RETURN ON EXPECTATIONS VERSUS RETURN ON INVESTMENT

Return on Expectations (ROE) is the coaching practitioner's approach to creating and demonstrating the organizational value of coaching. It is what a successful coaching program delivers to the client and key business stakeholders demonstrating the degree to which their expectations have been satisfied. Every coaching program begins with a goal setting discussion…. "what would you like to accomplish out of our coaching sessions" the coach asks. This establishes expectations. Sometimes the coach uses scales … so you would like to improve your communication skills…."on a scale of 1-10 with 10 being the "world's best communicator" and "1" being the world's worst, where are you now? What would an "X" look like where "X" is 2 digits higher than where they said they are now.

To take this one step further, you could ask "what would the value of "X" be to your life? You have just established expectations and found out how they valued accomplishing that. The value may be in terms of money, relationships, work/life balance, etc. Throughout the coaching program, you check in from time to time so see if you are on track for reaching "X."

ROE is much easier to measure than ROI. The **Energy Leadership Index Assessment (ELI)** has two built in methods for measuring expectations. During the debrief, you discuss their E-Factor score and can set some expectations around improving the score. You may also choose to reveal and discuss any number of the 14 satisfaction survey factors. You can also set expectations around 2-3 of these. Any more would make it difficult to focus on development planning and goal setting.

Return on Investment **(ROI)** is an actual financial formula:

$$\text{ROI} = \frac{\text{(GAIN FROM INVESTMENT - COST OF INVESTMENT)}}{\text{COST OF INVESTMENT}}$$

The “gain” may be in terms of money but it could also be in terms of time. From the CEO’s perspective, it is almost always in terms of dollars.

When acquiring a new machine or computer or system, he/she will ask what is the expect ROI on this equipment. Investing in coaching is the same. The CEO or the CFO or the Chief HR Officer will want to know what can they expect (specific results) as a result of investing in coaching. Of course those anecdotal stories and testimonials are great but they don’t measure the financial impact.

ROI is a rigorous process but not difficult. It requires a deep dive into how the company measures business outcomes like productivity or employee engagement or leadership effectiveness. If they have accurate and up to date measures of these, then calculating the ROI of coaching will be much easier.

For instance, if the client increased his or her productivity by 20% (as measured by two ELI’s, one in the beginning and one towards the end of coaching), you can measure the ROI. In one case study we published, we found that the client’s productivity actually increased 41% resulting more than $165,000 in revenue. When we looked deeper into that increase, we found coaching was not the only initiative that impacted the increase. We worked with the client and stakeholders and agreed that coaching was responsible for 19% of the increased revenue. We calculated the ROI to be 5.9 to 1 or put in other terms, for every dollar they invested in coaching, the company received $5.90 back. They (client, CEO and CFO) were ecstatic and so were we. ROI achievement in excess of 50 to 75% would be considered ***great***! This was an increase of 590%!