

BUSSINESS CASE: VALUE OF COACHING TO CORPORATIONS

Finding Solid Value in Building “Soft” Skills By Patricia Bowen

While participating in virtual classes toward my corporate coaching certification, I was nearly booted off the phone one morning for bringing up the subject of cost justification in building corporate coaching programs. Other coaches in the class thought I was being mercenary and ignoring the inherent values of coaching by trying to quantify those values in hard dollars. Seasoned coaches have seen the value of what they offer to clients, but many don't know how to justify the cost against the benefits. In these challenging economic times we need greater awareness of how to calculate and articulate the value our clients gain through coaching so we can set appropriate expectations with them.

A recent Hay Group study reported that:

- 25-40% of Fortune 500 companies use corporate or executive coaching.
- Motorola alone expected to spend “in the low millions” last year on corporate & executive coaching for its best middle managers.
- Coaching has shifted from being used to intervene with troubled staff to becoming part of standard leadership development for elite executives and talented up-and-comers at IBM, J.P. Morgan, Hewett-Packard, Dow Chemical, Glaxo Wellcome, Marriott International, Eastman Kodak and many others.

Also according to Hay, large global organizations spend, on average, \$20-25,000 per person on leadership / executive development. A Manchester Study in 2000 of 100 Fortune 1000 executives showed that coaching returned 5.7 times their investment, or an average return of \$100,000 per executive coached (measured in productivity, cost reduction, retention costs and other measures.)

In addition to personal and executive coaching, more and more companies are promoting a “coach approach” to management. This approach has been integrated into behavior modeling, team dynamics, 360 and other assessments, as well as into traditional forms of management. IBM employs over 60 full time coaches and their research has led them to conclude that “those leaders who have the best coaching skills have better business results.”

Here are some starting points for suggesting business facets your client may wish to measure with their coaching program:

- Ask how they set targets and measure results of current leadership and training programs. Coaching results may be measurable in similar ways, whether it stands alone or is integrated into the leadership program.
- How does the company measure the value of its human capital? Coaching can and does refocus high performing managers and executives and can increase their value to the corporation.
- What are the costs of managerial or executive turnover? What are the savings of retention? Be sure to include contract buy-outs, agency fees, ramp up time for new executives & managers, etc. And don't neglect the issue that some executives being coached may be a poor fit with the company, may choose to leave as a result of coaching, and that even this may be a saving to the company in terms of opportunity costs of inappropriate management.

- What revenue and profit increases and operational savings are realized as a result of increased productivity? Studies have shown that up to one third of variance in revenue and profit can be explained by differences in organizational climate, and coaching can move that climate toward higher internal satisfaction. Gains will vary based on the functional area of the business where managers are being coached, ranging from sales increases to operational savings to customer retention due to increased customer satisfaction.
- These are just a few of the areas you may wish to discuss with your corporate coaching prospect or client. Understand what their expectations are for the potential results of your coaching offerings, and be able to cite value other organizations have achieved with their coaching programs.