



Leadership Coaching: Does It *Really* Provide Value?

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In my role as an internal consultant for organization development, I explored leadership coaching. After studying the benefits and analyzing our organization's challenges, I became convinced that leadership coaching would provide significant development potential for our leaders. However, initial conversations with my boss did not yield authorization to proceed with coaching. It was these discussions that prompted the process and findings presented in this article. For any consultant, internal or external, working to demonstrate the value of leadership coaching, I offer my experience as a guide for demonstrating the value of coaching in leadership development.

The Situation

Leaving my boss's office, I shook my head as I walked back to my cubicle. Why was it so hard to convince him of the value of leadership coaching? I had shared the references of several excellent firms; we had reviewed their methodology, seen their many client testimonials, and discussed the needs our own leaders had for development. We agreed our organization needed to find a way to help our top talent achieve their highest potential. Still, he was not convinced our firm would obtain true business value from leadership coaching.

I get that the budget is tight—we're in IT. When isn't that the case? I even get that, for my boss, the sort of "touchy-feely" potential for one-on-one leadership coaching makes him uncomfortable. But I had brought him several testimonials of real leaders who had found real value in the coaching they had received. Even after all those deliberations and all the work I had completed to demonstrate coaching's value, he wasn't convinced. Instead, he had thrown down a challenge: provide a "prescription" for how to realize business value from leadership coaching and define how to calculate a coaching return-on-investment (ROI) to quantify the benefits.

Providing this proof, he said, would be enough to convince him to allocate funds for leadership coaching.

Defining the Challenge

Proof? The man wants proof! How could I prove that something as personal, individualized, and client-driven as leadership coaching delivers value? If the experiences of others were too anecdotal, too qualitative, then I would have to find empirical evidence that using coaching for leadership development would do more than just make someone a better person and a better leader. I would have to prove leadership coaching brings tangible, measurable value to the bottom line of the organization. What I needed was to present a clear picture of what coaching is and what it can accomplish, and to accompany that with measurable, business value aligned results.

Okay, I thought, I can work with that conceptualization of my boss's challenge. First, I sought to find a clear definition of leadership coaching. Turning to the International Coach Federation, I found this definition: "Coaching is partnering with clients in a thought-provoking and creative process that inspires them to maximize their personal and professional potential" (International Coach Federation, 2010, p. 92). This provided a good start, but I needed a broader description that would help my boss see that the organization's goals are also part of the agenda in leadership coaching.

I found what I was looking for in the Harvard Business Review. In a research report, authors Couto and Kaufman (2009) reported survey results from 140 leadership coaches identifying the following three focus areas as top agenda items for leadership coaching: (a) develop high potentials or facilitate transition; (b) act as a sounding board; and (c) address derailing behavior (p. 92).

Better, I thought. This information helped to more closely align the engagement of coaches for leadership development with the types of results businesses seek; developing high potentials, facilitating transitions, acting as a sounding board, and working to address derailing behavior are all outcomes a business would value. But was there a way to tie those actions to actual business value?

Meeting the Challenge

To answer this question, I turned to academic research. While there is nowhere near as much research in the field of coaching as in many other fields of academic study, some research is beginning to emerge on the topic of demonstrating the value of leadership coaching.

A study by Spence and Grant (2007) provided several useful insights into the link between goal definition and goal achievement: "An extensive body of research clearly indicates that well-being is positively impacted when individuals attain goals that accurately reflect their core values and developing interest" (p. 187). Further, the authors found that when clients participated in a coaching relationship with a professional coach, not only were they more likely to attain their goals than individuals who were not being coached, they also experienced higher levels of self-reflection and insight accompanied by lower levels of depression, stress, and anxiety. What boss would not want greater levels of achievement from less stressed, more insightful employees?

These findings helped to build the arguments I would need to convince my boss that leadership coaching would bring value to our organization.

Another article described a coach who had developed interventions to help the organization focus on harvesting learning and increasing return on investment from coaching services. These interventions melded strategic planning, internal and external coaching, and a focus on spending in key areas “where [leadership coaching] can make an organizational difference” (Hawkins, 2008, p. 31). While the author did not provide an ROI calculation for determining the value of leadership coaching, he did provide a real-time example of the value of leadership coaching in which the coaching of newly promoted individuals accelerated effectiveness in their new positions to the benefit of the leaders, their team members, and their organization.

After much additional research, I found an article by Dembkowski and Eldridge (2003) that provided an actual algorithm for calculating the ROI results from coaching as well as a list of the critical success factors for demonstrating coaching ROI. The authors outlined a process of identifying the indicators of impact resulting from coaching. They then described how an organization would create a table of benefit calculations for each impact indicator, evaluating the estimated monetary value of the improvement, the percentage of the improvement due to coaching, and the percentage of confidence in this estimate. Each item could then be calculated as a monetary value using the following equation:

$$\text{Monetary value} = \text{Estimated annual monetary value of performance improvement} \times \\ \text{Estimated percentage improvement due to coaching} \times \text{percentage confidence in this estimate.} \quad (\text{Dembkowski \& Eldridge, p. 2})$$

All items are added to produce an overall sum. The organization can then determine the full set of costs for the coaching (i.e., fees charged, materials, travel expenses, administrative costs, and opportunity cost of time spent coaching). Finally, the ROI of coaching is calculated as $\text{ROI} = ((\text{Benefits} - \text{Costs}) / \text{Cost}) \times 100$ (Dembkowski & Eldridge, 2003).

Armed with this formula, I began to wonder: is ROI really the only measure of value for leadership coaching? This question led me to an article by Carter (2009), who provided these key components as drivers for obtaining business benefit from leadership coaching:

- *Establish Business Objectives:* Establish clear business objectives for the leadership coaching before engaging in the coaching process. While a coach may have a well-established, best practice approach for obtaining results, without connecting that approach to business objectives, the results obtained may be more personal than professional and could fail to deliver business value.
- *Tie Communication about Coaching to Objectives:* Tie the message about leadership coaching to the business objectives defined. If the objectives are focused on driving excellent performance, it is essential to ensure the communication and messaging of the coaching program delivers that message.
- *Build a Three-Way Partnership:* Ensure responsibility for the coaching is shared in a three-way partnership between client, coach and the organization. Engaging the client's direct manager in the definition of goals and outcomes for leadership coaching brings

much stronger alignment to business and organizational objectives. Further, engagement and support from the direct manager throughout the coaching engagement allows the client to achieve greater levels of satisfaction with the leadership coaching while being more likely to hit the business objectives defined at the outset. (Carter, 2009, p. 44-47)

When firms take the above approach to leadership coaching, results can be significant. One Fortune 500 company performed a formal assessment of the tangible and intangible benefits of leadership coaching performed for members of middle management. Their results showed measurable annualized financial benefits in productivity, employee satisfaction, customer satisfaction, work quality, and work output (Anderson, 2001). In fact, this firm calculated an astonishing 529% ROI as a result of the leadership coaching—and that value did not include the benefits from employee retention.

Delivering on the Challenge

From all my research and reading, two things were clear. It was possible to calculate the value, using an ROI measure, of leadership coaching. But the real “trick” to getting value from leadership coaching wasn’t in having a great formula, choosing a great coach, or using a best practice coaching methodology—even though each of these is a key component.

For an organization to achieve business value from leadership coaching, it must add to the key components the effort required to (a) establish business objectives for which coaching would be purposed; (b) tie coaching to objectives and communicate effectively about the purpose and objectives for coaching; and (c) establish and maintain a three-way partnership between client, coach, and direct manager.

Combined with all the other information and evidence my boss and I had already reviewed, I now had the “proof” he had demanded. Better yet, now I was truly convinced that not only was leadership coaching beneficial, it would bring value to our leaders *and* to our organization.

Conclusion

Armed with the information I had gathered, the keys to achieving business value, and a formula for calculating ROI results from leadership coaching, I sat down with my boss once more. This time, I emerged with his authorization to move ahead in developing and implementing a coaching engagement for leadership development. The best part was that I now knew exactly how to demonstrate the business value the engagement would deliver.

About the Author

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