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MEASURING AND MAXIMIZING THE BUSINESS IMPACT OF EXECUTIVE COACHING

CEO PUBLICATION
G 07-22 (532)

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Funding for the research that led to this article was generously provided by Pfizer, Capital One and the Foundation of Coaching. Beth Neilson provided research assistance. The author thanks three anonymous referees for their comments. All errors are the author's.

Abstract

This article addresses the conceptual and methodological issues involved in measuring the business impact of executive coaching. A framework is introduced for identifying the business impacts of coaching. An application of the framework is presented using exploratory study data from 12 matched coach-coachee pairs showing varying degrees of impact of the coaching on business-related outcomes. The primary conclusion is that the degree of business impact likely is related to complexity of the executive's role, and to the relationship between the organizational environment and individual performance. The implication is that coordinating executive coaching with other leadership development, performance improvement, and rewards initiatives should increase business impact.

Measuring and Maximizing the Business Impact of Executive Coaching

While executive coaching has been gaining in popularity and prominence, the evaluation of its efficacy has lagged considerably. According to Hall, Otazo and Hollenbeck (1999) executive coaching “may be used to improve performance or executive behavior, enhance a career or prevent derailment, and work through organizational issues or change initiatives” (p. 40). Given the multiple objectives, it is not surprising that executive coaching, like most leadership development, is generally designed and implemented in an analytic vacuum.

In the instances when coaching is evaluated, the most common approach is 360-type evaluations by direct reports, peers and supervisors. These typically are used to measure behavior change associated with the coaching, which itself may be only tangentially related to financial or strategic impacts that matter for the business. The main reason why it is difficult to link executive coaching to business performance is a line of sight problem between the individual and business impact. While leaders often are credited with or blamed for the performance of their piece of the business, the reality is much more complex. With a host of factors contributing to business success and failure, it typically is asking too much to require careful measurement of business impacts as the main yardstick to evaluate executive coaching.

Yet despite the difficulties in identifying business impacts, the reason for doing so is compelling. If coaching improves leadership behaviors, but those behaviors are not the critical factor impacting business performance, then what is the point of the coaching? Of course, often there are factors related to a company’s values, culture, vision, etc. that make good business sense but which do not directly impact the bottom line – at least not in the short run. But if these factors have no material impact on the business in the long run, then arguably they are not relevant for a company's success, and thus are not a good use of leadership development dollars.

Thus my main proposition is that, in order for coaching to have a business impact, the leadership behaviors that are the focus of the coaching have to matter to the business either strategically, financially, or both. The measurement challenge is figuring out which behaviors matter for business success, and under which circumstances coaching improves those behaviors and, ultimately, positively impacts the business. This article addresses those issues, starting first with a review of measurement approaches most commonly used in coaching research. A framework for identifying the organizational impacts of coaching is then introduced. The results from a small-scale study that sought to measure the business impacts of executive coaching are used to illustrate an application of the framework. The article concludes with suggestions for how the framework might be applied more broadly to coaching evaluation and design.

Previous Research

The literature on executive coaching has expanded rapidly recently (Kilburg, 1996, 2004; Feldman & Lankau, 2005), coinciding with an increase in coaching (McDermott, Levenson, & Newton, 2007). Until recently, relatively little had been published on the efficacy of executive coaching (Kampa-Kokesch & Anderson, 2001; Feldman & Lankau, 2005). However, in the past few years quite a few studies have addressed the impact of executive coaching.

One way to divide the studies is based on the types of measurement outcomes: (a) changes in the executive's leadership behaviors only, (b) changes in perceived effectiveness of the executive, and (c) changes in "hard" performance measures. This is the approach taken here.

Studies Measuring Behavior Change Attributable to Coaching

The main focus of coaching is typically behavior change or learning so it is not surprising that most studies of coaching impact include measurements of changes in these, and that the vast majority of studies find a positive link between coaching and behavior change. In one of the earliest such studies, Hein (1989) measured the impact of coaching on providing feedback to employees, providing direction to coaching discussions, emphasizing facts or concepts, adhering to schedules in coaching activity, and identifying employee development needs. McCauley and Hughes-James (1994) studied a leadership development program that included a coaching component. Their outcome data consisted of self-reports and facilitator reports of learning, and an instrument used to measure leadership skills.

More recently, Kampa-Kokesch (2001), Saling (2005), Evers, Brouwers and Tomic (2006), and Orenstein (2006) all measured the impact of coaching on leadership behaviors. Wasylyshyn, Gronsky, and Hass (2006) measured sustained learning and behavior change as result of a coaching program.

Despite the growing body of research demonstrating that coaching can positively impact behaviors and learning, however, it is important to note the limitations. Specifically, the typical coaching study does not include a true experiment with random assignment. Thus the coaching engagements that are evaluated are more likely to have positive outcomes because executives are selected to receive coaching based on criteria designed to maximize the impact of coaching. This means that any observed positive benefits cannot necessarily be generalized to people who have not received coaching. The latter might benefit from coaching, but they might just as easily reap no benefits from coaching and instead be candidates for other HR or OD interventions (training, performance management, stretch assignments, team building, etc.).

Studies Measuring Changes in the Perceived Effectiveness of the Executive

While the primary objective of coaching is behavior change and learning, most organizations promote and support executive coaching in the belief that such changes will also improve leadership effectiveness. This second set of studies focus on such changes, not instead of, but in addition to, behavior changes and learning. Similar to the studies focusing only on behavioral and learning changes, these studies typically find a positive impact of coaching on perceived leadership effectiveness.

Young and Dixon (1996) focused on both management behaviors and perceived impact, including a co-worker questionnaire as one of the measurement tools. Peterson’s (1993) evaluation of a coaching program measured changes in perceived job effectiveness, changes in likelihood of advancement within the organization, and the extent to which training received in the coaching program contributed to job effectiveness (measured retrospectively). Ratings were collected from participants, their managers, and the coaches.

Thach (2002) investigated the joint impact of multi-rater feedback and individual coaching on 281 executives’ leadership effectiveness. Wasylyshyn (2003) used executives’ self ratings to gauge improvements in leadership. Goldsmith and Morgan (2004) measured perceived increase in leadership effectiveness, as determined by co-workers and stakeholders for eight leadership development programs (most of which included a coaching component). Toegel and Nicholson (2005) measured the impact of coaching on demonstrated leadership ability through longitudinal changes in subordinate ratings. Bell (2005) used a general measure of self-perceived effectiveness of coaching. Kombarakaran, Yang, Baker and Fernandes (2008) measured executives’ self-perceptions that coaching maximized their contribution to the company, was beneficial to the business, and was a good return on investment.

Using a more rigorous measurement approach, Smither, London, Flautt, Vargas and Kucine (2003) examined the impact of coaching on multi-source feedback ratings (direct reports and supervisors) for 404 senior managers, compared to 957 senior managers who received the same multi-source feedback but no executive coaching. The outcome measures included self-assessed perceived impact of the coaching on job performance and career development. They found that working with an executive coach improved direct report and supervisor ratings, but that the measured change in ratings was positive but small.

The Smither et al. (2003) study is one of the only ones in the literature to analyze outcomes for both a treatment (received coaching) and a control (did not receive coaching) group, which is the preferred approach in evaluation research. This may partly account for the small measured impacts because executives have multiple sources of feedback and learning in their jobs in addition to coaching. In the absence of coaching, learning and behavioral change are likely to take place, albeit at potentially slower rates than in the presence of coaching. Thus studies that exclude a comparison group run the risk of over-attributing measured changes exclusively to coaching. Note that this potential critique applies to all studies, including those discussed above that measured only behavioral and learning changes.

Studies Measuring Changes in "Hard" Performance Measures

There are far fewer studies that include "hard" performance measures – observable outcomes that matter for the executive's job performance. Olivero, Bane and Kopelman (1997) analyzed a program that first trained and then provided coaching to 31 managers in a health agency. They found that coaching had a further positive impact on productivity in the managers' units, following the initial positive impact of the training. Productivity was measured using criteria such as the percentage of tasks completed successfully and on time.

Bowles, Cunningham, De La Rosa, and Picano (2007) measured the impact of a coaching program designed to improve the performance of US Army recruiting managers. They found that coaching had a bigger impact on meeting performance goals for middle managers with direct responsibility for supervising recruiters than for executive managers who supervised the middle managers. Performance was measured as the individual’s ability to meet the recruiting goals (percentage of goals achieved), and was calibrated relative to the performance of comparable managers who received no coaching.

These two studies demonstrate that coaching can be linked to hard performance measures that are part of executives’ objectives. However, the types of performance measures used in both cases provide examples of the difficulty in linking coaching to performance outcomes that matter for an organization’s bottom line. For the health agency managers, no differentiation in criticality was made among the tasks in terms of importance to the agency’s strategic objectives. It is possible that the coaching succeeded in getting the managers to focus on easier-to-accomplish, yet less mission-critical objectives, leading to an increase in percentage of goals achieved on time without necessarily positively impacting the organization’s strategic objectives.

Similarly for the army recruiters: if the recruiting goals addressed only the number of positions filled, and not the quality of the recruits, better recruiting goal attainment could be achieved by lowering hiring standards. Identifying this potential shortcoming in recruiting goals is intended for illustration only – I have no reason to doubt without additional evidence that the recruiting goals for the managers in the Bowles et al. (2007) article were relevant for the Army’s strategic objectives. The point for our purposes here is that numerical goals are a measure of impact that can be used to show coaching’s effectiveness. However, the most readily available measures do not necessarily provide the deepest insights into executives’ responsibilities and their contribution to organizational success. A comprehensive treatment of the relationship of coaching to business performance requires a framework that takes the organization’s strategy into account when determining which measures to use when measuring the impact of coaching.

Studies on Feedback that is Related to, but Not Necessarily the Same as, Coaching

Expanding the scope of the literature review to include feedback that is similar to, but not necessarily the same as, coaching, further evidence of positive benefits can be found.

Barling, Weber and Kelloway (1996) examined the impact of transformational leadership training on attitudinal and financial outcomes, finding a positive impact on two aspects of branch-level financial performance. While the training program was not described as explicitly including a coaching element, the initial training was followed by four monthly individual “booster sessions” that provided feedback on the managers’ leadership style based on data from self-report and subordinate questionnaires. The sessions included developing specific personal action plans for the following month.

Walker and Smither (1999) investigated the impact of upward feedback based on how managers used the feedback. Managers who met with direct reports to discuss the feedback improved more, and managers who discussed the previous year’s feedback also improved more. Thus actively working on the feedback produced greater results than receiving it passively, though no specific links to business outcomes were made.

Seifert, Yukl, and McDonald (2003) compared the effectiveness of multisource managerial feedback (subordinates, peers, bosses) delivered only through a feedback report versus a workshop. The feedback was perceived to be more useful by managers who received it in a workshop with a facilitator than by managers who received only a printed feedback report. Again, no specific links to business outcomes were made.

While these studies show that structured feedback in general and coaching in particular can have a positive impact, the impacts that have been demonstrated typically fall short of direct impacts on measurable business outcomes. In other cases, the identified impacts are generally classified as being business related without an explicit framework that shows how the coaching or feedback impacts business outcomes. We turn now to a conceptual framework that can be used to identify how coaching can have such business impacts.

Conceptual Framework

A conceptual approach that can be used to identify the business impact of coaching starts with Figure 1, which presents a framework for identifying the different people-related factors that contribute to organizational effectiveness (Levenson, 2005). Not included in Figure 1 are the technological, financial and physical plant and equipment factors that also contribute to organizational success. These are excluded for three reasons. First, it is conceptually difficult to disentangle all the people-related factors without the added complexity of the other non-people-related factors. Second, in today's world where knowledge represents one of the strongest sources of competitive advantage, people are the leading source through which knowledge is leveraged for strategic and financial success.

[Figure 1 about here]

Third, traditional return on investment (ROI) models in finance ascribe all organizational benefits derived from a product or change process to differences in capital spending. Figure 1 takes a similar approach, but focuses the attention on differences in people and people-centered processes. A truly comprehensive model of organizational effectiveness that addressed all the contributing factors would be both more complex than that in Figure 1 – and more complex than standard financial models used to make large financial bets everyday in board rooms around the globe. As the relatively modest objective here is to understand the business impacts of coaching relative to other HR or people-oriented efforts to improve organizational effectiveness, the framework in Figure 1 is quite suitable for that purpose.

The model is based in part on the literatures on organization and team design, which directly address the role of individual (manager in this case) versus group- or unit-level factors in impacting organizational outcomes (e.g., Galbraith, 1973; Hackman & Oldham, 1980; Mohrman, Cohen, & Mohrman, 1995; Cohen & Bailey, 1997). The role of HR initiatives such as coaching in influencing those outcomes is derived both from the organization and team design literatures, as well from the extensive literature that attempts to link HR and changes in work practices/work design to organizational impacts (e.g., Applebaum & Batt, 1994; Huselid, 1995; Youndt, Snell, Dean, & Lepak, 1996; Ichniowski, Shaw, & Prennushi, 1997; Cappelli & Neumark, 2001). Further insights into the impact that any one executive can have on organizational performance were derived from the literatures on managerial competencies and performance (e.g., Drucker, 1966; McClelland, 1973; Bray, Campbell, & Grant, 1974; Kotter, 1982; Spencer & Spencer, 1993; Russell, 2001; Levenson, Van der Stede, & Cohen, 2006).

Many Paths to Organizational Success

A main point about Figure 1 is that many factors contribute to organizational success. For an individual manager or leader, the skills and motivation they bring to the role and their fit with the role all strongly impact their job performance. Yet the manager/leader is only one contributor to a team or group’s success, along with all the direct reports and key stakeholders. The composition of that group (competencies, functional backgrounds, etc.), and how well the members work together are critical as well. The leader can influence those dynamics in key ways, but the leader is not the only main contributor. As such, group effectiveness may best be optimized through the use of any number of HR or human capital initiatives, including team building, rewards, performance management and individually focused leadership development initiatives such as coaching. Given all these potential ways to improve group effectiveness, our objective is to identify ways that coaching can provide unique contributions to organizational success.

The first implication from Figure 1 is that the complexity of the executive's role should influence the ability of coaching to impact business outcomes. The larger the number of people and processes in which the executive is involved, the more difficult it may be for coaching alone to have a direct impact on business performance. A second conclusion is that the more interdependent the executive's actions are with others (direct reports; peers; other stakeholders; immediate supervisor), the harder it may be for coaching alone to have a direct impact on the business. If the executive must always work with others to achieve the desired outcomes, coaching that focuses on the individual alone in those settings may be less successful than in other settings where the executive is not as interdependent with others in the organization.

While complexity and interdependency likely diminish the ability of coaching to impact business outcomes, there may be circumstances in which these same factors open the door for coaching to have a direct, and potentially large, impact on the business. Even in highly complex and interdependent environments, if the executive impedes the entire group from achieving its objectives, then coaching may positively impact business performance if it can successfully address the specific actions or behaviors that are blocking the team's performance. If it is the executive who is the true roadblock that is keeping the group from achieving its objectives, and if coaching can effectively remove that roadblock, then there is a clear path for coaching to have a positive impact on business outcomes.

This conclusion applies in general, even in situations of low complexity and interdependence: if the executive's behaviors are not the true barrier to business performance, then coaching to improve "less than perfect" behaviors cannot have a direct, positive impact on business performance. This is an important point given the way that coaching often is implemented, using generic competency models and 360 evaluations to identify areas for behavioral improvement. For example, a leader might be identified as having sub-optimal communication skills. However, if the skills deficit makes it difficult for others to understand the executive but not so difficult that she can communicate sufficiently to meet the business objectives, then coaching to improve the executive's communication skills may make people feel better and increase their opinion of the executive – but will not improve business performance.

Similarly, an abrasive manager who rubs direct reports the wrong way may be tagged as needing coaching to develop a more inclusive, softer management style. But if the manager's style keeps the direct reports appropriately balanced at the edge between complacency on the one hand and focus on making sure every aspect of their jobs are done correctly on the other, then reducing the manager's edginess might do nothing to improve business results while potentially hurting those results. In this case, the manager's edginess might be the piece of sand that irritates the oyster and produces the pearl of business performance, and thus we might not want to enlist the services of an executive coach to extract the piece of sand. Having said this, though, it is worth noting that other leadership styles might equally encourage high standards of performance without the abrasiveness that can discourage employees' motivation. If so, then coaching coiuld help improve motivation, which in turn might have positive business impacts.

The above examples are not meant to suggest that sub-par or abrasive executive behavior necessarily has a neutral or even good impact on the business. But in the absence of competency models that are closely tied to behaviors that are the true barriers to improving business performance (Levenson, Van der Stede, & Cohen, 2006), the right chain of causation needs to be established between changes in an executive's behavior and improved business results. Thus the need for frameworks such as the one presented in Figure 1.

Many Measures of Organizational Success

A second main point about Figure 1 is that there are many measures of strategic and financial performance that organizations use to evaluate success, and multiple routes to achieving them. Roughly speaking, financial outcomes mostly are measures of short-term business performance, while strategic outcomes mostly are measures of business performance that translate into financial outcomes over the medium- to long-term. The fact that there are multiple routes to impacting financial performance and different time horizons over which to have an impact is of critical importance when attempting to draw a link between an intervention like coaching and business impact.

Often when HR/OD professionals are asked to show business impact, they immediately leap to ROI, the preferred measure of financial return for evaluating capital projects. The problem with ROI, however, is that it takes a rich set of information on business outcomes and distills it down into one number, ignoring benefits that cannot be quantified easily in monetary terms (Levenson, 2003; Levenson & Cohen, 2003; Levenson, 2005). This presents a quandary for evaluating coaching. What is the monetary value of improved leadership behaviors?

The answer starts with the organization's strategy. In order to show business impact, it is necessary to demonstrate an impact on either strategic or financial performance, but not necessarily both. For example, if the company's strategy is to increase the percentage of sales from new products, that is the strategic measure to focus on, not changes in cash flow. Note that in this case ROI technically cannot be calculated unless the increase in percentage of sales from new products translates into increased cash flow. Given the R&D investments necessary to produce new products, however, it is quite likely that short-term increases in new product flow could be accompanied by decreases in cash flow. So a successful coaching intervention that improves the flow of new products could have a negative ROI from a cash flow (short-term financial) perspective, but a very positive impact on the organization's strategic objectives over the longer term – so long as an increased flow of new products is relevant for the organization's strategy and ultimately leads to financial success. At a different company, an increased flow of new products might be much less important for the strategy, and thus much less relevant as the bottom-line measure of coaching's impact.

Once the strategic and/or financial objectives have been defined, the next step is to identify the process improvements that enable them. In the case of new product development, for example, process improvements could include decreased time from concept to prototype, increased market success rate (percentage of new products that meet their sales goals), and increased cross-functional collaboration.

The Study

To illustrate the issues involved in drawing a link between coaching and business impact, the author conducted a study of twelve coaching engagements. The analysis was designed to contrast coaching engagements that meet traditional criteria of effectiveness based on leadership behaviors with coaching engagements that had an impact (or at least perceived impact) on the business. The selection process excluded engagements where there was no perceived positive impact of coaching, even on leadership behaviors; all of the engagements included in the study were deemed successful at least from the perspective of improving leadership behaviors.

Building on that foundation, the study's objective was to discern how coaching engagements that are successful in improving leadership behaviors might differ in their business impact, and the factors that contribute to the business impact difference.

Because of the small sample size, no statistical analyses were conducted. The discussion instead focuses on the learning from the coaching engagements as a set of case studies. The implicit hypothesis at the foundation of the discussion is that coaching's direct impact is on leadership behaviors, and that business performance is improved through the subsequent application of those behaviors in the context of outcomes that "matter" for the organization. A rigorous test of this hypothesis would require a much larger sample of coaching engagements, and more systematic data analysis. Our more modest objective here is to illustrate the kinds of insights that can arise from applying the framework.

The data were collected in 2004-05 at four large (Fortune 500 size) firms in three industries: consumer products, financial services, and health care. The coaching engagements were identified through collaboration with the corporate HR or OD manager responsible for overseeing each company's coaching program. The manager in each case used existing data from the company's own interviews and evaluations of ongoing coaching engagements to identify engagements that were deemed successful from a behavioral change or learning perspective.

All interviews were conducted by the author with the executive who received the coaching and with the coach. All the executives had positions at the Director level or higher. Ten different coaches conducted the coaching: nine coaches were responsible for one executive per person; the tenth coach was responsible for three people. Six of the coaches had business backgrounds before starting coaching; the other four coaches had psychology backgrounds.

The interviews addressed (a) the targets areas for improvement that the coaching was supposed to address, (b) the extent to which the coaching was perceived to have accomplished its objectives, (c) any subsequent impacts of the executives' improvements on their ability to achieve their performance objectives (and how the target areas for the coaching were related to achieving the performance objectives), and (d) whether in the absence of coaching the performance improvements would have occurred anyway. After conducting the interviews, the author coded each interview based on the extent to which a direct link could be made from the perceived impact of the coaching to business results. The scope of what determined business impact depended primarily on the executive's performance objectives – both short-run financial and operational objectives and longer-run strategic objectives. The impact of coaching on employee retention – of both the executive and the executive's direct reports – was considered as part of business impact to the extent that reducing or maintaining low turnover was critical for achieving the business objectives.

Because all the data were perceptual and not validated by parties external to the coaching engagement, and because of the small sample size, the conclusions presented here should be viewed as *suggesting* ways that coaching might impact the business, not as *proof* of impact.

The discussion of the results begins with a summary of the conclusions, followed by a more detailed presentation of the evidence supporting those conclusions.

General Findings

The study participants had a difficult time identifying direct impacts of the coaching on business outcomes. This most likely is because their coaching focused on leadership behaviors that might impact the business, but were not necessarily guaranteed to do so; performance improvement was not a main focus of the coaching in any of the cases. For example, in only two of the twelve cases a specific business problem was to be addressed as part of the coaching: in one case the objective was to improve customer service scores and revenue, and low employee morale/high turnover; in the other case the objective was to create a high performing team.

Achieving business goals was not included as a specific coaching objective in most cases. However, in virtually all cases the going-in belief was that the coaching was important for improving the companies' ability to accomplish business objectives, and was based on what appeared to be sound logic. For example, in one organization coaches often were provided to executives taking on new roles to help smooth the transition into those roles and avoid making mistakes that could materially impact the business. Given the likelihood of mistakes during critical leadership transition times, the reasoning behind providing the coaching seemed sound: Coaches who are familiar with the skills needed for effective transitions into larger roles may help the executive's job performance during the initial transition period. Yet, given the difficulty in forecasting where problems may happen, it almost certainly was the case that many of the coaches in that organization worked with executives who would have made no critical mistakes in the absence of the coaching.

In a subset of the cases, it was not difficult to draw an indirect link between coaching and improved business outcomes – or at least the expectation of improved business outcomes. Examples include improving cross-functional collaboration or improving the chances of success for an executive new to a role. In these types of cases, even if it is obvious that coaching will not always have a direct positive business impact, the expectation of positive impacts in a large enough percentage of cases might warrant the use of coaching in such cases in general. But even in these cases coaching typically was not the only intervention or change in processes implemented at the time.

In a third category of cases, the executive's team's contribution to the business was just one input in a multi-faceted process (e.g., providing technical product development information or legal advice). This meant that the team's ability to directly impact business results (and the ability to draw a clear line of causation between the team's contribution and business results) was much more limited. Thus a main conclusion from all three types of cases is that understanding coaching's impact on the organization requires placing it in the context of the environment in which the executive and the executive's team operates and the other interventions and processes that have the potential to improve business outcomes.

A general conclusion from the case studies is that, in order for coaching to have a direct and clear impact on the business, it should to be the case that

a) There are specific individual actions or behaviors for which the executive alone is responsible, which if performed correctly will positively impact the business, and if performed incorrectly will negatively impact the business
b) In the absence of the coaching the executive would perform those actions or behaviors incorrectly, and
c) In the presence of the coaching the executive performs those actions or behaviors correctly.

In short, coaching should have a positive impact on the organization if it improves decision making and/or execution in ways that would not happen otherwise.

An alternative way that coaching can positively impact business results is by retaining talent that otherwise might leave the organization. Again, however, certain conditions must hold for the business impact to be attributable to the coaching:

a) In the absence of coaching the person would leave

b) In the presence of coaching the person instead stays

c) The organization is better off keeping the person instead of finding a replacement

Thus, reducing turnover does not guarantee a positive impact on the business. Lower turnover is beneficial in the long run only if the people who might leave are more productive than the people who would replace them.

Coaching's Potential Impact on Derailment

One way that coaching might impact the business is by helping executives avoid derailment, where derailment means failure to deliver on performance objectives with negative impacts on current or future employment. A consistent theme that emerged from the case studies is that it can be very difficult for coaching to have an impact in a case of "true" derailment. The coaches virtually uniformly expressed strong doubts about their ability to help someone who had already derailed. But identifying potential derailment can be difficult.

In one case, for example, the coach said the person was in a very tenuous position and might have been close to being fired. The executive, in contrast, was not as concerned, though that might have been a reflection more of the executive's personality and a guarded approach to the interview than an indication of the executive's true standing in the organization. This difference, however, is not important. What matters is that both the executive and coach acknowledged significant problems in the executive's relationship with one or more key stakeholders in the organization – people who had an impact on the executive's success in terms of both delivering short-term business results and longer-term professional success in the organization. In this case, both the coach and executive indicated that the coaching had a positive impact on the executive's ability to deal with the other stakeholders, though the long-term impact was uncertain because the executive was seriously considering leaving the organization voluntarily at the time of the interviews. Thus the coach may have helped the executive avoid being fired, but may have only delayed the inevitable, given the executive's inability to control the stakeholders' actions that were so problematic.

In terms of coaching effectiveness, the coaches were probably most concerned about the executives whose standing had deteriorated so much there was little chance of saving their jobs. Defined this way, coaching almost certainly cannot stop derailment. But coaching does have the potential to help executives who have the capability and desire to change, whom the organization views as flawed – and thus derailment risks – but who remain solid contributors.

Even if coaching can help avoid derailment, it is hard to say whether that has a positive impact on business results without additional information. In organizations with well developed leadership pipelines, if a derailed executive leaves quickly and is immediately replaced by someone who is ready for a promotion or lateral move, the derailed executive's exit may be a net positive in the long run – even if the business results suffer temporarily before the executive leaves. In other, perhaps more common, cases, the business results might suffer for an extended period of time before the executive leaves and a suitable replacement is identified, hired, and learns the job well enough to equal or exceed the previous incumbent's performance.

More generally, and perhaps more cynically, it is straightforward to identify situations in which coaching does nothing to deter derailment, yet it is in the organization's best interest to employ a coach regardless. Using a coach as a type of outplacement service can ease the transition out of the organization for an executive who is on the verge of being fired. Given the potentially high cost of involuntary severance, a coach may help the executive realize that leaving voluntarily is in the executive's best interest for career reasons. In so doing, the coach may help the organization avoid costly litigation, sabotage of critical processes, or loss of trade secrets. The ROI of the dollars spent on the coaching may be high in such cases, even though the coach's contribution is just to minimize outplacement costs, not build positive business results.

Coaching's Potential Impact on Business Results

More generally, the problem with identifying *any* direct positive impact of coaching on strategic or financial results lies in the complexity of executives' jobs. Few executives perform tasks themselves that directly impact the development and delivery of an organization's products and services. Instead, they create the environment in which others work to execute the necessary tasks. Exceptions include making key decisions about what products and services should be created, and how to do so. But those decisions are dependent on the executives' direct reports and others in the organization who provide the information on which the executives act. In such team environments it may be very hard for coaching alone to have a direct business impact.

This is not to say that the success of coaching is usually judged on the basis of business impact. On the contrary, in each of the twelve cases the coaching was deemed to be successful in achieving the immediate behavioral objectives, which included communication style, motivating others, influence skills, listening skills, demonstrating empathy for others, building trusting relationships, anger management, giving performance feedback, agenda setting, building cross-functional relationships, building credibility, and using emotion as a leadership tool. The coaching engagements were deemed a success – using the companies' internal evaluation procedures – along these behavioral dimensions.

In making the case for potential business impacts, however, there has to be a link between the behavioral improvements and barriers to business performance. In most cases, such as the following, there was no such link or a tenuous one at best:

> Example #1: "It's hard to measure how the coaching moved the needle. I think the coaching helped me execute changes more effectively. Otherwise it might have taken longer to get the changes implemented. But it wasn't just me executing, it was the rest of the management team. I had to get them inspired and on board, show that I would back them up. I probably would have gotten the same business results in the end, had some false starts, taken longer to find the right formula."
>
> Example #2: "Not sure it would have changed our trajectory [not having the coaching]. But in a situation like this the biggest issue is retaining talent, need to give them a positive view of the future. I think that this [my coaching and the team coaching] has given them hope and energy to stick through [this difficult business time] … given a real understanding of why people act the way they do. I think it had an impact on our ability to hold everything together."
>
> Example #3: "A lot of this stuff doesn't get solved by coaching, because I was doing a lot of these things before having a coach. We work in a very complex system, with a lot of different people. This leadership thing is getting along with other people, influencing them – not getting them to give up their ideas for yours, but getting them to go along with you. It may be as much about learning how to treat people so that they will go along with you."

As illustrated by these examples, the study found no cases in which coaching had a clear, direct impact on the executive's business results absent other interventions. In most cases, the behavioral objectives of the coaching were too far removed from the barriers to business performance. Yet in a small number of cases coaching did appear to have a material impact, albeit alongside other interventions:

> Example #4: "One issue is productivity of the group. The other is people's resilience, willingness to take risks – they will reach more. But even if they fail, typically what happened [in the past] is everyone might get depressed. In the new environment [which the coaching helped me to create], people bounce back much faster, respond much better to adversity, don't worry that they will be blamed for the failures – so greater productivity because shorter down time after failures. We see this in the results – we have changed from meeting 20% of our new objectives before to 100-110%. I am only one part of this … Of course there are other things that influence the productivity – we are putting in stronger systems so that we can track earlier whether we're on track to deliver business success; also structuring the groups to be more productive, not too dispersed. Using better tools – peer reviews early in the process to identify holes, blind spots."

> Example #5: "Some locations had business issues – low morale. Talked to coach about people issues, how to lead them, motivate. Specifically: to show up better as a leader among senior people and my direct reports. I have laid back style. Didn't come across as being influential, assertive enough. Thought was that if I worked on those skills, would get more motivated employees, which would improve [execution] for the business and get more money. It worked quite well from a business standpoint. The morale scores at the site were incredibly low – 35%, when company was in 60% range – 6 months later the morale went up, was up to 85% within 18 months. 120% attrition initially, 30% after one year, then 20% a

> year after that – unheard of in [this kind of] environment. I do not think that it was just the coaching or me that led to this. Productivity also improved; reduction in overall losses to the company – came in 25% better than budget in first year, 15% better than budget in the second year … Aside from coaching [we] also changed some of the management at the site; committed to changes on scheduling, training, etc. … Performance review program that very quickly put people on probation … the department had been organized into teams allocated to certain products that we offered. Those teams were reorganized into one team … we also made it much easier for people to request schedule changes … made it a more human process … Supervisors of the teams had been isolating themselves. We wanted them walking the floor, meeting with team members once a week, talk to them about how they are doing. Had managers who liked to stay in their offices, ended up terminating several of them, hired new ones who agreed with our approach … Made it more fun: monthly activities … they have to work hard, but treat them like humans. I got to sit in the dunking tank in the carnival."

In the above examples coaching played an important role in helping the executive to improve business results. But it was one of many complementary things implemented at the same time. In these situations, the positive impact of the coaching most likely is magnified by its simultaneous application with other process improvements. This is consistent with the literature on complementary HR practices and firm performance (MacDuffie, 1995; Ichniowski, Shaw, & Prennushi, 1997; Becker & Huselid, 1998; Boning, Ichniowski, & Shaw, 2007). Though executive coaching is not an HR practice typically considered by that literature, coaching that helps an executive implement such practices would be consistent with the literature's findings.

Such coaching might help an executive to design and oversee self-managing work teams, improve performance feedback, more tightly integrate rewards and performance, or share information about critical business metrics with frontline employees or lower-level managers.

In an equally small number of cases, it appeared that coaching alone did have a positive, though hard to quantify, business impact:

> Example #6: “Being able to create the right environment, find the right buttons to push – creates a more high-performing environment, trust in the leader, increases the reliability of the organization – higher degree of commitment. I think my team today continues to perform at a much higher rate – the only difference between this year and 2 years ago: less fear, mistrust, less anxiety unrelated to delivering the results. The 20-30% of the time that people had been worrying about how I would react – they now can use that time productively. Also, I feel more effective in conveying the messages, the inspiration and vision the organization has to have. I have a lot more reassurance that when I’m not here, things will keep happening, people will deliver what they are supposed to deliver because they have greater commitment. We were going in three different directions: (a) people were quitting both the organization and the project; some would do it more overtly – would come in and say I don’t like so and so; others would do it more subtly – would emphasize great opportunity elsewhere. (b) reinforcement for the way people were behaving at the time – if I’m delivering the results and no one is complaining about it, the long term destructive impact would have been a lot higher because either people would not have been willing to move into the area to work with me, or the entire part of the organization develops bad reputation – lose

> talent as a result. (c) low productivity – why should I stick out my neck to be productive here when I have to worry about how my boss will react; also impacts people's willingness to take risks with business ideas – refrain from being more aggressive; people producing maybe 70% of what they could produce."

> Example #7: "Since working with [the coach] I am better able to work with people who have opinions completely contrary to my own. In the past I might have withdrawn from the interactions – now I'm better equipped to understand what their real needs are. [Without this] the project might have died, or they might have done an end run around to find the support they needed – myself or my department might have been excluded – I am one of several potential sources – it might have meant a time delay, or the incorrect information, or not aligned with the organization's goals (because we are part of the line process that executes the operational plan – someone else might not be totally aligned). They should come to me. But if they don't get the answer [they want], they might go to one of my peers to get support for their ideas. That could lead later on to very expensive steps in the process [that otherwise would not have happened], or work that should not have been done in the first place."

Thus the case studies suggest that coaching can have positive impacts by changing leader behaviors and contributing to improved business performance. But it is difficult to draw a direct line from coaching to improved business performance, particularly because positive business impacts appear to be achieved when coaching is combined with other interventions and process improvements. Coaching alone may be too limited to directly impact the business.

Discussion and Conclusion

The framework introduced in this article for understanding and evaluating the business impact of coaching suggested that the circumstances under which executive coaching can directly impact the business may not always be present. The case study data provided some preliminary evidence consistent with that conclusion. However, there is much that needs to be further investigated and understood about how coaching does and does not have an impact on business results, with implications for future coaching research and practice.

The framework raised the concepts of role and task complexity and interdependence as factors that potentially should be addressed when designing and evaluating executive coaching engagements. While to my knowledge previous coaching research has not addressed these, role complexity and interdependence are fundamental issues in the literatures on job and team design (e.g.,Thomas, 1957; Lawrence & Lorsch, 1967; Hackman & Lawler, 1971; Hackman & Oldham, 1980; Keller, 1986; Hackman, 1992; Campion, Medsker, & Higgs, 1993; Mohrman, Cohen, & Mohrman, 1995; Wageman, 1995; Cohen & Bailey, 1997; Hackman, 1998; Schmidt, Montoya-Weiss, & Massey, 2001; Langfred, 2007). Task complexity and interdependence are measures that describe differences in the product or service being created (e.g., is it physically possible for only one person to do all tasks), as well as choices in how the jobs are designed (see Wageman, 1995, for an example of choice of interdependence among groups of repair technicians).

In cases where integration of tasks performed by different people is a critical part of the production process (in part because complexity is high), the executive is more likely to impact the business objectives by focusing on group processes and the barriers that get in the way of the group accomplishing its objectives. Examples of this may include manufacturing production lines, complex R&D processes, evaluations of large scale mergers and acquisitions, and anything involving multiple steps in a just-in-time supply chain. In cases where integration is less important (in part because complexity is low), executives' efforts to improve business performance by focusing on individual jobs may stand a greater chance of success. Examples of this may include sales, call centers, data processing, and technical support.

What is important for coaching impact measurement is that the context within which the executive operates dictates the behaviors necessary for the executive to positively impact business results. Including information on the business context and the associated actions and behaviors as part of the measurement approach is recommended for future evaluation efforts.

A related issue is the kinds of differences one would expect to see in the situations in which coaching can be more easily directly linked to business impact vs. the situations where the link is much more difficult to make. One hypothesis is that executives whose teams are performing at average or below average levels (vs. high performing teams) may be those who are more likely to be able to translate the impacts of coaching into positive business impact. The limited evidence provided by the case studies supports this hypothesis: among the handful of cases where the executives identified a direct link from the coaching to business impact, most were facing performance issues with their teams. Among the cases where a direct link was harder to establish, coaching was more likely to be used for developmental purposes that were not necessarily focused on or related to performance issues.

For example, coaching is often used to round out executives' leadership skills so they can be more effective in both current and future roles. In situations where the executives' current performance is above average, the potential benefits of coaching may lie only in increasing the executives' probability of success in future roles. While such effects could be interpreted as having a business impact, because the potential benefit is reaped in the future, it is hard to draw a direct impact line between the coaching the business benefit. In cases like this we could say there is no direct business impact, though there is an indirect business impact.

Though the data used for the case studies reported here came entirely from self-reports, there are obvious reasons to try to include business data when measuring the impact of coaching. First, respondents (coachees and coaches) may bias their responses, particularly if they enjoyed the coaching experience and/or viewed the coaching engagement as a success because it led to behavioral change. Second, respondents may give too much credit to the executive's ability to impact business results, versus the results being driven by the executive's team's performance.

On the flip side, the benefit of self-report data is that it enables the measurement to focus on factors within the executive's control, versus all the organizational and external (to the organization) factors beyond the executive's control that influence business performance. Arguably, coaching should be deemed a success in improving business results if it positively contributes to a change in business performance, even if it does not account for a majority of the change in performance. Analyses that use only hard data may find it difficult to detect a very strong statistical relationship between coaching and business results. Ideally, both self-report and hard data would be collected and used for analyses of the business impact of coaching.

Finally, despite the potential positive impact coaching may have on the executive's leadership behaviors and possible follow-on impacts on business performance, one must always consider the possibility that coaching is not the appropriate response to a situation. This is of particular concern because coaching appears to be riding a wave of popularity (McDermott, Levenson, & Newton, 2007), leading organizations to potentially overuse it as an intervention when other interventions (or even no intervention at all) may be the more appropriate response to an executive's behavioral or performance issues. If the executive has developmental needs, a formal training program or on-the-job learning experience (such as a stretch job assignment) may be the best remedy. If the executive's team needs help to improve its performance, a direct intervention in the form of team building, facilitation, skills training, brainstorming/problem solving, etc. may be more effective than coaching the executive. In such cases, coaching alone may not be the best intervention, though coaching used in combination with formal training programs and on-the-job learning may accelerate the learning process.

Any effort designed to address the potential business impact of coaching should first examine whether coaching was an appropriate intervention in the first place. The methods used to select the coaching engagements for this article did that, including only ones deemed to be appropriate applications of coaching. Future research should measure the extent to which coaching was an appropriate intervention, and attempt to measure appropriateness using information that was readily available at the start of the coaching engagements. For example, suppose a company has a coaching program that enables all executives of a particular population (e.g., all Vice Presidents and higher, or all executives in a particular business unit) to work with a coach. Suppose further that the executives' personal development plans could be reviewed for evidence that either supported or undermined the case for the executive engaging with a coach. In this situation, the evaluator could use the development plan information to classify executives as being better or worse suited for coaching, and use that classification as a control variable in multivariate analyses measuring the business impact of coaching.

In conclusion, though the case study results reported here suggest that coaching may best impact the business when combined with other interventions, the data limitations do not allow us to make that conclusion definitively. Additional research using larger data sets is needed to verify whether these results can be generalized. Research that analyzes business impacts in cases where coaching was the only change or intervention, compared to cases where coaching was used alongside other changes or interventions, would be particularly helpful in shedding insights into how coaching impacts the bottom line, if at all.

Despite reaching only tentative conclusions about coaching's ability to directly impact the bottom line, however, at least one recommendation for practitioners can be made based on the case study results. Given the apparent importance of using coaching alongside other changes or interventions in at least some cases, improved up-front evaluation of coaching engagements may significantly contribute to improving the business impact of coaching. A systematic diagnosis of the possible issues impacting executives' performance and the performance of their units might reveal one set of cases in which coaching alone is not likely to improve performance on its own; a second set of cases in which coaching should not be considered even as part of an integrated set of interventions in other cases; and a third set of cases where coaching has the greatest potential to improve business results when applied on its own. Better partnering of organizational processes that evaluate the appropriateness of coaching with processes that comprehensively evaluate performance should best help improve business results.

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Figure 1: Making the link between leadership development and organization performance