

COACHING AS A TALENT RETENTION SOLUTION: *Does it really pay-off?*

White Paper

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The Need for Coaching

While it is widely accepted that coaching programs are effective in developing talent, coaching is also an effective solution for retaining talent. And, as organizations continue to evaluate the effectiveness of their people-related strategies and programs, more coaches find they must demonstrate the real impact coaching makes to an organization. The challenge for most coaches is how to credibly measure coaching's impact in retaining talent.

This white paper will outline how to use coaching as a talent retention solution by implementing an ROI approach to capture the business impact and return-on-investment. This strategic approach to talent retention will be illustrated through a case study that demonstrates the positive impact of coaching. We will begin with a review of the ROI approach.

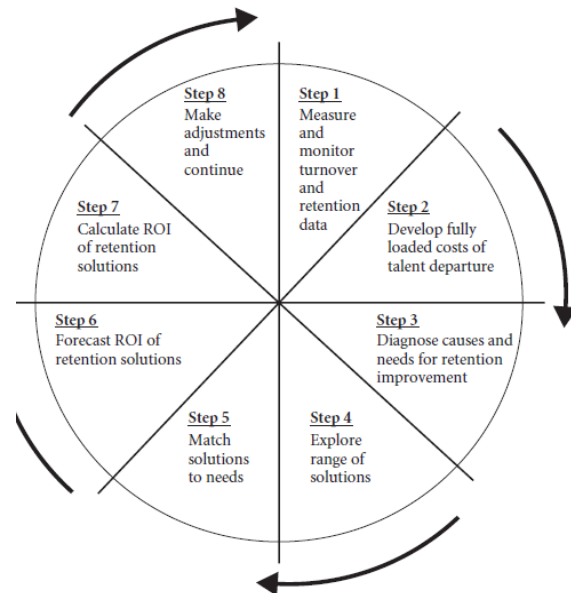
An ROI Approach

You likely can think of an example of an individual who was retained as a result of an organization. And, we know the outcome in terms of goal achievement, but the costs and pay-off per individual is rarely calculated. A more rigorous, analytical and strategic approach is needed to determine whether coaching to retain talent really pays-off. By using an ROI approach to using coaching to retain talent, we can better assess whether coaching pays-off.

The steps of an ROI approach to talent retention are illustrated in Figure 1.1 and include:

- 1. Measure & monitor turnover and retention data.** Track retention and turnover data of all talent. Data should be tracked at many levels such as the organizational level (e.g., location, department, etc.) as well as the individual level (e.g., age, race, etc.).

Figure 1.1. The ROI Approach.



2. **Develop fully loaded costs of talent departure.** The cost of talent departure is one of the most underestimated and undervalued costs in the organization. Turnover costs are often misrepresented and only include costs for recruiting, selection, and training. These are often easily calculated and sometimes inappropriately reported as the cost of turnover. In reality, other costs should be included. A more comprehensive listing includes twelve categories as listed below (Table 1.1).
3. **Diagnose causes and needs for retention improvement.** Determining the cause of talent departure is a critical and often illusive issue. At times, cause of talent departure can be obvious, but more often, methods for collecting cause of departure are biased and inaccurate. An appropriate solution for retaining talent cannot be developed unless and accurate cause has been determined.
4. **Explore a range of solutions.** Organizations are very creative in their approach to a talent departure solution. Hundreds of viable solutions can be developed to address the problem, however confusion can result from having so many retention solution ideas.
5. **Match solutions to needs.** This step goes together with the previous step as well as the next step in forecasting the value of the solutions presented in the next step. Some solutions may be great ideas, but may not be feasible or practical.
6. **Forecast ROI of retention solutions.** Developing a forecast for the value of a solution allows the team to establish priorities and work with the minimum number of solutions with the greatest return on investment.
7. **Calculate ROI of retention solutions.** An often-neglected step is the actual calculation of the impact of a retention solution. This step includes all of the costs as well as the benefits, or pay-offs of the retention solution which is reflected in a cost-benefit ratio as well as in an ROI calculation. This step also includes a technique to isolate the effects of the solution.
8. **Make adjustments & continue.** Finally, this entire process will provide an extensive amount of data that can be utilized to make adjustments and improvements in the future. This step also uncovers barriers to success and helps the team identify solutions for those barriers in the future.

To better understand how this methodology can be used to determine if coaching retains talent and produces a pay-off and return on investment, consider the following case study.

Table 1.1 Turnover costs

Exit costs	Lost productivity
Recruiting costs	Quality problems
Employment cost	Customer dissatisfaction
Orientation cost	Loss of expertise/knowledge
Training cost	Management time for turnover
Wages and salaries while training	Temporary replacement costs

Background

Ruche Media Company (RMC) is a global media company with 24 offices located around the world. The corporate headquarters of this \$260M organization is based in a major metropolitan city in North America. Most of the 1,100 employees are based at the corporate headquarters while the remaining workforce is located in sales offices located in major metropolitan cities throughout the world. As with many organizations, RMC has faced industry consolidation problems, competitive pricing pressures and employee turnover. In 2005, RMC's annual voluntary turnover rate was 22% worldwide compared to an industry average of 19%; or, 9% for companies listed in *Fortune Magazine's* 100 Great Places to Work. Although management was not concerned with addressing the turnover problem, it suspected it was causing operational problems, taking up much staff and manager time, and creating disruptive situations with customers. This pilot study represents a way to build support for addressing retention in an organization that needs to see turnover as a real business issue and better understand the value in a methodical, strategic approach that links the solution to business impact and ROI.

Measuring and Monitoring Turnover at RMC

RMC monitored turnover by various categories and defined them as either voluntary or involuntary separations. Voluntary separations included: career, dissatisfaction with pay/benefits/policies, dissatisfaction with working conditions and personal reasons. Involuntary separations included reduction in workforce, disciplinary action and termination for failure to meet performance expectations. No one terminated their employment as a result of a disability or because they retired during the period reviewed, so these categories were not considered in the analysis.

After creating a common definition of turnover, RMC analyzed the turnover rates by various demographics such as location, business group and years of service. Through this analysis, it was discovered that turnover was highest among employees who were employed for less than one year at RMC in the corporate office. In fact, RMC discovered that turnover in the corporate office was 30%; and, 12% of all new-hires departed prior to their one-year anniversary.

Develop Fully-Loaded Costs of Turnover

After reviewing where turnover was the greatest, RMC then calculated the turnover costs. It was agreed that turnover rates, as defined by Dr. Jack J. Phillips, would be utilized to calculate turnover costs. Table 6-1 contains a list of turnover cost ranges as a percent of annual wage or salary as captured from dozens of impact studies. The data are arranged by job category, ranging from non-skilled, entry-level positions to middle managers. The ranges listed represent the cost of turnover as a percent of annual wage/salary and are rounded off for ease of use and communication. The costs represented in these studies are fully loaded and include the exit cost of the previous employee, recruiting, selection, orientation, initial

¹ This case should be used as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. All names, dates, places, and organizations have been disguised at the request of the authors or organizations.

training, wages and salaries while in training, lost productivity, quality problems, customer dissatisfaction, loss of expertise/knowledge, supervisor’s time for turnover and temporary replacement costs. The data in this table reflects studies in industry and trade magazines as well as practitioner publications, academic research and independent studies conducted by professional organizations and associations.

In order to obtain an average cost of turnover that could be used per turnover, RMC calculated the cost of turnover for each individual who left the organization during a 12-month period by multiplying that individual’s wage/salary by the median percent of annual wage/salary for the job category appropriate for that individual. The cost of each turnover during that period was then totaled and divided by the total number of individuals during that period to arrive at an average turnover cost of \$116,927.09 per employee. Using this average cost of turnover, the total cost of turnover company-wide was calculated at \$28.3M; \$8.7M in the corporate office and \$2.8M for first-year employees in the corporate office. More importantly, \$116,927.09 became the commonly agreed-upon average cost of one turnover.

Table 6-1. Turnover Costs Summary

Type/Category	Turnover Cost Range as a Percent of Annual Wage/Salary
Entry Level – Hourly, Non Skilled (e.g., Fast Food Worker)	30-50%
Service/Production Workers – Hourly (e.g., Courier)	40-70%
Skilled Hourly (e.g., Machinist)	75-100%
Clerical/Administrative (e.g., Scheduler)	50-80%
Professional (e.g., Sales Representative, Nurse, Accountant)	75-125%
Technical (e.g., Computer Technician)	100-150%
Engineers (e.g., Chemical Engineer)	200-300%
Specialists (e.g., Computer Software Designer)	200-400%
Supervisor/Team Leaders (e.g., Section Supervisor)	100-150%
Middle Managers (e.g., Department Managers)	125-200%

Determining the Cause of Turnover

Two basic techniques were used to pinpoint the actual cause of turnover. First, a review of the turnover causes as recorded in the Human Resource Information System (HRIS) database, indicated that 46% of those individuals leaving prior to their first-year anniversary listed “career” as the reason they were leaving the organization. It was surprising that an individual who had not yet met their first-year anniversary would leave for career reasons and so RMC reviewed the exit interview forms as the second technique to pinpoint the actual cause of turnover. It was believed that a review of the exit interviews would illuminate any hidden causes of the turnover that would better explain why individuals were leaving for career reasons prior to their first-year anniversary. Table 6-2 shows the most

frequently mentioned causes of turnover as uncovered and recorded during the exit interview.

Since this program was a pilot study and involved a relatively small number of participants, it was decided that it was unnecessary to do a more thorough investigation of the cause of turnover. Ideally, RMC would have conducted focus groups with new-hires and utilized the Nominal Group Technique gain a more comprehensive understanding of the cause of turnover, however, given the size of the study, it was decided that step was unnecessary.

Table 6-2. Stated Reasons of Voluntary Separation from First-Year RMC Employees

- | |
|---|
| <ol style="list-style-type: none">1. General chaos, confusion and disorganization2. Unclear job expectations3. Unsure what responsibilities were from one day to the next4. Doing a different job than hired for |
|---|

Solution: New-hire Coaching Pilot Study

Recognizing that not all of the causes of turnover could be addressed immediately, a solution was designed to help new-hires navigate the stated chaos, confusion and disorganization frequently mentioned and recorded in the exit interviews. RMC created a New-hire Coaching Pilot Study entitled, *The Inside Track*. *The Inside Track* was designed to ensure a new-hire's success, retain the new-hire through to their first-year anniversary, improve new-hire commitment and to better understand challenges new-hires face.

Participant selection

The program was intended for new-hires located in the corporate office that had joined the company within the last two months of the start date of the pilot study. Emails marketing the new program were sent to a group of new-hires who were later invited to an information session to learn more about the program before committing to the program. During the information session, participants were informed that this was a pilot study to improve new-hire on-boarding and ensure success and the importance of staying in the program for the duration of the program was communicated to the participants. More than 90% of participants who attended the information sessions enrolled in the program, making a total of 13 participants enrolled in the program. Of those participants, two individuals dropped out of the program within the first two-weeks of enrolling in the program. One of those participants decided not to participate as they did not feel that they needed the program. That individual is still at RMC. The other participant dropped out due to termination-- however, it was later discovered that the individual should not have been included in the program at the start as the individual's manager was in the process of exiting the employee from the organization and the individual's tenure far exceeded the selection criteria of the program.

Program Design

Participants attended a one-hour group coaching session each month for four consecutive months. They were also able to participate in a maximum of eight individual coaching sessions with a professional, internal coach. At the start of the study, participants completed

a pre-assessment survey that was designed to measure their level of engagement and commitment to the organization and all participants took the survey at the conclusion of the study as well. The final survey also asked for Level 1 data including participant's reaction to the program and specific open-ended questions related to their perception of the impact of the study.

Group Coaching: Participants were invited to a one-hour monthly group coaching session for four consecutive months. Each session utilized an appreciative inquiry approach and sessions were designed around the fundamental belief that the power to be successful in a new job lies within the individual.

The topic of Session I was on strengths, how new-hires were using their strengths in their job and how their new role mapped to the hopes and dreams they had for themselves prior to beginning their work at RMC. Session II was designed to help new-hires understand their development level within the framework of a learning model and how to ask for what they needed from their manager based upon their development level within the framework of that learning model. Session III concerned successful career management strategies and helping new-hires to prepare for their performance evaluation later in the year. Finally, Session IV covered career development tactics and a discussion about how to avoid common career derailers.

Individual Coaching: All participants had the opportunity to participate in a maximum of eight individual coaching sessions. All participants were required to define a coachable issue and worked with a professionally-trained, internal coach. Research by Posner and Schmidt² has shown that people who have clarity about their personal values have higher levels of commitment to the organization than those who do not regardless of the organization's values. With this understanding, the context of the coaching work included the whole person and sometimes addressed personal values, personal mission as well as the cycle of renewal of adult development, especially as it related to the individual's new role at RMC. Again, the fundamental assumption underlying the coaching philosophy and style was that the power for career success lies within the individual.

Measuring Success

There were four primary objectives of this program:

1. Ensure new-hire's success,
2. Improve new-hire engagement and commitment
3. Better understand challenges new-hires face, and
4. Retain new-hires through to their first-year anniversary

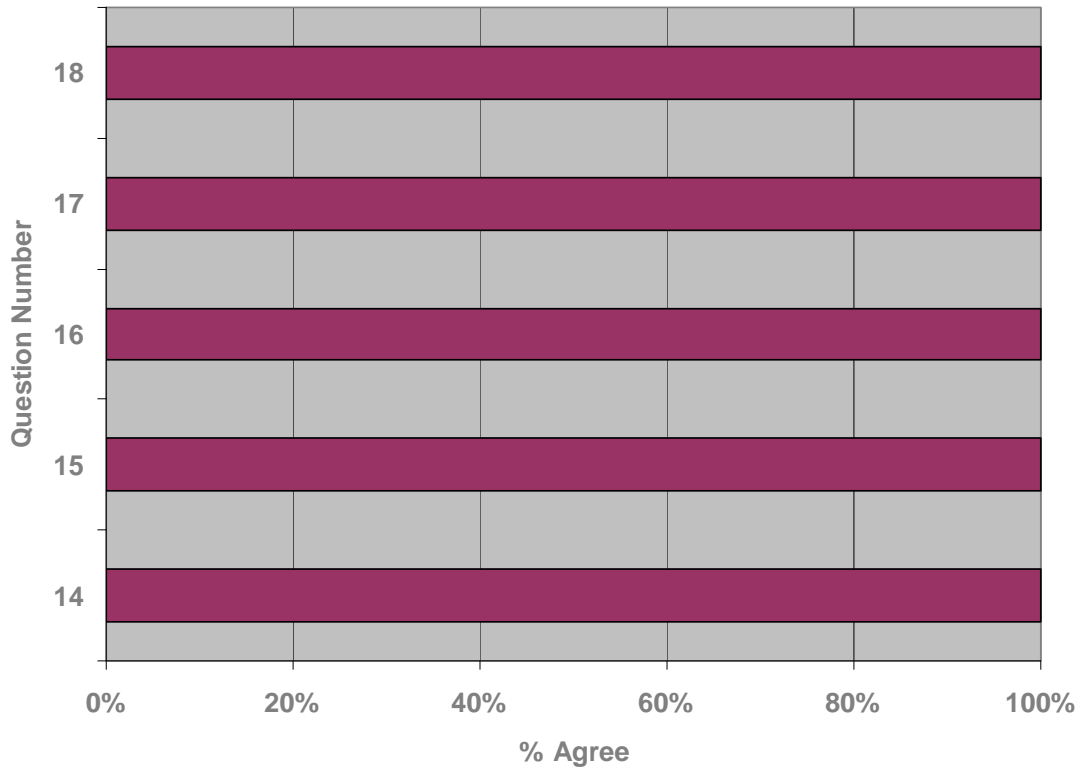
Ensure New Hire's Success

Measuring success of the solution for new-hire's success was measured by asking for the participant's reaction to and satisfaction of the program. Measurement at this level provided input from the participants on their reaction to the solution, their perspective of the different elements of the program and whether or not they accomplished the goal they set for themselves at the start of the program. Using the post-assessment survey to collect this

² B.Z. Posner and W.H. Schmidt, "Values Congruence and Differences Between the Interplay of Personal and Organizational Value Systems," *Journal of Business Ethics* 12 (1993): 171-177.

information, data was collected on a 5-point scale. As expected, the results were positive, averaging a 5.0 composite rating. Figure 1 represents participant’s responses to the five questions related to participant’s reaction and satisfaction of the program:

Figure 6-1. Participant’s Reactions to Pilot Study



- Q14. Overall, I am satisfied with *The Inside Track* (New-hire Coaching Pilot Study) program.
- Q15. Overall, this program was relevant in helping me to be successful in my job.
- Q16. Overall, this program was a good use of my time.
- Q17. I have used the information from the program and insight gained from the coaching in my job.
- Q18. I would recommend this program to other new-hires.

In addition to asking participant’s reaction to the program, the post-assessment survey also provided participants the opportunity to re-state their goal from the start of the coaching program and indicate whether they accomplished their goal by the end of the program. Table 6-3 lists participant’s goals at the start of the program and outcome at the conclusion of the program.

Table 6-3. Participant’s Goals and Outcomes

Participant #	Stated Goal: What was your stated goal when you started this program?	Outcome: Do you believe you made progress in reaching your goals?
1	Career development	Definitely
2	Focus on goals and responsibilities	I was able to work on a plan of attack for addressing areas that need change and how I can be instrumental in that process.
3	I wanted to learn effective methods for voicing my ideas and opinions, and understand the management philosophy at RMC.	I'm getting there, have been given the proper tools and techniques.
4	Learning RMC Business operations developing leadership capabilities	Yes
5	Managing employees	Yes
6	To learn more about RMC as a whole	Yes
7	How to obtain training	Yes
8	Improving the working relationship with my manager and clarifying my role and responsibilities	Yes
9	Career focus, organizational skills, work/life balance, time management	Yes
10	Mostly items from my personal life	Yes
11	Time management and stress Management	Absolutely

Improve new-hire engagement and commitment

In addition to participant’s reactions, RMC also measured participant’s level of engagement and commitment to the organization before and after the program. Overall, there was an 11% improvement on all items related to engagement. Further, each of the items used in the survey are believed to be correlated to specific bottom-line measurables such as retention, profitability, productivity and customer satisfaction. Figure 6-2 represents participant’s percent agreement to questions as related to retention, profitability, productivity and customer satisfaction, at the start of the program and at the conclusion of the program.

Better understand challenges new-hires face

Another objective of this study was to better understand the challenges that new-hires face and why they might choose to leave RMC prior to their first-year anniversary. To gather this data, the internal coach recorded notes at the end of each coaching session and was able to extract common themes heard from participants about the various challenges and barriers

they faced at RMC. Table 6-4 lists the most common challenges faced by new-hires that emerged out of the individual coaching sessions.

Figure 6-2. Percent Agree Pre-Program vs. Post-Program

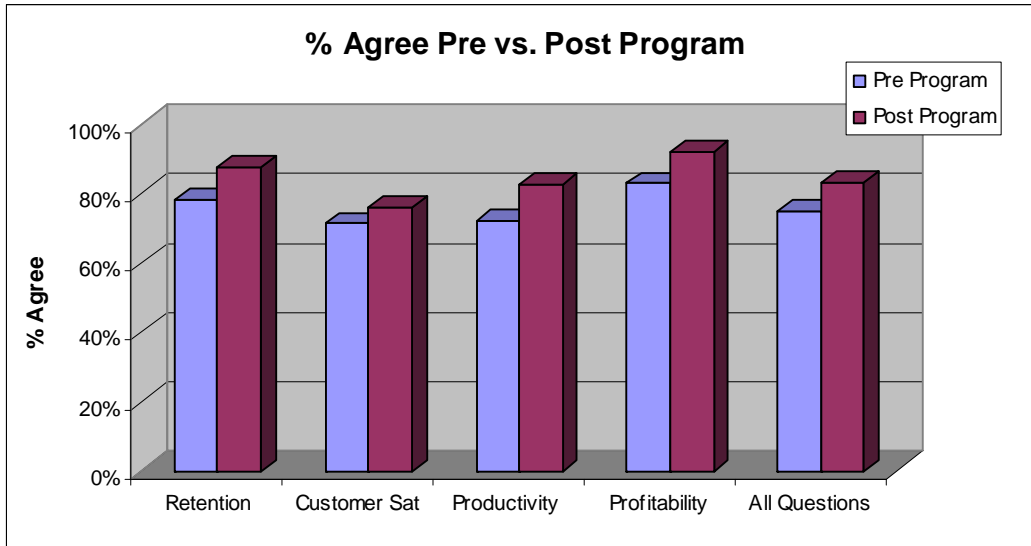


Table 6-4. Common Challenges Faced by New-Hires

- | |
|--|
| <ol style="list-style-type: none"> 1. Manager unavailable for direction & support 2. Available manager, but poor direction and support 3. Chaotic, disorganized workflow 4. Lack of training for tools specific to the job |
|--|

Retain new-hires through to their first-year anniversary

Finally, a fourth objective of this study was to retain new-hires throughout their first-year. Voluntary turnover of first-year employees at RMC is 12%. Given this statistic, it would be normal for one individual to terminate their employment prior to their first-year anniversary. Instead, not one individual terminated their employment prior to their first-year anniversary. As a result, RMC saved \$116,927.09. Interestingly, at the conclusion of the study, three participants confided to the coach that had the program not been in place to support them throughout their first-year, they would have likely voluntarily terminated their employment. While this was an interesting insight, RMC chose a conservative approach to evaluating the program and only acknowledged a savings of one-turnover.

Converting Data

Solution Benefit

It was agreed that the solution benefit would be 50% of the average cost of one turnover. RMC acknowledged that there might be other factors influencing retention in addition to this program. While it might have been ideal to run a control group or to ask the participants for their evaluation of the effect of this program on their decision to stay with the organization for the full-year, it was agreed that one-half of the impact, or \$58,463.45 would be utilized to calculate ROI.

Project Cost

Table 6-5 represents the cost of the program.

Table 6-5. Cost of Program

Cost Category	Cost
<i>Internal Coach's Salary & Benefits</i>	
Group Coaching	\$450.00
Individual Coaching	\$3,898.13
Materials	\$55.00
Facilities	\$7730.00
<i>Participant's Salary & Benefits</i>	
Group Coaching	\$1760.00
Individual Coaching	\$2772.00
Total	\$16,665.13

Calculating ROI

In effect the ROI was calculated as follows:

$$\text{ROI} = \frac{\text{Net Solution Benefits}}{\text{Solution Cost}} = \frac{\$58,463.45 - \$16,665.13}{\$16,665.13} \times 100 = 251\% \text{ ROI}$$

In terms of ROI, for every \$1 RMC invested, \$2.51 was returned after the costs were captured. These results are excellent however ROI is only one measure and should be considered in consideration of other measures. It should be remembered that this is an estimate that is developed utilizing a conservative approach and it probably underestimates the actual return from this project.

As a result of this study, the recommendation was made that this program be adopted for full implementation.

Lessons Learned

This study is a good example of how to implement a pilot study in an organization that may not yet be ready to take on a full ROI study. By conducting a smaller study and

demonstrating to management how an ROI study may be useful, individuals may be able to garner greater support for conducting a full-scale ROI study in the future. Had the organization been in greater support of an ROI study, several elements would have been conducted differently. For example, the cause of turnover would have been more thoroughly investigated. While the program was effective in reducing turnover, it's likely that there are other causes and perhaps better solutions that would have had a more significant and broader impact. Additionally, isolating the effects of the program could have been calculated by asking for participant's estimation of the impact, or better yet, running a control group that receives the pre- and post-assessment, but not the solution.

In conclusion, this pilot study did positively demonstrate the impact of coaching on new hire retention and the organization was satisfied with the result.

Communication Strategy

Because this pilot study only had support for the solution, and not the ROI aspect of the study, it was a challenge to communicate the study to a senior-level and broader audience. The approach of the study helped to defend the analysis and make the results more believable and credible at the middle-management level. The results were presented to the Vice-President of Human Resources as well as two Directors of Human Resources in the following sequence:

1. Brief review of the project and its objectives
2. Overview of the methodology
3. Assumptions used in the analysis
4. Reaction and satisfaction measures
5. Engagement and commitment measures
6. Business impact
7. ROI
8. Recommendations

This information was presented in a one-hour meeting which provided an opportunity to present the methodology and results. This meeting had two purposes:

1. Present the methodology, assumptions, solution and results
2. Gain support to implement the solution on a broader scale.

The project was considered a success.

ABOUT THE AUTHORS

Dr. Jack J. Phillips is a world-renowned expert on accountability, measurement, and evaluation. Phillips provides consulting services for Fortune 500 companies and major global organizations. The author or editor of more than fifty books, he conducts workshops and presents at conferences throughout the world.

Phillips has received several awards for his books and work. On three occasions, Meeting News named him one of the 25 Most Powerful People in the Meetings and Events Industry, based on his work on ROI. The Society for Human Resource Management presented him an award for one of his books and honored a Phillips ROI study with its highest award for creativity. The American Society for Training and Development gave him its highest award, Distinguished Contribution to Workplace Learning and Development for his work on ROI. He may be contacted at: Jack@ROIInstitute.net.

Lisa Ann Edwards is a talent development professional whose expertise is based on more than 20 years of experience in the media, technology, printing, and publishing industries. Edwards has co-authored *Managing Talent Retention: An ROI Approach* (Pfeiffer, 2009) and *Measuring ROI in Coaching for New Hire Employee Retention: A Global Media Company* published in *ROI in Action Casebook* (Pfeiffer, 2008). She is working on her next book, a unique approach to personal engagement at work. In her role as head of learning & development for Corbis, a Bill Gates - owned global media company, Edwards is responsible for designing and implementing effective talent development solutions that ensure talent engagement, improve talent retention and serve to feed the talent pipeline. Lisa@ManagingTalentRetention.com

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Want to learn more?

Keeping Top Talent: An ROI Approach

Webinar Date: Tuesday, August 18

Time: 9am Pacific, 10am Mountain, 11am Central, 12pm Eastern

Cost: \$45 per registrant

Register at: <http://tiny.cc/Lkruw>

On any given day, 76% of the workforce is seeking other employment opportunities. What percentage of your talented employees are looking for new opportunities? And if they leave how will it impact your competitive advantage and bottom-line?

In this session, you'll learn a practical approach for implementing a strategic and proven method for managing talent retention and increasing the bottom line. We'll discuss the full impact of talent departure and why this issue is often misrepresented, misunderstood, or not fully explored.

In this session, you'll learn how-to:

- Organize the Turnover Data and specific methods for organizing and monitoring turnover data to gain support from senior management.
- Monetize the Turnover Costs by accurately monetizing the turnover cost and demonstrate the negative financial impact of turnover to the organization.
- Analyze the Cause of Turnover utilizing an effective methodology to accurately pinpoint the cause of turnover.
- Actualize the Retention Solution by selecting and implementing the right solution.
- Realize the Impact and ROI by reviewing the tools needed to accurately measure the financial impact of a retention solution and calculate ROI.

This strategic, accountability approach to talent retention will be illustrated through a case study that demonstrates the positive impact of coaching to retain new hires.