

# Catalyst

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## Maximizing the ROI of Leadership Coaching

*Studies conducted by this month's invited author have shown astronomically high – yet well documented – returns on investment (ROIs) for leadership coaching. In this article, Catalyst challenged Dr. Anderson to go beyond tactical and strategic value to an assessment of visionary impact. Here are his thoughts:*

Coaching has proven itself to be a highly effective leadership development tool. Companies are increasingly investing in coaching to develop their leaders. With increased investment comes higher expectations for coaching to deliver value – to the organization as well as to individuals being coached. Business leaders are now (or should be) asking: *What is our ROI, how does coaching create business value, and what type of business value is created?*

Five studies of over 200 participants conducted since 2001 with Fortune 500 companies clearly demonstrated that leadership coaching consistently delivered value – ROIs of over 500% using conservative estimates. Study participants spoke of translating insights from coaching into actions in their organizations, thereby creating monetary gains – typically increased productivity and net revenue, and improved quality.

We documented monetary gains ranging from personal productivity (~\$4k / study participant), to reduced costs of operations (~\$25k / participant) to stronger market leadership

(over \$100k / participant).

The studies revealed a link between quality and depth in the coaching relationship and the resulting business value created. The deeper the coaching relationship, the greater the value.

The most effective coaching relationships we studied evolved to address deeper and more complex issues. They moved from a focus on tactical issues – the cited increase in productivity – to strategic issues such as reducing operating costs by restructuring a department.

*Companies can realize ROIs of over 500% with effective coaching ... and that's just the beginning*

mental restructuring required greater support from the coaching relationship – and, the returns were higher.

As the coaching relationship evolves and deepens, the value created from the relationship for both leader and organization increases. The value shifts from tactical (e.g. productivity) to strategic (e.g. major cost reductions from restructurings), through to the visionary (stronger market leadership). As leaders transform themselves, they create greater strategic and ultimately visionary value for the organization.

Our goal in presenting ROI data is two-fold. First, we *show them the money*, making it clear that coaching

pays for itself. With this acceptance, we then move on to the bigger question of how to increase the value of coaching to the business, and exploring the type of value being created.

Our studies have highlighted at least three levers which maximize the value of coaching:

1) Translate the expectations of coaching sponsors into coaching objectives, e.g. *Increase our pool of promotable leaders by 10%.*

2) Identify expected outcomes and business impact – without dictating the means – to provide a focus for the coaching interactions while still recognizing individual development needs, talents, interests, etc.

3) Manage coaching as strategic and visionary initiatives rather than a collection of disjointed coaching interactions, tracking and evaluating how well coaching has met stated expectations for outcomes.

Our studies show that as leaders explore, articulate, and align their deeply-held values then align those values to actions, they transform themselves as leaders, moving from tactical to strategic to visionary. Coaches – both external and autonomous internal coaches – are uniquely positioned to help clients align their values with their actions. In so doing they enrich the coaching relationship and unlock tremendous returns for clients, organizations, and ultimately, the world. – Merrill C. Anderson, Ph.D.

CEO, MetrixGlobal, LLC

### ARE YOU UP FOR IT?

If you and your company are committed to having an impact in the world, and can use the services of a block-busting coach, consultant, or team facilitator to help you stay on target amid myriad demands, contact Dancing Star International, US landline: +1 617 275-5706; UK cell: +44 798 521-4520; e-mail: [info@DancingStar.com](mailto:info@DancingStar.com), or find us on the web at [www.DancingStar.com](http://www.DancingStar.com).

*Our attachment to what we think we know is our greatest vulnerability, for it can blind us to what we have not yet seen.*

– Hannah S. Wilder



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One must embrace the chaos within to give birth  
to a dancing star – adapted from Nietzsche

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### **RESOURCES**

– Anderson, M.C. **Bottom-Line  
Organization Development:** Elsevier  
Butterworth - Heinemann, 2003  
– Anderson, D.L. and Anderson,  
M.C. **Coaching that Counts:** Elsevier  
Butterworth - Heinemann, 2005

*Dr. Anderson is a Charter Partner  
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their teams navigate change and  
transition, while delivering to the  
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## *Deb's Corner*



What is the return on investment of coaching? For me, the best return has been clarifying *how much of my potential am I using?*

then increasing the percentage.

Yes, research shows that coaching pays off financially. And, the ROI I'm more interested in is the chance for my clients and me to increase our understanding of ourselves as leaders. To me, this is where the potential for highest return lies.

When I spoke with Dr. Anderson about this, he commented *There's a big gap these days between the stated values of many leaders and how they behave. If we could align those values and behaviors, think how much different – and better – the world would be.* This is my kind of coaching! And, it's easier said than done, as not everyone is courageous enough for this type of work.

When's the last time you found yourself saying or intending one thing and doing something quite opposite? How easy was it to own the discrepancies? We all get into bad habits that we can see, when we stop to look, are negatively impacting ourselves and others. Yet day-to-day busy-ness and demands on our time make it easy to ignore the disconnects and move on to the next thing calling for our attention. Coaching can bring our focus back.

The experiences of two of my clients highlights my point. Both

women were part of the same highly dysfunctional organization. Their own issues had kept them locked into going-nowhere roles, the reason they sought out coaching. They found that they needed to stop accepting unacceptable behavior, and set their sights on more productive work in a more nurturing environment. Both moved on into high-profile roles – one in government, one with a global Fortune 100 company.

Each is now being challenged again with a dysfunctional system. However, this time they are in a position to do something about it, because they've increased their personal power. They both have more clarity as well as support to implement the hard decisions they need to make. Both are also positively impacting the lives of the other employees who were being affected by the dysfunction, because they are saying *I want this to stop*, and making it happen.

Important as numbers are, any ROI formula that stops there is missing a key measure of value. Yes, the increase in pay they both got was nice, and a tangible return on the investments they made (out of their own pockets) in coaching. But both agree that the more rewarding return is increased autonomy, plus the scope of the impact they are now having, and the ability to implement visions they could previously only nurture in private. Now they are being paid to implement those visions. Not a bad ROI, in our book!

### **ANNOUNCING THE GIFTED LEADERSHIP INSTITUTE**

Many of you have heard me speak about giftedness, and the impact it can have on adults who see the world differently, process information differently, and too often don't understand this to be a strength. Because they are also often misunderstood, giftedness can be the source of disconnects with others, both personally and in business. Nonetheless their gifts are sorely needed in the world.

Dr. Mary-Elaine Jacobsen wrote the first comprehensive book on the subject – **The Gifted Adult** – which has been provocative and revealing for me and a large number of clients and colleagues. I am pleased to announce that, this past January, Dr. Jacobsen, my UK colleague Karen Ward, and I pooled our talents and experience to form the Gifted Leadership Institute, dedicated to helping international organizations attract, develop, and retain their best and brightest.

We will be offering keynote talks, teleclasses, workshops, and bespoke consulting services to senior-level leaders and teams (as well as to individuals) in business, government, and not-for-profit organizations, to help them better understand, work with, tap the resources of, and motivate their most talented employees, peers, and bosses. If you would like to find out more about how we can help your organization, please drop us a line at [info@giftedleadership.com](mailto:info@giftedleadership.com).