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WHAT COACHING CAN DO FOR YOUR ORGANIZATION – AND WHAT IT CAN'T

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What Coaching Can and Cannot Do for Your Organization

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A recent study shows that coaching can help drive organizational effectiveness, but companies need a more strategic, systematic approach to harness the power of coaching as a leadership development tool.

Interest in executive coaching is clearly on the rise, and many organizations have made coaching an integral part of their leadership development programs. Yet while much has been written about how coaching can benefit individuals, coaching as a corporate endeavor remains remarkably unexamined, with scant analysis of the value derived at the organizational level. Ask a dozen HR leaders how their organizations design, deliver, and evaluate their coaching initiatives, and you'll likely get a dozen different answers – if they can answer at all. Says leadership expert Jay Conger, "Coaching is one of the great gold rushes in the field of leadership development. Indeed 'thar is gold in them hills' but no one really knows which hills. To make matters more complicated, the techniques are still being worked out."

In an effort to bridge this knowledge gap, the authors conducted a research study over the past year to identify best practices in coaching from an enterprise-wide perspective. We define coaching as one-on-one interventions focused on shaping an individual's behaviors, awareness, skills, or knowledge. We interviewed and surveyed our peers who are responsible for corporate leadership development and coaching initiatives in their organizations. Data was collected from 55 companies about how they manage and measure coaching and other feedback tools. Most of these companies are multinationals, ranging in size from 315 to 355,000 employees, with annual sales of $1 million to $113 billion. The median company has $10 billion in annual sales and 34,000 employees.

Coaching Survey Participants at a Glance

- Fifty-five companies
  - 50 based in North America
  - 5 based in Europe and U.K.
- Number of employees ranging from 315 to 355,000
- Annual sales ranging from $1 million to $113 billion

The study focused on the following questions:

- To what degree does coaching influence organizational capabilities, including teamwork and execution; communication; and employee motivation, organizational culture, and values?
- Do organizations that make more extensive use of coaching perceive greater effectiveness of that coaching?
- Are internal coaches better suited for achieving certain outcomes, in contrast to external coaches?
- How much do companies manage the coaching process, set expectations for change, and measure the impact?

The good news from the study is that coaching programs can make a significant difference in overall organizational effectiveness by improving teamwork and ability to execute strategy. We found this to be particularly true when coaching is focused on driving behavioral change rather than cultural change and when the emphasis is on positive performance outcomes rather than remedial issues. Yet the results also indicate that most organizations are still in the very early stages of learning to use coaching in a systematic way.

The Nature and Prevalence of Coaching

On average, the participating companies provide external coaching on a regular basis for only four percent of their middle managers and one percent of first line supervisors, which contrasts with 24 percent of their CEOs and top management team, 16 percent of their general managers and senior vice presidents, and 11 percent of their vice presidents. Internal coaches are provided on a much more uniform basis in the organizations that use them, ranging between 11 percent and 17 percent for the different levels of management from top to bottom of the organization.

"At Capital One, coaching is a critical part of our executive development strategy. We believe external coaches provide an independent stimulus for growth and development, and act as a force multiplier of feedback and reflection for our executives , providing direct feedback and a clear plan to address developmental opportunities in a 'game changing way' . With our coaching program, we're not merely trying to boost performance and results, we're looking to build a deep bench of effective people leaders for the company's future," explains Steve Arneson, Vice President of Career Development at Capital One.

Only one half of the companies report any internal coaching, in contrast with external coaching, which all the participating companies provide. This may be due partly to response bias – only companies that focus on external coaching might have chosen to participate in the study. Yet interviews found external coaches are often used at the most senior levels of the organization if only because of "bandwidth" issues with internal coaches: it often is infeasible or impractical for the board of directors to coach the CEO and President, or for the CEO/President to coach the entire top management team. Hence the prevalent use of external coaches at the most senior levels, even in organizations that emphasize the use of internal coaches at lower levels of management.

External coaching engagements on average last seven months and are almost always designed to address specific needs, versus being used for development on an ongoing basis. Internal coaching engagements last an average of five months. Despite the shorter overall duration of internal coaching engagements, in almost one-third of the companies, internal coaching is used for development on an ongoing basis. In such companies, not surprisingly, the average internal coaching engagement duration is longer – almost eight months. Interviews suggest that such companies are more likely to promote from within or emphasize developing all the members of a team as an approach to improving leadership development and team effectiveness.

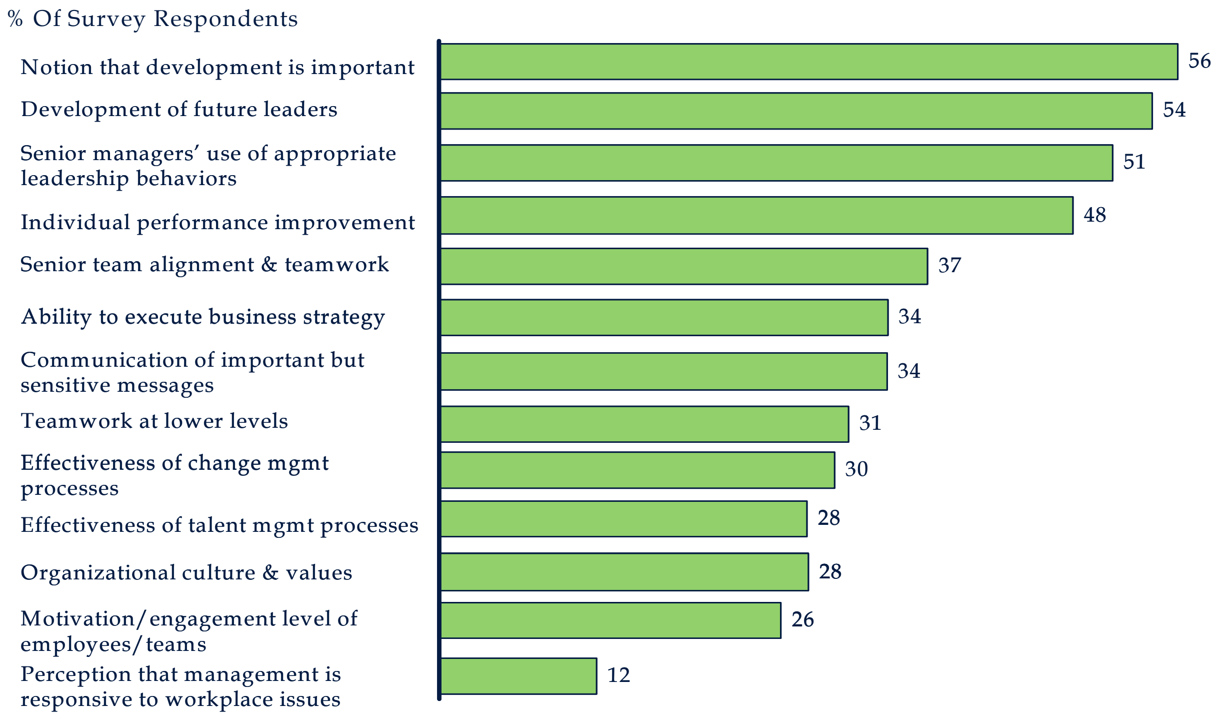
A majority (57 percent) of the companies in the study indicated they plan to increase the use of coaching "moderately" or "a lot" in 2005. Only two percent plan to decrease coaching "moderately," with the balance (41 percent) planning no change in the amount of coaching provided. So the trend clearly is toward greater use of coaching. The tide is definitely rising – but is it lifting all boats?

Coaching Helps, But Not for Everything

The results of the survey showed that coaching has the biggest positive impact on micro-level outcomes such as developing future leaders and improving leadership behaviors and individual employees' performance. These often are the main objectives of coaching, so it is good to know that it is accomplishing its objectives – at least partially. A note of caution, however, is that the average positive impact that organizations perceive from coaching in these areas lies in the "moderate" to "large" range, which is far from the top choice of "extremely large." Only "moderate" impact of coaching is perceived for outcomes such as strategy execution, teamwork, change management, perceived responsiveness of management, employee motivation, and organizational culture and values. These are group-level outcomes that are dependent on more factors than one person alone can control. Low employee morale, an insufficiently strong organizational culture or a conflict about company values may be beyond the reach of even the most compelling coaching program alone.

Who Gets the Coaching Matters as Much as Who Gives It

Extent To Which Coaching Has A Large Or Extremely Large Positive Impact On Organizational Effectiveness



Despite the lower overall impacts of coaching attributed to the group-level outcomes, important patterns emerged when comparing the responses of organizations that make greater use of coaching to the responses of organizations that use coaching less extensively.

Coaching is often provided, using both internal and external coaches, to all types of employees for a variety of reasons. Under which circumstances – and with whom – does coaching seem to yield the greatest impact? To find out, the survey examined the use of coaching for high potential employees, solid performers and derailment risks. We also examined the use for CEOs and top management teams, senior vice presidents and general managers, VPs, directors and middle managers and first-line supervisors.

In all but a handful of cases, there was no significant correlation between overall coaching effectiveness and the extent to which it is used across an organization. In short, more does not equal better. But where coaching is deployed within an organization – and under what circumstances – appeared to make a significant difference. The results indicate that those organizations where coaching is focused on positive performance outcomes show better results than those who use coaching extensively for "problem cases."

Using external coaches for the CEO or top management team along with senior VPs and GMs correlates with perceived overall coaching effectiveness at the one percent level of significance. When external coaches are engaged at such senior levels, it can set a positive tone for the organization as a whole and send a message that even very high-performing leaders can and should improve. The specific perceived coaching outcomes that are positively related to the extent of coaching use varied, however, for the different management layers throughout the organization:

	Findings	**Implications**
External Coaches		
	➢ For the CEO and top management team, greater use of external coaches is positively correlated only with coaching impacting alignment among the senior leadership team and strategy execution.	➢ External coaches for the CEO and top management team tend to achieve better results when focusing on alignment among the leadership team and the team's ability to execute the strategy. External coaches for GMs and senior VPs tend to achieve better results when focusing on improving those executives' leadership behaviors.
	➢ For the level just below the top management team – GMs and senior VPs – greater use of external coaches is positively correlated only with coaching impacting senior managers' use of appropriate leadership behaviors.	

Internal Coaches		
	➢ Greater use of internal coaches for almost all management levels (with the exception of first line supervisors) is positively correlated with coaching impacting strategy execution and teamwork throughout the organization.	➢ Internal coaches can help improve teamwork and strategy execution at management levels throughout the organization – high, medium and low. Targeting internal coaches at middle managers can pay off in terms of improved culture and morale.
	➢ Greater use of internal coaches for directors, middle managers and solid performers is positively correlated with coaching impacting employee motivation and organization culture.	
Derailment Risks		
	➢ Using external coaches extensively for derailment risks is *negatively* correlated with perceptions that coaching can impact employee motivation, organization culture and values, communication, and the perceived responsiveness of management.	➢ It is fine to use internal coaches for derailment risks. There appears to be little benefit to using external coaches extensively for derailment risks.
	➢ In contrast, using internal coaching extensively for derailment risks is *positively* correlated with employee motivation and organization culture and values.	

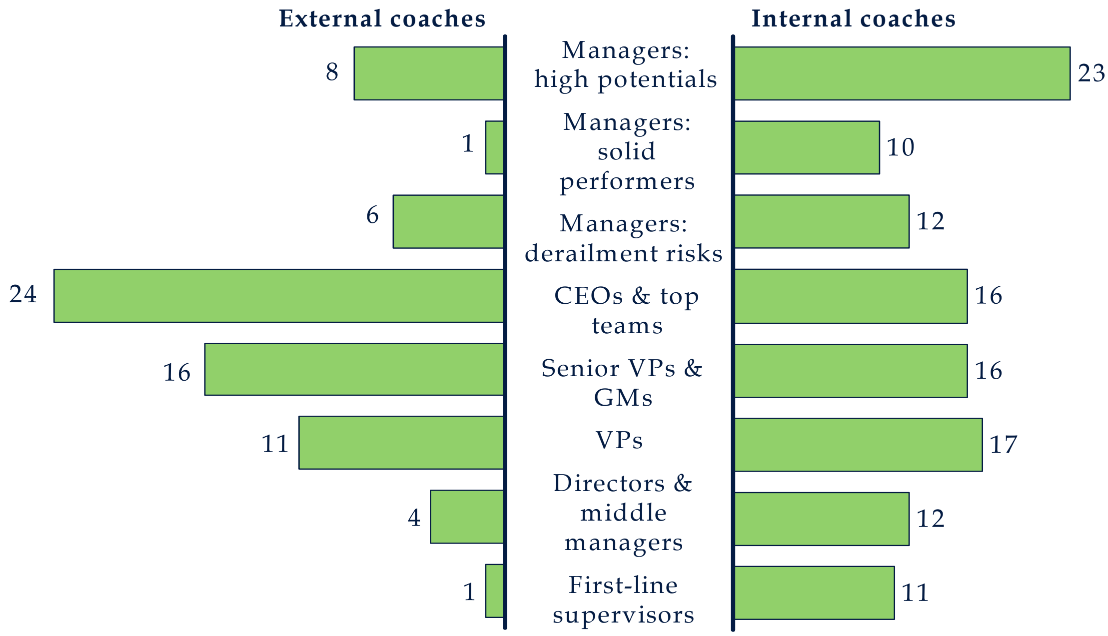
A reliance on outside coaches may not only tar poor performers with the perception that this is an intervention of last resort, it also suggests that the organization may be abdicating responsibility for having tough conversations about performance issues. As pointed out by an experienced coach who reviewed these results, one problem with companies that make extensive use of coaching for derailment risks is timing. External coaches often may be brought in to help "save" an executive from failure when it's too late – like closing the barn door after the horse has already gone. Given the extensive financial resources needed to support extensive use of external coaches, the survey results suggest that such organizations might do better by reigning in the dollars spent on “saving” already derailed executives. A better use of those dollars would be pre-derailment interventions for the executive and his/her team of direct reports, peers, and manager.

Using internal coaches in derailment cases, in contrast, may signal that the company takes performance issues seriously and is willing to invest the time of its own people, not just dollars, in supporting an employee’s efforts to improve. Internal coaches may also be better positioned to leverage other people and resources in the organization to help solve the issues that lead to derailment.

The inevitable conclusion from these findings is that the maximum benefits of coaching emerge when it is used in targeted, limited ways, throughout the organization, with the primary intention to improve performance rather than merely correct problems. Thus, to get the most out of their investments, companies will need to take a much more thoughtful approach to deploying coaching as one element in a broader portfolio of leadership development tools.

Usage Of Internal And External Coaches

% of people for whom external and internal coaches are a significant source of feedback on a yearly basis.



Few Companies Manage Coaching for Maximum Benefit

While the survey results provide reassuring evidence of the effectiveness of coaching, they also reveal that most companies lack a disciplined approach to managing the coaching process and measuring outcomes. For example, only half of the participating firms provide central coordination to match coaches with individuals, and even in those companies, the percentage of all external coaching engagements that are centrally coordinated is often less than 100 percent. About half of that group has coordinated its coaching for two years or less. Without such coordination, there is unlikely to be significant quality control at the beginning of the process.

Most executives do not understand the differences among coaching providers or what type of improvement they ought to be looking for from a coach; they simply want to complete the coaching process. There are also perverse incentives for the coaches themselves. Most are paid on a time basis, which creates incentives to work in ways that do not focus on rapid change in behaviors or distinct, limited problems. Companies that do not rigorously manage the coaching process will likely find that they do not have a precise understanding of what value they derive from coaching or even what to expect from a coaching assignment.

Quality control issues may not be not limited to external coaches. Among the survey respondents, only 49 percent of their internal coaches have received any form of training, and 12 percent of internal coaches have earned any kind of certification.

Another disturbing finding is the lack of systematic goal setting and follow-up to gauge how well coaching is working. Only one-third of both external and internal coaching engagements are evaluated for their effectiveness in any way. Fewer than 40 percent of respondents (33 percent "frequently" and five percent "all the time") use follow-up 360-degree feedback to assess the effectiveness of coaching, making it very difficult to tell whether behavioral change has occurred.

When organizations fail to articulate clear behavioral objectives up front, it is far less likely that coaching will succeed. Too often, coaching is judged solely by whether the person receiving the coaching felt good about the process rather than whether they were challenged by it, yet people are not apt to alter their behavior long term unless they're being challenged to do so. Research has found that behavioral change is related to whether a leader makes a habit of seeking feedback from the stakeholders around him or her. A coach can help support this feedback-gathering process, but cannot replace it.

In a recent article[2], coaching gurus Marshall Goldsmith and Howard Morgan cite studies showing that leaders who regularly ask for input are seen as being more effective. They argue that leadership is a relationship, and that the most important participants in that relationship are not the coach and the leader receiving coaching but rather the leader and his or her colleagues. Only with a stated behavioral objective and a commitment to evaluate results through follow-up 360-degree reviews is this process of stakeholder feedback fully leveraged.

There is no agreed upon standard across the coaching profession of what value it brings to an organization. This is not entirely surprising. As a service, coaching is in its early stages, without standards or a defined lifecycle. The boundaries of this new service have not been defined, nor have specific coaching systems been matched to the situations in which they are most effective. As coaching matures, companies and coaches will likely look for a more systematic way of measuring results and determining the dollar value of the service based on its impact to organizations.

To be sure, further research is required to understand the economic value of behavioral change across a broad sample of large organizations. The current data about the management of the coaching process suggests companies are acting as though the value of such change is far lower than it may actually be. As a result, these companies are not insisting on the discipline regarding measurement that they would insist upon for a highly valuable outcome.

The upside is organizations that take a more systematic and professional approach to managing coaching appear to achieve better results. The organizations in this survey

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[2] See "Leadership Is a Contact Sport: The 'Follow-up Factor in Management Development," by Marshall Goldsmith and Howard Morgan, *Strategy + Business,* Fall 2004

that made greater use of centralized coordination of external coaching engagements reported greater positive impacts on employee attitudes and organizational culture. And those organizations that evaluated the effectiveness of a greater fraction of external coaching engagements reported greater overall coaching effectiveness. So what you measure truly may be what you get.

What Is the Future?

Coaching can improve an organization's effectiveness if it is deployed in a systematic and strategic way, rather than as an occasional intervention. Fortunately, the steps used to make coaching effective seem easily achieved: visible leadership from the top, discipline to define behavioral objectives and measure success, and centralized management of external and internal coaches. Companies need to ensure that coaches are certified, that they use appropriate methodology and are focused on a defined but limited set of goals and continue working only if they deliver positive results.

It is equally critical that companies treat coaching as an integral part of their leadership development programs. Too often coaching is selected simply to respond to the needs of one individual leader. This is an incomplete approach. The ultimate client of a coach ought to be the company as a whole, not the individual who happens to receive the coaching. To that end, coaching initiatives should be designed to complement the corporate leadership model in a strategic way that can be scaled across the organization. For example, if a company has just invested in sending senior managers through situational leadership workshops, coaching should support that training. The most effective coaching programs address the long term executive talent needs of the organization in a systematic and focused manner. Starting with a rigorous baseline assessment of the current executive talent pool and a projection of the executive leadership skills needed to achieve the long term business strategy, best practice coaching programs focus on closing the gap. The true measure of coaching effectiveness is a long term outcome that supplies or 'builds' the necessary leadership skills for businesses to achieve strategic goals.

As coaching moves from sporadic and unsystematic to strategic and systematic, both the sellers and buyers of coaching services must grow their skills. Unfortunately, solo practitioners who have neither the scale nor the sophistication to drive coaching systematically through large organizations represent much of the coaching being done today. As companies internalize the evidence that coaching has greater impact when deployed strategically, the coaching industry will need to consolidate and focus far more rigorously on measurement – and the players who deliver the greatest measurable impact will be the big winners. For HR leaders, the implications are clear: they will be expected to manage the entire coaching process with the same level of maturity and discipline as they manage classroom-based leadership development programs today.

Says Jon Katzenbach, senior partner of consulting firm Katzenbach Partners LLC, "The human resources field has reached a point where it is no longer simply enough for HR executives to stay on top of trends and implement 'best-practice' programs. Rather, they need to apply the same creativity and rigor to strengthening and measuring individual and organizational performance that marketing executives apply to influencing customer behavior."

The ultimate benefit, of course, will be a richer talent pool, with leaders who are better equipped to drive organizational performance, more skilled at developing their successors and better attuned to learning and adapting throughout their careers.

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