

NOTES for Corporate SIG Meeting, Monday, September 23, 2002

Jane Creswell, www.internal-impact.com, was guest host of the call. Jane's practice is devoted to helping companies develop a system of internal coaching. Jane is reachable at coachjane@internal-impact.com.

After introduction by Cynthia Stringer, the SIG host, Jane invited the participants to propose "burning topics" and questions for her to address.

From Audrey: How can I apply what you know about ROI to a small business coaching opportunity?

From Judy: Executives are asking for information on ROI and I'm tired of answering. I keep having to say there's no magic pill. Whatever light you can shed on this, I'll be grateful.

From Otan: I know this ROI is important. I'm interested to know how do other coaches make sense of it.

From Meryl: ROI can be quite different even in the same organization, for example, a cost center can view its contribution to ROI as radically different from a profit center's contribution. How do you go about reconciling the differences, or must you, without betraying confidences?

Jane proceeded to share with us tips, pitfalls to avoid, a formula, and rules which she developed on the spot! She let us know that what she shared was her own opinion derived from her experience working with clients and her own reading. She does not purport to be an expert on ROI.

Tip #1: Start Early! It is never too early in a coaching engagement to discuss how you will eventually measure ROI. Jane now sets the stage for later ROI discussions in her very first encounter with a client prospect. She says this conveys an attitude of "I care about results for you and will partner with you to measure results. By being the one who initiates the discussion of investment, it says that you hold yourself accountable for results.

Pitfall #1: Thinking You Have to Be the Expert. What we are experts in is coaching. Let go of having to know the answer and it gets easier. Once Jane asks a client how they measure success, how do they know what they are doing is having an impact on the success of an organization, it takes the pressure off her.

Tip #2: Focus the client on mapping their efforts to the organization's success. This is a complex undertaking and is many layered. Folks you are asking this of don't always know what coaching is or don't know how their individual efforts relate to the whole. You have to keep asking questions so you both know what coaching's impact could be measured by: some examples...

-- Where can you find out how your efforts impact the success of the organization?

-- What may be missing that prevents you from seeing how your efforts impact the organization's success?

Eventually you help them make a connection between their coaching influencing the organizations success measures.

Jane raised a distinction between formal and informal measures of success.

Informal measures include what the client invested in money and time for what benefits, tangible or intangible.

Some intangibles that are often mentioned: culture shift, quality of life in the workplace. The tangibles are increased sales, revenues, and other things.

You can systematize even informal measures by using a style of questioning to elicit anecdotal evidence from clients or a formula put forth by Jack Phillips in his book, "ROI in Training and Performance Improvement Programs". Phillips' formula has been widely referenced in management literature and studies of management practices and science, a recent example of which is the Manchester Report of ROI of Executive Coaching.

The Formula...

ROI EQUALS Annual Business Impact (Total dollar figure of positive results attributable to the coaching relationship) MINUS Cost of Coaching (including but not limited to the internal coach(es)' salary(ies), external coach(es)' fees, materials, travel expenses, hours spent by client) DIVIDED BY the Total Cost MULTIPLIED BY 100

Annual Business Impact is made less subjective by applying a couple of factors.

First...A Confidence Factor: Taking the total dollar figure of additional revenue that came out of the coaching initiative, you then estimate how much confidence you have in this figure, depending upon the size of the organization, and how the number was generated and multiply the total dollar figure by the percent confidence you have in the figure. For example, if the total dollar figure came from the accounting department, you might very well say that you had a high level of confidence (90%) in the accuracy of that number, hence you would multiply the number by .90 or 90%. If you got the total dollar figure from the sales department, you might have a more conservative confidence factor to correct for Sales possibly overstating the figure, and multiply it by .75 or 75%. If you and your client got to a figure of \$10,000, from the Sales department, you would end up with \$7500 after applying the relevant confidence factor.

Second...Concurrent Events. Simultaneous to the coaching engagement, other events may transpire that could have impacted additional revenue. For example, share price went up. You would want to apply some agreed upon percentage to adjust for these concurrent events.

A very helpful source to Jane in establishing a valid measure of ROI from coaching is Daniel Tobin's book, The Knowledge-Enabled Organization: Moving from Training to Learning to Meet Business Goals.

Pitfall # 2 Trying to create ROI measures 6 months into the coaching engagement. You won't be credible if you try to install this structure after the fact. Agree to measure ROI early and agree on the percentages that will be applied as the Confidence factor and the Concurrent event factor before you start measuring. That makes the whole process more credible and not manipulative.

Tip #3 Even if the client doesn't know at the outset how their efforts track to overall business indicators, by going through the process with them, they feel empowered and overcome doubt. Their performance will likely improve once they understand how their efforts track and that only serves to further improve the results.

Essentially, what Jane presented to us amounts to a 3-Step Process which she recapped at the close of the session.

- 1-Find out How does the organization define/measure success in order to make decisions about what to invest in.
- 2-Explore with the client how does their personal effort contribute to the success of the whole organization.
- 3-Finally, establish through inquiry how what happens in a coaching conversation contribute to the organizations success.

Jane reviewed with those who posed the initial questions whether they got insight into their own issue and each had. When asked whether she would be amenable to further questions via email, she said “Yes.”

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