



# Building a business case for coaching

## A guide for human resource practitioners

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## Why coaching?

In a work context, coaching is about improving human capacity to deliver superior organisational results.

***“If done correctly, coaching can result in high functioning people with enhanced emotional competence”*** Lassiter<sup>1</sup>

In recent years the value of coaching has become increasingly accepted and executive coaching is now widely used as a leadership development practice. In a recent survey of 347 leaders<sup>2</sup>, 40% of respondents reported that their organisation was doing more coaching in 2008 than 2007, whereas only 10% reported doing less. In their most recent 2010 survey<sup>3</sup>, the CIPD found coaching was taking place in 83% of respondents' organisations.

In another CIPD survey<sup>4</sup> there was evidence that organisations are still spending on coaching despite the tough economic conditions. This suggests that coaching is seen as a key tool for ensuring leaders are able to deal with the challenges of their role *within* this economic climate.

However, as with any leadership development tool, a key question asked by senior management is ‘how successful has coaching been in improving individual and organisational performance?’ Many organisations have attempted to measure the return on investment of coaching programmes and some examples of key studies are listed over the page:

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<sup>1</sup> Lassiter, D. (2004). *The Business Case for Coaching*. Leadership Advantage Newsletter.

<sup>2</sup> Anderson, M.C., Frankovelgia, C. & Hemez-Broome, G. (2008). *Creating coaching cultures. What business leaders expect and strategies to get there*. Greensboro, North Carolina: Center for Creative Leadership.

<sup>3</sup> Chartered Institute of Personnel and Development (2010). *Learning and talent development. Annual survey 2010*. London: CIPD.

<sup>4</sup> Chartered Institute of Personnel and Development (2009). *Taking the temperature of coaching: coaching summer survey*. London: CIPD.

- ◆ The International Coach Federation<sup>5</sup> found a strong correlation between leadership development and executive coaching. They studied two groups of managers following a leadership development programme, one received coaching and the other did not. The results showed the group who received coaching tended to be more focused on their development plans, were more successful in achieving their goals and demonstrated greater behavioural change related to their roles as leaders and managers.
- ◆ A Metrix Global Case study of 30 leaders<sup>6</sup> found coaching produced a 529% return on investment as well as significant intangible benefits.
- ◆ McGovern et al (2001)<sup>7</sup>, found strong evidence of the effectiveness of coaching at each of Kirkpatrick's five levels of evaluation, including the impact on executives and the return on investment, which averaged at nearly six times the initial investment.

As coaching is a fairly new profession research is ongoing, but the overall message so far is a positive one:

***“The surveyed leaders believed that seismic shifts in their organisations’ performance are possible if coaching is ingrained in their culture. The leaders believe that a coaching culture increases focus on developing others and managing performance; increases sharing and utilisation of knowledge; leads to more participative and transparent decision-making; and makes learning and development a top priority.”*** . Anderson et al (2008)<sup>9</sup>

Denison Consulting<sup>8</sup> also had positive comments regarding coaching:

***“Our findings suggest that structured coaching sessions with multi-source feedback are a winning combination to change managerial behaviours toward more effective interactions, especially from the boss and direct reports perspective.”***

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<sup>5</sup> Hernez-Broome, G. (2004). *Impact of coaching following a leadership development programme; Coaching is key to continued development*. In Irene Stein, Francine Campone, and Linda Page (Eds.), *Proceedings of the Second ICF Coaching Research Symposium*. Washington, DC: International Coach Federation.

<sup>6</sup> Anderson, M.C. (2001). *Case study on the return on investment of executive coaching*; Metrix Global LLC.

<sup>7</sup> McGovern, J. et al (2001). *Maximising the impact of executive coaching; Behavioural change, organisational outcomes and return on investment*; The Manchester Review 6 (1).

<sup>8</sup> Denison Consulting LLC (2009). *Executive coaching: Does leader behaviour change with feedback and coaching?*. Washington: Denison Consulting.

## So coaching is a good option – what now?

Once you have decided you want to propose coaching, consider the following seven phases in order to prepare a robust business case to present to the senior management team.



### Phase 1 – Do research and benchmark the current coaching culture in your organisation.

This initial phase is about getting a ‘snap shot’ of how coaching is currently working across the organisation and involves finding out what coaching is taking place, by whom, and how regularly. The purpose of this research is to discover how embedded coaching is, how well it is received and how it aligns to other performance and development processes such as personal development plans.

The outcome from this phase is quantitative and qualitative data which provides a summary of current coaching activity, performance gaps, business needs and leaders' expectations. A study by the Center for Creative Leadership (CCL)<sup>9</sup> found that leaders expect profound and positive change from coaching programmes.

## **Phase 2 – Get senior sponsorship by clearly articulating the rationale for investing in coaching.**

Getting sponsorship from the senior management team is absolutely critical to the success of any coaching programme and is about more than just approving a budget. To create a true coaching culture ***“coaching has to be the predominant style of managing and working together, and where a commitment to grow the organisation is embedded in a parallel commitment to grow the people in the organisation”***<sup>10</sup> - this cannot be done without the support of senior leaders.

When presenting your business case, provide information on how coaching can successfully address the leadership expectations, business needs and performance gaps identified in phase one. Explore how coaching can be integrated with other performance and development initiatives so that it can be sustained and deliver the strategic priorities.

Consider the following questions before they are asked:

- ◆ How can coaching create value for our organisation?
- ◆ How will it help us to address our performance gaps and leaders' expectations?
- ◆ How will it help with the strategic challenges we are now facing?
- ◆ What tangible and intangible benefits will it bring? (Consider using research here)
- ◆ What will our leaders do differently as a result of this coaching programme?
- ◆ What will their teams do differently?

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<sup>9</sup> Anderson, M.C., Frankovelgia, C. & Hernez-Broome, G. (2008). *Creating coaching cultures: What business leaders expect and strategies to get there*. Center for Creative Leadership.

<sup>10</sup> McKeon, A. (2008). *International literature review of good practice in coaching prepared for the ICBE community of practice*. Co. Clare: Profiles at Work.

- ◆ What are the potential risks and barriers to rolling out a coaching programme? (**note:** In the above CCL survey 56% thought time is not allotted to learn, deliver or receive coaching and 47% said senior leaders do not 'walk the talk' resulting in some skepticism)

During this phase it is important to build relationships with key influencers who support coaching as well as considering how HR, leaders and coaches can partner to create a sustainable and strategic coaching plan. It is also important at this phase to dispel any misconceptions about coaching so all stakeholders clearly understand what coaching can offer.

### **Phase 3 – Provide objectives and a high level description of the proposed coaching programme.**

Consider why you are proposing a coaching programme and what objectives it will deliver. For example, is it to help the organisation through change where it is important to refocus leaders' skills, or is it growth-orientated where the focus is more on learning new skills and knowledge? In many cases it will be a combination of the two.

Prepare a high level description of the programme in no more than 500 words and state what it will and won't include to avoid 'scope creep'. It is also useful at this stage to show which strategic drivers it will help to deliver. If, for example, a strategic driver is to grow the number of employees by 20%, think about how coaching can help with recruitment, motivation and retention of employees. Finally, describe the framework and level of structure you propose to provide to support and enable the coaching relationships.

***“The most significant challenge for organisations is that of determining the appropriate level of structure and support to enable coaching relationships to be as effective as possible in the organisational context.”*** Knights & Poppleton (2008)<sup>11</sup>

The level of structure will vary depending on your organisational culture; for some a highly centralised structure works whereas other organisations prefer coaching programmes which are more organic and decentralised. Your business case should specify your approach with reasons why.

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<sup>11</sup> Knights, A. & Poppleton, A. (2008). *Developing coaching capability in organisations*. London: Chartered Institute of Personnel & Development.

#### Phase 4 – Specify the coach selection process.

The relationship between the coaching clients and their coaches is of paramount importance and the selection process is key to ensuring they have the right 'chemistry' and outcomes.

A major decision for HR involves deciding whether to use internal or external coaches, or a mix of both; there are pros and cons for each option. When presenting your business case provide information on the following:

##### Internal coaches

- ◆ The process for recruiting them
- ◆ The training they will undertake before they are deemed to be an internally accredited coach
- ◆ The time they will need to commit to the programme
- ◆ The support they will receive from your organisation to help them carry out their coaching role
- ◆ How they will be recognised or acknowledged for their contribution
- ◆ How their performance as a coach will be reviewed
- ◆ The levels in the leadership pipeline that they will coach (**note:** Senior leaders often prefer to use external coaches)
- ◆ Standards and competencies you expect the internal coaches to work to

##### External coaches

- ◆ How they fit with your organisation's culture and industry sector
- ◆ Evidence of their track record i.e. number of coaching hours, references etc.
- ◆ Their structured coaching approach
- ◆ Their qualifications, including adherence to professional standards and evidence of coaching supervision (**note:** International coaching bodies such as the International Coach Federation (ICF) and the European Mentoring and Coaching Council (EMCC) have core competencies for practicing coaches which are tested periodically. In addition, a CIPD survey<sup>4</sup> found that about a third of organisations procuring coaching services insist on their coaches being certified by a licensed professional body)
- ◆ The tools, models and techniques they use, including any accredited psychometric tests
- ◆ Professional indemnity insurance

Choosing to use internal or external coaches is a topic of debate in the coaching world and needs to be carefully considered in terms of the coaching relationship, potential conflicts of interest as well as from a financial perspective.

Coaches, whether internal or external, should be selected with care and the process of how this will be done should be clearly documented in the business case.

**Phase 5 - Outline the communication process so coaching is seen as a positive, developmental tool.**

How the coaching programme is communicated in your organisation will have a major influence on how well it is received. Many people do not understand the purpose of coaching and may well see it as a correctional, rather than developmental, tool. If this is seen to be the case then those chosen or volunteering for the programme will perceive a stigma attached and will not want to take part.

The successful outcome of a coaching relationship is very dependent on the willingness of the coaching client to take part and work openly with their coach and this will not happen if they see it as a negative experience. Your business case should provide a timeline of key messages to be communicated to the organisation as a whole, to coaching sponsors, to coaching clients and to coaches in terms of the purpose and expected outcomes of coaching. Visibility and clarity about the selection process of who gets offered coaching is also important.

The role of the coaching client's line manager is another aspect that needs to be considered as they can offer key support and can form part of the contracting stage at the beginning of the coaching relationship. They are also critical for assessing what benefits the coaching is delivering in terms of organisational objectives and performance improvement. Clearly communicating what role they play in the process and what information will be available to them will avoid any misunderstandings later.

### **Phases 6 - Prepare a plan of how the coaching will be rolled out.**

Outline the implementation of the coaching programme by detailing in your business case:

- ◆ When coaches will be selected, inducted and if applicable, trained
- ◆ When potential coaching clients will be selected and invited to take part – this may need to be done in stages
- ◆ How and when clients and coaches will be matched
- ◆ How the meetings will work i.e. duration, frequency, confidentiality etc.

At this stage it is a good idea to involve key people who can support the coaching programme within the organisation. You may also want to consider having a pilot group first to iron out any inconsistencies or potential problems.

### **Phase 7 - State how the success of the programme will be monitored and evaluated.**

Some of the data collected during phase one can be used to help monitor and evaluate the impact of the coaching programme. For example, is more coaching taking place since the programme has been introduced? Have the leaders' expectations of coaching been met? Has the coaching contributed to the performance gaps and business needs; if so, to what extent?

Some organisations use 360 degree feedback to evaluate changes in behaviour as a result of coaching or staff surveys. It is important to put forward your ideas for evaluating the return on investment in your business case. You may want to consider a number of the following options:

**Surveys** – before and after the coaching programme, such as employee surveys and organisational climate surveys.

**Quantitative measures of performance** such as revenue, profitability, retention, absence, sickness, and number of promotions.

**Qualitative measures** such as exit interviews, feedback from coaching clients, coaches and line managers, performance appraisals and senior management perceptions.

**Performance against objectives** - how well has the programme met its objectives outlined in phase three; fully, partially or not at all?

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## In conclusion

Coaching is just one of a range of development interventions and can be particularly powerful when aligned to other developmental processes such as a management development programme.

Because coaching is very person-centered, a challenge for HR professionals can be putting forward a robust business case to persuade strategic investment in the process. This paper has covered some key areas to consider, helping you put together a convincing argument for such an investment.

## About Learning Consultancy Partnership LLP

Learning Consultancy Partnership (LCP) is a UK firm specialising in leadership development and executive coaching. To find other white papers and research please visit us at [www.lcp.org.uk](http://www.lcp.org.uk) or you can call us on +44 (0)1273 707404

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