Measuring the Success of Coaching and Mentoring

TALENT DEVELOPMENT

HCI White Paper

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HUMAN CAPITAL INSTITUTE

MENTTIUM®

EXECUTIVE SUMMARY

The role of mentoring and coaching initiatives to fix talent management problems gained popularity beginning in the early 1990s. For most organizations, both approaches were originally "one-offs" established to deal with specific problems as they arose. Coaching programs were normally created to improve job performance. Mentoring, in contrast, was often used as a tool to increase diversity in the management and leadership of an organization - for example, mentoring high potential women as a way to help them "break through the glass ceiling," explains Merrill Anderson, CEO of MetrixGlobal LLC.

There are considerable differences in how coaching and mentoring is defined by various organizations. Anderson prefers to define coaching as, "Translation of insight into meaningful action in order to realize potential." "Sharing experiences and information to enable greater professional success," is how he defines mentoring. While coaching and mentoring are distinct programs, there is considerable overlap in the way organizations use them. The reality, as Anderson stresses, is that, "The best coaches mentor and the best mentors coach."

In a May 18, 2007 webcast conducted through the Human Capital Institute, Anderson discussed how to measure the success of an organization's coaching or mentoring initiatives. In particular, he discussed the differences between measuring tangibles, such as costs and revenues, and intangibles like improved teamwork and communication. Most importantly, he discussed how to link measures of the program's success to business strategy and values. This is key, both as a way to show how the program is helping the organization move forward, and as a way of developing a case for financial and logistic support of the program within the organization.

Anderson's presentation began with an introduction to the logic behind aligning coaching and mentoring outcomes to business strategy. He then moved to a case study showing how to demonstrate the intangible and tangible impact of coaching and mentoring. This paper focuses on how to measure the value of a coaching or mentoring program, in order to show if, and by how much, they are helping organizations increase business values.

THE LOGIC OF MEASURING COACHING AND MENTORING SUCCESS

The practices of coaching and mentoring started as ways to solve specific talent management problems. However, over time they have evolved to the point where they are now viewed as two potential strategic initiatives that organizations use to increase business value. For people involved in human capital management, it is no longer enough to be an expert in the traditional HR functions. They must also become experts in the business goals and strategies of the organization. Leslie Rapp, Program Vice President, MENTTIUM Corporation believes that far too many people involved with coaching and mentoring programs "are mistaken about not realizing the importance of articulating [the programs'] business goals and drivers and linking the programs with the ROI upfront." And, as with other business initiatives, developing this link between coaching and mentoring programs and business goals and ROI means that it is necessary to measure the programs' success.

The importance of measuring the link between coaching and mentoring and value is complicated by the fact that, "Delivering value is not sufficient; we must be perceived as delivering value," explains Anderson. What this means is that coaching and mentoring must not only help achieve business goals, they must do so in a way that will meet senior leader expectations. The all too common problem is that these senior leaders tend to judge the success of a program either by gut feel or through a bottom line, "show me the money" attitude. The first approach makes it difficult for program not commonly perceived as linked to business values, such as coaching and mentoring, to be appreciated. The second approach means that the success of these programs must be shown to positively affect the financial bottom line - difficult when many of the most important values of coaching and mentoring are intangible factors, such as improvement in communication and teamwork. The result is that it is critical to be able to measure the tangible values (increased revenues, decreased costs) when they are available - for the purpose of determining the monetary value of coaching and mentoring programs.

According to Anderson, there is a logic behind determining the monetary value of these programs that is developed by asking and answering four questions:

1. What intangible and tangible business outcomes were expected?
2. How did participants apply what they gained from the initiative to impact these outcomes?
3. What impact did these actions have?
4. How can this impact be translated into monetary value?

Items 1 - 3 can be assessed through surveys of those who developed, ran, and participated in the programs. However, item 4 is different. "Translating tangible value into monetary terms is like language translation," Anderson explains. While the first three items involves more traditional HR thinking, translating results into monetary values requires people to put on their "business hats" to go along with their talent management knowledge, stresses Anderson. Figure 1 shows the key elements to building a logic to demonstrate business value. The program's outcome may be seen as changes in output, such as increased manufactured units or sales. The outcome can also be improved quality of products or services, or a reduction in cost or time to produce those products or services. All of this outcome data can be converted into quantifiable measures - number of units, revenue, or percent change in the number of hours required to produce a given amount of work. The final step is to convert these measures into one of two types of benefits: cash or capacity. Cash, as measured on an organization's income statement, and capacity (changes in productivity) are both important. However, "capacity normally shows up on a balance sheet as an intangible and not on the cash flow statement," according to Anderson.

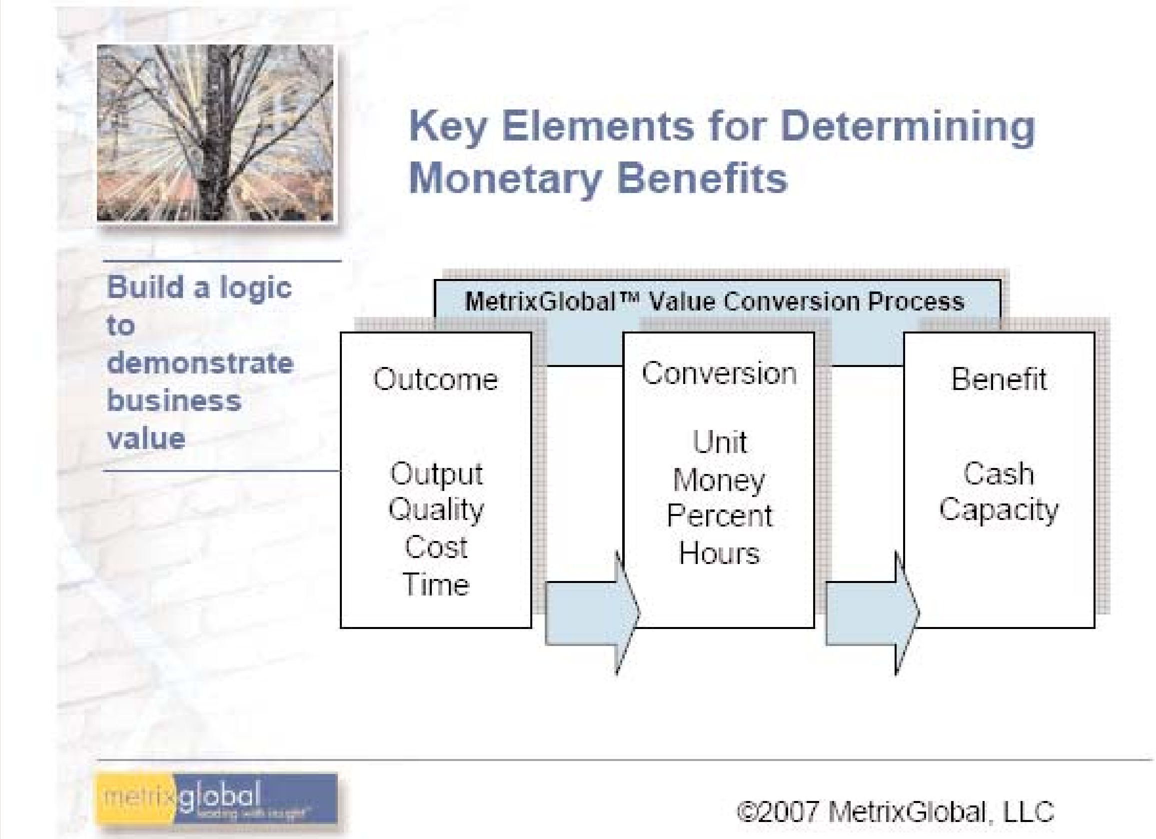
And, according to an interactive poll conducted during the May 18, 2007 webcast, most organizations have a long way to go to effectively measure the business value of coaching or mentoring programs. Participants were asked, "How effective is your organization in evaluating the business impact of coaching?" Sixty-six percent of respondents answered "not effective," 32% said "moderately effective," and 0% replied "very effective." Mentoring programs did not fare any better - 81% of respondents believe that their organization was "not effective" when it came to evaluating the business impact of coaching?" Sixty-six percent of respondents answered "not effective," 32% said "moderately effective," and 0% replied "very effective." Mentoring programs did not fare any better - 81% of respondents believe that their organization was "not effective" when it came to evaluating the business impact of mentoring. The results show that most of those involved in coaching or mentoring programs "are just not talking the language of business," stresses Anderson. Clearly, there is much work to be done!

CASE STUDY: THE ROI FOR A LEADERSHIP COACHING INITIATIVE

In the second part of the HCI webcast, Anderson presented a case study of how one organization in the UK, Coaching in Partnership, LTD, went about measuring the effectiveness of their leadership coaching initiative in increasing the organization's ROI. Coaching in Partnership is an example of "An organization that has made significant strides in closing the gap [in linking coaching and mentoring to business values] and communicating the success to business leaders," explains Anderson. Their comprehensive program included both coaching and mentoring of high potential managers with the goal of increasing their performance to a point where they could be effectively deployed as part of the company's growth. "Effectively" means increasing the ROI - the ultimate measure of coaching and mentoring program success.

Anderson's company, MetrixGlobal, worked with Coaching in Partnership to measure the success of the initial pilot program that, if successful, would be expanded to other parts of the company. The outcome expectations for the programs were that

Figure 1



managers' abilities to coach, communicate, collaborate, and lead higher performing teams would be improved. To assess the program, participants (both coach/mentor and those being coached or mentored) were surveyed to find out:

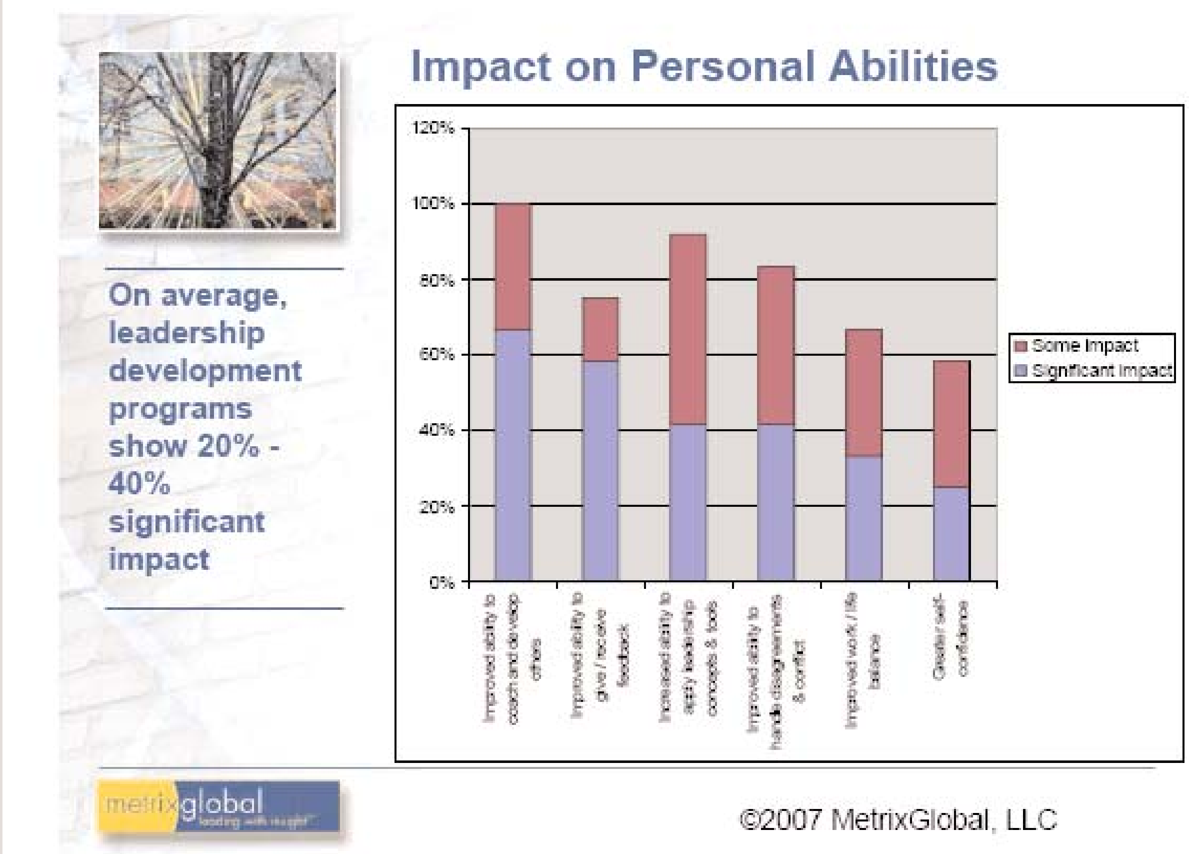
1. How they applied what they learned?
2. How they documented tangible and intangible values?

Survey participants (those who were coached/mentored in the program) responded with many examples showing how they applied the learning to their performance. According to Anderson, "everyone in the study was able to make significant changes in their behavior and see significant changes in others." One participant summed up the view of many by stating, "I use coaching with each of my direct reports, treating each one differently based on their needs, getting increased commitment and engagement." More generally, the surveys showed:

- Teams are more engaged and bring more enthusiasm to their roles.
- Increased ability to influence and solve problems.
- Increased focus on priorities and aligning people to these priorities.

Figure 2 shows the results of MetrixGlobal's survey of participants on their views of how the program impacted various intangible measures of performance. Participants was asked, after completing the program and having time to apply what they learned to their work, if the factors at the bottom of the graph had "no impact," "some impact," or "significant impact." The largest gain was in "improved ability to coach and develop others," in which approximately 65% of participants thought that there had been "significant impact" on their abili-

Figure 2



ties and 100% thought that there had been some impact. In the "improved work/life balance" response, the survey found that many participants transferred what they learned about working within a group to their family life - to the benefit of the participant and the family! Anderson also explains that the low impact of the program on "greater self-confidence" is misleading - most participants started the program with high self-confidence, a finding that Anderson says, "was a remarkable finding by itself."

Other critical intangibles that were measured included the impact of the program on communication, collaboration, and teamwork (see Figures 3 & 4). Improved decision-making, collaboration with peers, and relationship (i.e., working) with others showed the largest gain among those believing that the program had created some impact - with 100% of participants believing that the program had impacted them to some degree. Also, more participants believed that there had been significant impact on performance management (nearly 60%) than for any of the other factors. The survey included many written comments that elaborate upon the results - including observations by participants that the effectiveness of their performance increased because the coaching helped them fine focus on important details, set proper priorities, and better align their performance with the organization's business strategy.

The results in Figure 5 involve the intangible impacts of the program that are often the most important results of any coaching or mentoring program - but are also usually difficult, if not impossible, to convert into monetary value. Figure 5 shows that there were also important tangible impacts of the programs - impacts that are more easily quantifiable in an organization's financial

Figure 3

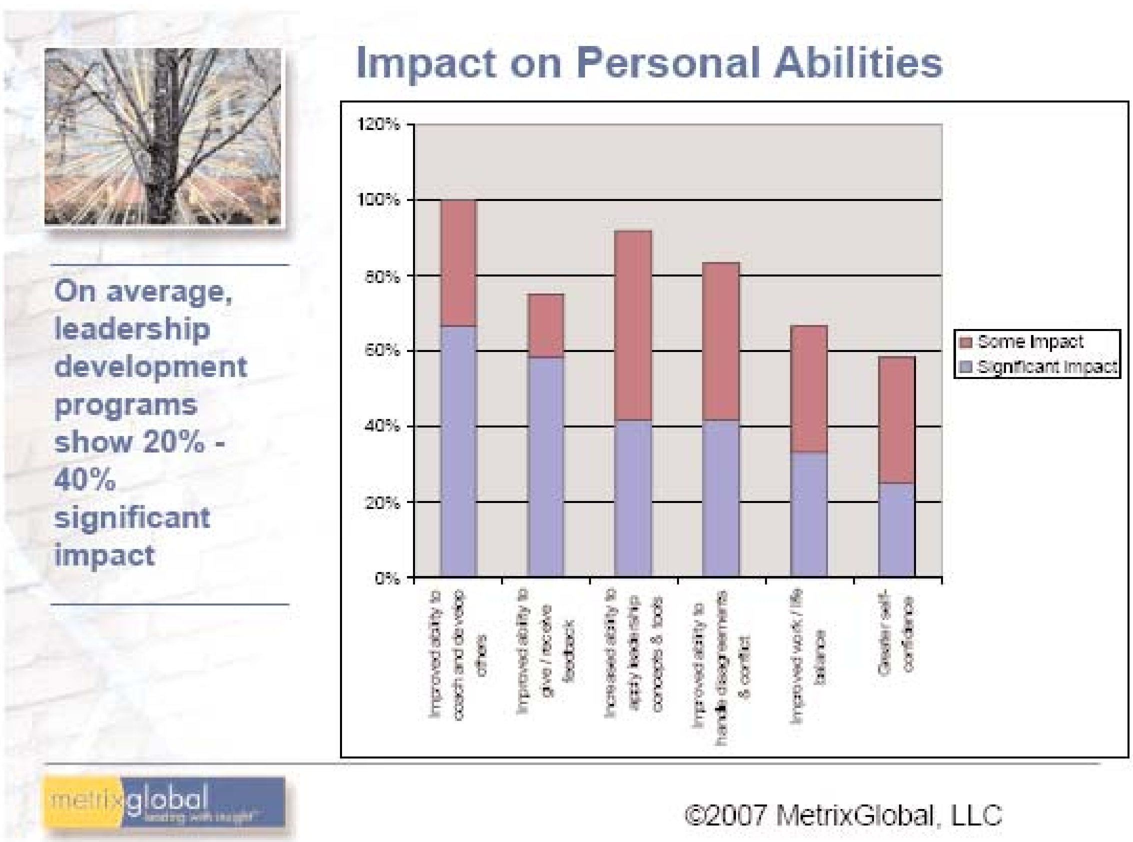


Figure 4

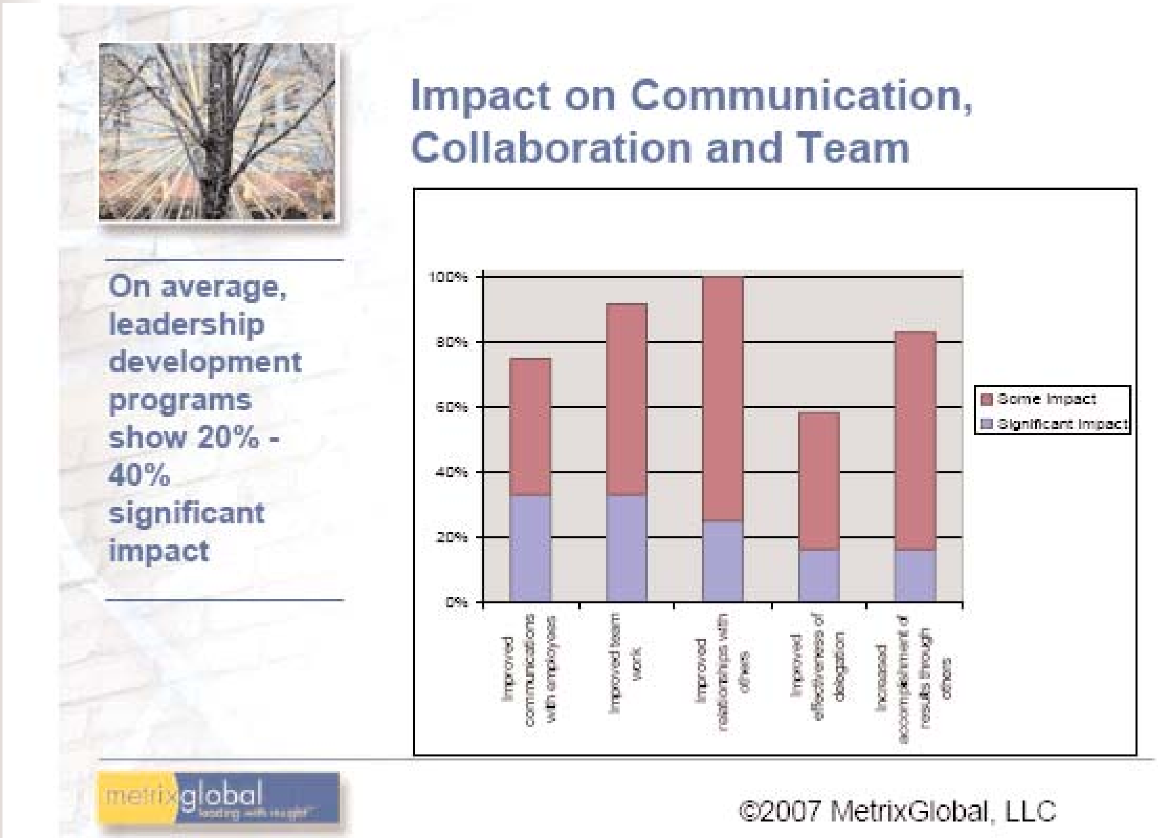
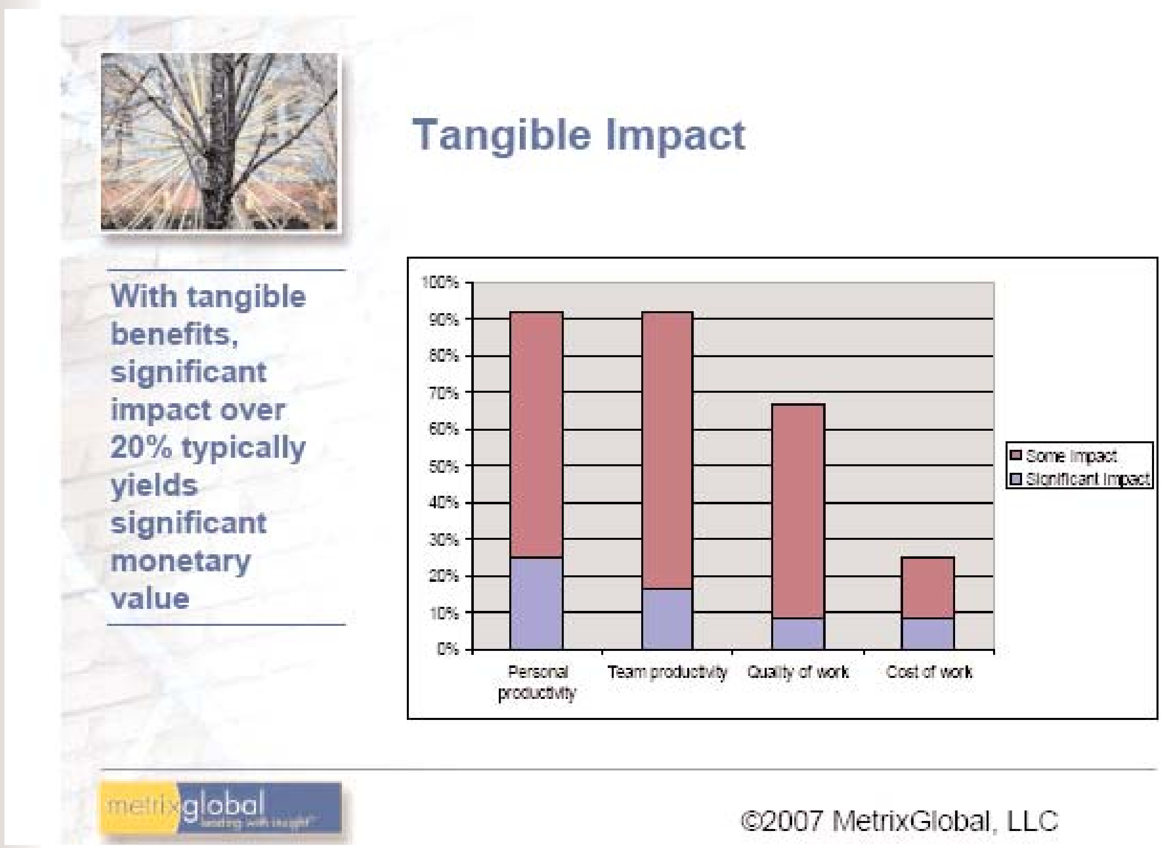


Figure 5



bottom line. "A significant impact of approximately 20% is correlated to financial value," explains Anderson. Given that, the greater than 20% response of "significant impact" on personal productivity shows a link between productivity and business value. However, how much of this increase is directly related to the coaching program and how can this be converted into a monetary value?

Productivity can increase for many reasons unrelated to coaching or mentoring programs. The key to showing the business value of the program is to isolate its effects from those of other programs or factors that can also increase productivity. To do this, MetrixGlobal asked those participants who believed that the program had a significant impact on their personal productivity (see Figure 5) additional questions to convert the impact to monetary benefits. As Anderson explains, this "evaluation methodology provides a platform for people to tell their stories." These stories provide the numbers necessary to evaluate the program. Isolating the effects of coaching was accomplished by asking the participants to:

- Estimate the contribution of coaching, on a percentage basis, to produce the benefits, and
- Estimate their degree of confidence, also on a percentage basis.

These percentages were then multiplied by the easily measurable monetary benefits of the program (the increased revenue resulting from increased productivity) to produce the final qualified monetary benefits that were gained solely from this program. For example, one participant noted that he was able to effectively use coaching techniques to increase his personal productivity as a manager by building more rapport and increasing the commitment of his team members. He quantified this by estimating that his eight supervisees gained, on average, six hours of work time per week, that 75% of this gain was directly due to coaching, and that he was 50% confident in the estimate, or:

6 hours of time gained X
48 work weeks per year X
30 pounds per hour (average pay for supervisees) X
8 supervisees X
75% X 50%
= 26,000 pounds in monetary benefit gained in one year from the coaching of this one supervisor.

Once all the benefits that are directly due to the program are calculated and added together, shown above, the ROI of the entire program can be determined. In this case, there were 192,848 pounds in total benefits derived from a pilot program that cost 77,000 pounds to implement - with ROI = [(192,848 - 77,000)/77,000] X 100 = 150%. This ROI is for the first year only. The productivity benefits are likely to be sustained for multiple years as the coached individuals continue to apply what they learned. However, most, of the cost of the program will be realized in the first year (when the individual was actually coached) - resulting in a dramatic increase in ROI for the second year and beyond. ROI for the Coaching in Partnership study was based only on the subjective opinions of the participants. However, as Anderson explains, organizations can also validate these results through the use of objective business data.

The ability to document such a high ROI is important for, as Anderson stresses, every business has a "hurdle rate" for making investments. For most organizations, the hurdle rate to invest in new HR programs is higher than with other aspects of busi-

business - because it often harder to convince business leaders of the business value of human capital management initiatives. Therefore, to make the business case for implementing a coaching or mentoring program, it is critical to be able to show the extremely high ROI that can result. By being able to calculate the monetary value and ROI of a coaching or mentoring program, HR can then "speak the language of business," to the organizations' leaders. This includes being able to set an overall business objective for the program that the business leaders will understand. For example, instead of simply saying that productivity will go up, you can show how the program will increase revenue from markets that are underutilized by giving regional sales managers the skills needed to increase revenue. Speaking the language of business also means being able to quantify the costs of not investing in coaching or mentoring - costs in lower revenues, as well as increased attrition rates. Gaining the support of managers and leaders for a coaching or mentoring program will have a positive feedback effect - when programs have the active support of senior leaders, they tend to be more successful and more successful programs are more likely to gain even more support of leaders and managers!

Finally, as Anderson explains, it is important to remember that coaching and mentoring are just two parts of the overall talent management strategy. This overall strategy must cope with dramatic shifts in workforce demographics and business strategy. This includes the global growth of many organizations that is coupled with an increased need for talented leaders. Coaching and mentoring are important processes to deal with this by increasing the number of ready-now talent within an organization - people ready for promotion or assignment to key positions. However, to successfully carry out the strategic goals of talent management, HR must begin to think like investors. They need to consider how the money put into coaching and mentoring initiatives will show up as a positive ROI on the organization's income statement.

CONCLUSION

There is considerable overlap between coaching and mentoring programs but, as Betty Flasch, Global HR Professional, Flasch Consulting explains, "business leaders don't care about the differences if there is a program that shows value." This paper outlines the logic behind determining the monetary value and, ultimately, the ROI for coaching and mentoring programs. While the intangibles benefits of such programs are often the most important results, it is often not possible to effectively put these into financial terms. However, by translating the tangible benefits achieved through the program into monetary value and improved ROI, proponents will be able to make the business case to leadership on the value that the program will create for the organization.

Merrill Anderson exemplified this approach through a case study of a pilot program in the UK. While most of the benefits obtained through this program were intangibles, simply converting one significant tangible benefit (personal productivity) into monetary value showed the that ROI of the program, in its first year, was 150%. This is the type of quantifiable result that will allow HR to speak "in the language of business" and increase their ability to be involved in their organization's business strategy.

For those interested in exploring the topic of how to measure the value of coaching and mentoring ini-

Figure 6

tiatives in more depth, see Figure 6, which list resources recommended by Merrill Anderson.

Based on the Human Capital Institute webcast, Measuring the Success of Coaching and Mentoring, May 18, 2007

PRESENTER AND PANELISTS

Merrill Anderson
CEO of MetrixGlobal LLC, Linkage Faculty Member
MetrixGlobal LLC

Dr. Anderson is a business consulting executive, author, and educator with 20 years experience improving the performance of people and organizations. Dr. Anderson is the chief executive officer of MetrixGlobal LLC, a professional services firm that partners with business leaders to maximize the value of people and change initiatives. Dr. Anderson's recent book, Bottom-Line Organization development, breaks new ground in applying powerful evaluation methodology to increase bottom-line value from strategic change initiatives. He was recently recognized as the 2003 ASTD ROI Practitioner of the Year.

Betty Flasch
Global HR Professional
Flasch Consulting

Betty Flasch is an experienced global Human Resources professional with more than 14 years of international experience in both corporate and business education organizations. She is skilled in executive training and career development; succession planning; recruitment and retention; compensation; global employee communications; expatriation and multi-cultural team-building and project management. Prior to returning to the United States, Betty held senior positions at INSEAD (with campuses in France and Singapore) that included Director, Global Management and Career Development and Director, Global Human Resources. She also served on the Executive Committee at INSEAD. Before joining INSEAD, Betty held the position of Human Resources Manager (International) at Van Leer Packaging, a Dutch multi-national, based in the Netherlands. Her diverse career also includes consulting and teaching positions in the US and Spain. Betty has a Master's degree in Human Resources and Industrial Relations from Loyola University, in addition to graduate degrees from both Middlebury College and the University of Illinois (Urbana). She has presented at professional meetings in the US, UK and France, and most recently, in Istanbul and Athens, on such topics as 'reward strategies' and 'developing international leaders'. Betty speaks Spanish and French and has extensive knowledge of countries, cultures and global business methods, having lived and worked abroad for more than 20 years.

Leslie Rapp
Program Vice President
MENTTIUM Corp.
Since joining MENTTIUM Corporation in 2001, Leslie has helped to direct the flagship cross-company mentoring program MENTTIUM 100®. She currently oversees the business education and program components for MENTTIUM 100 programs worldwide, and leads the facilitation team for mentor and mentee orientations and training sessions. Leslie is a member of MENTTIUM's Senior Leadership Team and has been a guest speaker at local and national conferences, corporate groups and universities including: Deloitte, Carlson School of Management, the University of Nebraska's Cather Circle mentoring conference, and Healthcare Businesswomen's Association. Prior to joining MENTTIUM, Leslie was a senior coach for Change Masters, Inc., a prominent Twin Cities consulting firm specializing in leadership training and communication coaching, where she helped hundreds of leaders in Fortune 100 and 500 companies assess their communication styles and develop strategies to become more effective communicators - both in business and in life. She has frequently been a guest coach at communication workshops sponsored by Health Partners and Health Systems of Minnesota designed to help physicians gain awareness and develop skills in their communication styles with patients and family members. Leslie is a former consultant for Ridge Associates, a New York-based training company dedicated to improving ways in which people communicate and collaborate at work. Leslie currently mentors in the Carlson Undergraduate Mentorship Program.

MODERATOR

Joy Kosta
As Director of Talent Development and Leadership Communities at The Human Capital Institute, Joy brings twenty-five years of experience in multiple facets of organizational development, human resources and business management with an emphasis in customer satisfaction, service quality, process improvement, and applying the Malcolm Baldrige Criteria for Performance Excellence. As founder and President of Performance Partners in Health Care, a company dedicated to building better patient experiences, she has authored several curriculums in leadership and staff development, and co-authored with Harold Bursztajn, MD Senior

Clinical Faculty member, Harvard Medical School, *Building a Treatment Alliance with Patients and Families*.

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The global leader in today's corporate mentoring models, MENTTIUM Corporation offers comprehensive internal, virtual and cross-company mentoring programs that support the importance of human capital - the most powerful component of building a competitive company in today's marketplace. MENTTIUM works closely with organizations to design and implement mentoring solutions that attract, develop and retain top talent. MENTTIUM's strategic approach delivers powerful mentoring experiences that are linked to business objectives and targeted to positively impact the performance of individual employees and the long-term viability of organizations. To learn more about MENTTIUM's products and services, please visit www.mentium.com.

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The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.

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