________________________________________________

3. **What other benefits** have you personally, your team, and/or the business realised so far from the programme?

4. **We discussed measuring the success of the programme** by measuring improvements in sales volume, profitability and cost reductions. Please complete your data for the following:

<table>
<thead>
<tr>
<th></th>
<th>Sept. 2009</th>
<th>May 2010</th>
<th>Sept. 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Reductions</td>
<td></td>
<td></td>
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</tbody>
</table>

"We piloted the approach in one region and our sales improved by 30%. Needless to say, we are now rolling this out in other regions."

Sales Director, Financial Services
Step 4: Agree the ‘Isolation’ Factor

The ‘isolation’ factor is how you will isolate the impact of coaching from other variables which are likely to have an impact on the results you are measuring. Setting coaching into context with other organisational variables is an art, not a science. In our experience, however much you try to quantify the exact contribution coaching has made to a business result, in the end a certain amount of calculated guesswork is always required.

Ask: What else is going on in the business or the wider economic climate? Which of these factors might also have an impact on results? Agree what proportion of any changes will be attributed to coaching (versus the proportion that will be attributed to the other factors). This is the ‘percentage impact of coaching’.

Many initiatives may be taking place in your organisation all at the same time, and all of which could contribute to “increased profitability and reduced cost” – if they were the results being tracked. For example: new IT system, revised supplier pricing agreements etc. So the coaching may only be one of three variables and might then only contribute 33% towards the end result.

We usually find that having a facilitated session up-front to identify all the possible contributing factors that are likely to affect a pre-agreed result, setting them out and apportioning an approximate % contribution factor to each one aids the art of agreeing the coaching isolation factor.
Step 5: Calculate ROI – the Cost : Benefit Ratio

To calculate the ROI of coaching, the following cost : benefit ratio formula can be used:

\[
\text{Percentage impact of coaching} \times \text{Year-on-year tangible/intangible benefits} / \text{Cost of coaching}
\]

For example, let's assume the following:

- the percentage impact of coaching is 50%
- the year-on-year gain in sales was £500,000
- the cost of coaching was £1,000

\[
\frac{50\% \times 500,000}{1,000} = \frac{250,000}{1,000} = 250 \times \text{ROI}
\]

- 50% of £500,000 = £250,000
- £250,000 / £1,000 = ROI of 250 times.
ROI of Coaching: Example

Current Situation: Issues and Challenges to be Addressed

John was viewed as a ‘high potential’ employee and had worked for his organisation for many years. Recently promoted to head up one of the fastest-growing departments in the business, he knew he couldn’t achieve the ambitious sales targets alone. He needed to improve his impact and influencing skills, fully engage his team, let go of trying to control everything, trust and believe in his team, coach and give them more responsibility to generate ideas and deliver the results themselves.

Results Achieved from Applying Tools & Techniques from FPG’s Coaching Programme

Personal Results: Improved Leadership Capability, Coaching and Team-building Skills

Following coaching, John raised his leadership game significantly. He co-created the department vision and strategy with his team, got them to take full ownership of their areas and shifted the decision-making power base down within his business unit. He broadened his perspectives about what he believed he was capable of and started to focus his time on more strategic, higher-value activities. He significantly developed the confidence in his people to step-change their performance.

Business Results: Increased Growth in a Competitive Market

John’s business was number two in the marketplace with plans for 10-15% growth over three years. Within two years they became number one, with growth of over 30%. Previously used to driving the big initiatives on his own, the radical growth was due to John releasing the potential of his people, creating high-performance, self sustaining teams and shifting his own perspectives and assumptions about his role into one of transformational leader, no-longer generating incremental sales growth but creating a step-change in growth potential for his organisation.

ROI of Coaching

Qualitative

John’s department was targeted to grow from £40m sales to £46m over three years. In actual fact his department delivered sales of over £53 million within two years. In effect he was 15% up on forecast in two-thirds of the time. As a conservative estimate, John felt that 20% of the additional revenue generated was a result of the programme: his new leadership mindset and ability to coach and bring out the potential of his people.
Quantitative

- The amount of incremental revenue generated, above forecast = £7 million
- £53 million actual sales - £46 million forecast sales = £7,000,000
- John attributed 20% of the revenue increase to his coaching
- 20% of £7,000,000 = £1.4 million
- John’s coaching resulted in a business benefit of £1.4m.
- Coaching investment was £7,500 so ROI = £1,400,000 / £7,500 = 186 times.
The ROI to Expect from Coaching

Research by the Manchester Group into 100 senior executives, mostly from Fortune 1000 companies, who had received one-to-one coaching, found that:

- Executive Coaching yields return on investment of almost six times the initial investment in a typical coaching assignment
- 77% reported improved relationships with their peers
- 67% reported improvements in teamwork
- 61% reported improved job satisfaction
- 53% reported improved productivity
- 48% reported improved quality of output.

Research by Vision Quest Consulting found that of all clients interviewed:

- 100% had significantly increased their ability to deal with business challenges
- General effectiveness as a leader had increased by 50% or more
- Working relationships with peers and direct reports had improved by 50%
- Job satisfaction had increased by 75% or more
- Effectiveness in communicating had increased by 75%
- Ability to deal with conflict had increased by 50%.

Research conducted by the International Coach Federation and Linkage Inc. "Coaching in Corporate America" found the primary benefits of corporate coaching in 4,000+ corporations to be (in order):

- Improved individual performance
- Improved bottom-line results
- Improved client service
- Improved competitiveness
- Development of people for the next level.
Research by International Coach Federation, "Survey of Coaching Clients" found that the outcomes that clients most often attribute to their coaching are:

- Higher self-awareness (68%)
- A more balanced life (61%)
- Smarter goal-setting (62%)
- Lower stress levels (57%)
- Greater self-confidence (52%).

Research by The Lifecoaching Company, "Coaching Today Survey" concluded that respondents feel that coaching:

- Has a positive impact on other aspects of participants' lives, both at work and outside the workplace (96%)
- Creates a feeling amongst participants of ownership of the issues and the outcomes (85%)
- Results in evidence of learning being put into practice (71%)
- Produces readily-quantifiable and positive results, often demonstrated on the company's "bottom-line" over the long term (62%).

In addition:

- The top four words associated with coaching (from a given list) were:
  - Supportive (98%)
  - Empowering (82%)
  - Holistic (80%)
  - Inspirational (77%)
- The top three words associated with training (from the same given list) were:
  - Prescriptive (71%)
  - Rigid (70%)
  - Intimidating (50%).
A case study on the Return on Investment of Executive Coaching by MetrixGlobal found that, of 43 next-generation leaders who were provided with coaching as part of their leadership development:

- 77% felt that coaching had a significant or very significant impact on at least one of nine business measures
- 60% reported increased productivity
- 53% reported improved employee satisfaction
- 50% could track financial benefits directly back to their coaching
- 40% reported improvements in the quality of their work.

Furthermore, a 529% return on investment was produced by the coaching process (excluding the benefits from employee retention).

Research by The Association for Coaching amongst purchasers of coaching services and individuals who had been coached found that:

- 38% of purchasers feel that coaching re-engages individuals and leads to increased productivity
- 58% of purchasers stated that coaching improves people management skills
- 53% of purchasers stated that coaching increases motivation
- 48% of coachees attribute improved work-life balance to their coaching
- 42% of coachees agreed that coaching increases motivation.

Research conducted in 2007 by Personnel Today (amongst almost 500 of its readers from companies with an average of 12,481 employees) and Chiumento, 'Coaching Counts', found that:

- 96% of organisations have seen individual performance improve since coaching was introduced. In 45% of organisations the improvements have been 'major'
- 92% have also seen improvements in leadership and management effectiveness. 39% of respondents state that these improvements have been 'significant'
- Other improvements that have occurred as a result of the introduction of coaching include:
  - support for individual career progression (85%)
  - productivity of the organisation (85%)
  - employee engagement (79%)
  - emotional intelligence (67%)
  - staff retention (62%).
The Bottom Line

At the heart of everything Full Potential Group does lies the results that the individuals, teams and organisations we work with want to achieve – and the return that our clients expect from their investment. We start with ‘what success looks like’ and build everything from there. If we don’t know what success looks like, we won’t know if we’ve achieved it. If we don’t clarify the measures of success and put in place the measurement methodology, we can’t track results. If we don’t deliver results, we don’t work.

So, results and ROI are at the beginning, the middle and the end of every FPG journey because we’re passionate about potential and want to continue unleashing talent, high-performance teams and high-engagement cultures for as long as possible.

"What we liked about Full Potential Group was their highly pragmatic, instantly useable 'coaching in the moment' non-theoretical approach, firmly linked to business results. FPG are a great fit for William Hill."

Management Development Director, William Hill

About Full Potential Group

Full Potential Group (FPG) is one of the UK’s leading Transformational Coaching, Leadership and Team Specialists. We help people to maximise their own potential and the potential of others with transformational coaching, leadership and teamworking.

Professional business coach, Carole Gaskell, is the founder and CEO of Full Potential Group. As well as being an internationally-renowned coach, facilitator and speaker, Carole is also the best-selling author of two global bestsellers, “Transform Your Life – 10 Steps to Real Results” and “Your Pocket Life Coach”. She has also written two specialist books, “Full Potential Leadership – a Provocative Call to Make a Dramatic Difference” and “Full Potential Coach – Transforming People’s Potential into Results.”

If you’d like to find out more about how we can help you achieve bottom-line results from your investment in transformational coaching, leadership and team development, contact our team today on 01628 488990 or find out more by visiting our website at www.fullpotentialgroup.com.