



# A Feedback Loop

*What gets measured gets done:  
How 360-degree reviews provide objective data.*

by **Stephen Xavier**

*President/CEO, Cornerstone Executive Development Group, Inc.*

Corporate leaders may view executive coaching as a valuable tool for improving behavior and performance, but much of that perception is based on anecdotal evidence, not quantitative data. Nevertheless, like any investment, executive coaching must stand on its own in terms of proving its worth to a company. Although to date no one has taken ownership over identifying the best metrics for measuring coaching's ROI, sound methods are emerging to support its significant payback to users.

## **Strong, Subjective Measures**

Although subjective measures provide the initial data, companies need to support coaching's ROI as a valuable tool for executive development. One of the most commonly used methods for gathering more objective data is the 360-degree feedback process. Here, a survey solicits feedback in the form of ratings from the coachee's (person to be coached) supervisor, colleagues, direct reports, suppliers and customers on a range of skills/behaviors. Ratings also come in the form of anecdotal comments to support scores that relate to competencies.

Ideally the process makes the most of an executive's development opportunity by sharing honest perceptions in a sensitive manner. As such, one of the chief goals of a 360-degree feedback process is to make certain the feedback provided is limited to key stakeholders and those with frequent contact with the coaching candidate. Also, it's important for the coach to understand that giving behavioral and performance feedback in a meaningful way isn't a skill that most people come by naturally. Instructions are necessary to allow feedback providers a way of knowing how to offer balanced, constructive comments. Taking this time to inform respondents in advance solicits more decisive and useful feedback.

When it comes to gathering useful, practical feedback, a coach seeks an accurate snapshot of an executive's professional behavior; usually it's not too negative

an outlook, nor too positive. Expectantly, it will reveal which behaviors are respected and which the executive could benefit from changing.

To avoid any abuse of the process from those supplying the feedback, it's recommended that 360-feedback sessions be closely monitored so respondents trust that their anonymity and confidentiality will be safeguarded.

## **Measuring Coaching's ROI with Purpose**

As is a good idea with any desired change, preliminary targets should be set for each development area highlighted in the 360-report. Develop a plan to assist the coaching clients in creating a series of mile-markers to chart their progress and create opportunities for "quick wins" along the way. By targeting accomplishments to meet at different intervals, executives learn the best and most effective way to aim and succeed. Without targets, coaching engagements are apt to play out with far too much ambiguity, leaving clients with little to build on and, subsequently, no growth to show for their efforts.

Erin Kappenberg, a Doctoral Candidate at Claremont Graduate University in Claremont, California, is focusing her dissertation on executive coaching and related ROI measures. Kappenberg's research has led her to believe not only in the necessity of such measurements, but also in their value on many levels. "It can really help a coach demon-

**"In my research not too many executives have gone after ROI because... coaching engagements target soft skills development more than any other area."**

strate the bottom line results of an engagement," says Kappenberg. Nevertheless, she is all too aware that hard

skills development is hard to measure. “In my research not too many executives have gone after ROI because, conceptually, coaching engagements target soft skills development more than any other area.”

### The Best Hard Measure Around

Even though the majority of firms are content with the validity of the data retrieved during a 360-feedback process, the data still remains at least somewhat subjective. If the decision to continue investing in coaching as a developmental tool is based on empirical research, one resource to explore is Phillips Center for Research (a division of Franklin Covey) based in Birmingham, Alabama. Phillips recently announced the establishment of the ROI Institute Research and Training Center. It is dedicated to providing workshops, publications and consulting services on the ROI Methodology to support the ROI efforts of professionals and organizations around the world. Founders and owners Jack J. Phillips, Ph.D., Patti P. Phillips, Ph.D., and senior partner Ron Drew Stone are some of the leading experts in return on investment (ROI) evaluation for training, HR, technology and quality.

Jack Phillips devised a formula that measures ROI to training and, to date, it's considered the best formula available. Although it is not foolproof, it is worth a look. The formula is set up to determine the Net Program Benefits, divide that by the 'Program Costs', and then multiply by 100 to get a percentage. But, herein lies the challenge in measuring coaching's ROI – getting a good estimate of the Net Program Benefits. The following three questions below are standard language that can be used to measure an expected outcome of coaching.

1. Please estimate the amount of time it would take for your supervisee to be ready for his or her next promotion. This goes after the baseline promotability for a person. Estimated in time, it revolves around what the measurable outcome was.

2. Please estimate the extent to which coaching has affected your supervisee's readiness for promotion. Responses are estimated in percentages.
3. How confident are you in your estimate of coaching's impact on your supervisee's promotability?

Data gathered from these questions can then be used to calculate the Net Program Benefits. The difficulty comes when estimating a monetary value to represent the changes resulting from coaching. Once established, the following formula is used: *Monetary value of change* × *Percent change due to coaching* × *Percent confidence in estimate*. For example:

Monetary value of change = \$5000

Estimated percent change due to coaching = 50%

Percent confidence in estimate above = 90%

Net Program Benefit = \$5000 × .50 × .90 = \$2250

If Program Cost = \$2000, then the ROI for coaching would be  $\$2250/\$2000 \times 100 = 112.5\%$

### Build an Executive Coaching Foundation

Executive coaching is one of many developmental opportunities that companies use to enhance performance, renew commitment, increase personal accountability and foster ongoing personal and professional development of their executives. These goals, however, do not take place in a vacuum. In order for the coaching experience to be successful, coaches and their clients need to gain clarity about how the company will define and measure a successful engagement. This involves dialogue about mutual expectations, objectives, ground rules, trust, communications and standards among all those impacted by the process. Without this foundation, the coaching experience is likely to fail or, at best, remain purely subjective and any desired ROI will become illusive. ■

Executive Coaching ■ Leadership Skills Development ■ Team Building & Team Development



3717 E. Thousand Oaks Blvd., Westlake Village, CA 91362  
direct: 805-492-8263 web: www.cedg.com



**Stephen Xavier** is President/CEO of Cornerstone Executive Development Group, Inc., a global firm specializing in executive coaching and related leadership development.

xavier@cedg.com