

# Measuring Impact *Related* to Mission

## Calculating Coaching ROI for Nonprofits

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Various studies successfully document the positive return on investment (ROI) of coaching in for-profit organizations. After seven years of coaching nonprofit organization leaders, I see not only increased opportunity for coaching, but also the positive ROI it can produce.

### ROI Case Study

Our firm developed a specialty in Energy Leadership™ coaching in response to an increasing trend of frustration and anger we experienced in the mindset of many nonprofit organization leaders who engaged us for strategic planning services. From 2009 to 2012 we worked with a large, forward-thinking Maryland-based human services nonprofit that gave us an opportunity to pilot an unprecedented coaching initiative and then study its impact. We wanted to understand how the coaching impacted employees' mindset and engagement in their work, and what financial value that returned toward advancing the nonprofit's mission. Over nearly two years, three coaches offered 500 hours of individual and group coaching to over 50 employees, including senior leaders, supervisors, and frontline service staff.





### Measuring direct impacts of Coaching

To measure the direct impact of the coaching, we used the Energy Leadership Index™ (ELI) assessment to quantify employee mindset and engagement. A goal of Energy Leadership coaching is to support leaders in drawing on their most positive mindset to contribute to a positive workplace and stronger employee engagement. In our study, positive mindset was defined as a sense of wellbeing, happiness and confidence at work, as well as a high level of consciousness about oneself and one's life. Engagement was defined as the state of willingness and enthusiasm that goes beyond job performance, which is associated with positive levels of job performance and job satisfaction.

The ELI allowed us to assess participants' level of energy on a seven-point scale from catabolic (negative) energy to



anabolic (positive) energy both before and at the end the coaching initiative. The ELI quantifies the way in which an individual perceives and approaches work and life, and reacts to different circumstances and experiences. The result produces a combined numerical value of mental, emotional, physical, and spiritual energy – the average resonating level (ARL) or E-Factor – that indicates the person's overall level of consciousness.<sup>1</sup>

We found that direct service employees improved their ELI ARL scores, on average, by almost 7 percent post-coaching, with management staff showing an almost 19 percent positive change. We also found strong correlations between high ELI ARL scores and high performance evaluation and employee engagement scores.

### Connecting Coaching impacts to a Nonprofit Financial ROI

With favorable results regarding employees' positive mind-

set and engagement, we sought to quantify the impact of these improvements in terms of a financial return on the investment (ROI) made by the nonprofit. Since we needed to consider factors that impact costs and performance towards advancing the nonprofit mission, we sought to identify correlations between the coaching impact on employees' ELI ARL scores, and cost and performance outcomes. To ensure accuracy, we compared participants' results to a control group within the nonprofit organization that did not receive coaching. We used the following conservative calculations to quantify the impact on costs and performance:

**Sick Leave** – Value of productive time returned to the employer to advance mission as a result of decreased sick leave attributed to an increase in energy level from coaching.

#### Assumptions for benefit calculation:

- 80% returned productive time
- 20% unproductive time
- 50% of reduced sick leave attributable to factors other than coaching\*

#### Total benefit:

11.1 hours less sick leave for coaching participants x \$58.5 (avg. hourly rate) x 52 employees = \$33,771;  
 \$33,771 x .8 = \$27,017 x .5 = \$13,508  
*(This average hourly rate for employee time factors in variability in salaries paid to individuals who participated in coaching.)*

**Employee Retention** – Value of cost savings to the employer to advance mission as a result of decreased turnover attributed to increased engagement from coaching

#### Assumptions for Benefit Calculation:

- Annual avg. salary and benefits per employee = \$81,845
- 110% replacement cost based on average industry turnover costs = \$90,029.5
- 20% attributable to coaching\*

#### Total Benefit:

13 staff promoted during the coaching period x \$90,029.5 x .2 = \$234,076

**Employee Performance** – Score on the annual employee performance review; the higher the review score the more value attributed to mission accomplishment

#### Assumptions for Benefit Calculation:

- 5 score valued at 80% of annual avg. salary and benefits

- 4 score valued at 70% of annual avg. salary and benefits
- 3 score valued at 60% of avg. salary and benefits
- 20% attributable to coaching\*

**Total Benefit:**

- 13 staff x \$81,845 x .8 (5 score) x .2 = \$170,237
- 11 staff x \$81,845 x .7 (4 score) x .2 = \$126,041
- Total Value Mission Productivity = \$296,278

**Employee Engagement** – Score on annual employee survey on job satisfaction; the higher the score the more value attributed to mission accomplishment

**Assumptions for Benefit Calculation:**

- 10-12 score valued at 80% of annual avg. salary and benefits
- 7-9 score valued at 70% of annual avg. salary and benefits
- 20% attributable to coaching\*

**Total Benefit:**

- 19 staff x \$81,845 x .8 (10-12 score) x .2 = \$248,808
- 3 staff x \$81,845 x .7 (7-9 score) x .2 = \$34,374
- Total Value Mission Productivity = \$283,183

**Cumulative Value of Benefits from Coaching:**

\$13,508 + \$234,076 + \$296,278 + \$283,183 = \$827,048

*\*Due to other human capital initiatives the nonprofit was implementing simultaneously to the coaching, we conservatively assume that coaching contributed 20% to the organization's productivity.*

Upon obtaining the cumulative total benefits attributable to coaching, we compared these with the cost to the human service of investing in coaching and obtained a figure for our return on investment.

**Costs**

- \$77,500 Direct financial investment by the nonprofit in 500 hours of coaching services
- \$23,404 Opportunity Cost\* = 500 hours x \$58.51/hr. x 0.8 (i.e. 80% returned productive time)
- \$11,625 Coaching Study Costs
- Total Costs = \$112,529

**ROI:** Total value – total cost/total cost

$(\$827,048 - \$112,529) / \$112,529 = 635\%$

*\*Opportunity cost is an expense for employees to participate in coaching when they could otherwise be working productively in their assigned roles. This average hourly rate for employee*

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## We can increase their capacity to naturally focus on opportunities and solutions that advance the organization's mission.

*time factors in variability in salaries paid to individuals who participated in coaching and we assumed 80% productive time.*

In sum, in this coaching initiative, we found the ROI from coaching was 635 percent, or a 1 to 6.35 ratio. For every dollar the human service organization invested in coaching, the return was \$6.35 of additional value toward mission accomplishment. This ROI compares favorably to ROI returns in the for-profit sector where there is evidence of returns in value six times greater than the cost.<sup>2</sup>

**Considerations for Coaching Nonprofit Leaders**

Nonprofits have a legal duty of obedience to the organization's mission and are focused on service quality over quantity. Moreover, their culture is influenced by how funding is obtained.<sup>3</sup> Different funding sources – such as fundraising from individuals, government grants or contracts, or a social enterprise model – can impact the degree to which nonprofits are flexible and innovative or compliance-driven.

The nonprofit in this ROI study was experiencing stress from shifting from a grant to a pay-for-performance model that requires both higher levels of innovation and compliance. This kind of significant change can create strong feelings of uncertainty and fear that threaten the openness of a workforce to change, or it can inspire that workforce to be very open to change. When we are present to the complex context for coaching – and we chose approaches that support leaders and staff of nonprofit organizations in keeping their energy mindset positive – we can increase their capacity to naturally focus on opportunities and solutions that advance the organization's mission. This is an important bottom line worth pursuing.

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**Footnotes:**

- <sup>1</sup>Buck and Galer, Institute for Professional Excellence in Coaching, 2011.
- <sup>2</sup>GALLUP Business Journal, March 15, 2001.
- <sup>3</sup>The Nonprofit Organizational Culture Guide: Revealing the Hidden Truths that Impact Performance. Teegarden, Hinden, and Sturm, 2011)