

The Challenges of Coaching in the Current Climate

How organisations are ensuring good value for their
investment

A research report by John Gilkes in partnership with Jericho

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Introduction

This research project was born out of a desire by the author to better understand how organisations were ensuring good business value from their investment in executive coaching.

The use of executive coaching as a leadership development tool has grown rapidly since the 1990's and it seemed timely, as we approached the end of the first decade of the new century, to review and take stock of the contribution of coaching to organisational life.

The author is well qualified to undertake this review. After a twenty five year career in Human Resources, latterly as the Group HR Director of a FSTE 100 company, he spent three years coaching Chief Executives in career transition before becoming Chief Executive of a highly reputed Executive Education and Research Institute. His biography is shown in Appendix 1. The project was carried out in partnership with Jericho whose purpose and activities are described in Appendix 2.

The report paints a picture of coaching as seen from a corporate buyer's perspective but the author has used his experience as a seller of coaching services and as a coach to provide an objective and challenging perspective. The report is written in a concise and pragmatic style to facilitate being read by busy corporate executives and does not seek to provide the detailed statistical analysis found in more academic studies.

Executive Summary

The organisations surveyed were generally found to be using coaching in a relatively unsophisticated way. Executive coaching was often tactical rather than strategic and the systems and processes remain quite under-developed. There were exceptions to this, but the distribution of respondents as measured on the 'maturity of coaching usage scale' (see page 9) was weighted further to the lower end than had been expected.

The focus of coaching continues to be on individual performance improvement rather than on business return, and few organisations could show real progress in demonstrating a return on their coaching investment. Indeed, many felt that the demonstration of a true financial return was not possible and were happy to evaluate the value of coaching by using various measures of individual leader effectiveness.

Despite the above there was a strong appetite to improve the alignment of coaching to support business objectives and to get better value from the overall investment.

The author detected some embarrassment at the lack of attention that had been given to the overall coaching process but it had not been seen as a high priority in comparison with other challenges that HR functions had been facing during the recent period of economic recession.

Research Methodology

It was decided at the outset to adopt a qualitative rather than a quantitative approach, and to focus on the identification of the key strategic issues relating to coaching rather than attempting to analyse the mechanics of coaching systems.

Individual face-to-face interviews were held with 17 senior HR professionals in 17 different organisations. The majority of respondents were HR Directors and the remainder were Directors with responsibility for executive learning and development in their respective organisations.

The organisations participating were from many different sectors representing a microcosm of organisational life, including manufacturing, business services, banking, professional services and the public sector. A full list of participating organisation is shown in Appendix 3.

The research involved a semi-structured approach and participants were invited to answer twenty core questions. A list of these questions is shown in Appendix 4. In addition, participants were asked a number of open questions to explore their key issues and feelings.

The interviews were mainly held on client premises and took place between October 2009 and January 2010.

Organisational Context

Many of the participating organisations were experiencing a period of rapid change, sometimes following a merger or an acquisition, with all the attendant organisational turbulence and restructuring. Several respondents were keen to point out the existence of a number of different approaches to the use of coaching in their organisation as a result of the inheritance of legacy processes.

Several of the interviewees were new in post and were still learning about their organisation's approach to coaching, and indeed to learning and development in general. Where the new incumbent was an HR Director they usually exhibited a desire to reorganise the HR function and to improve its effectiveness.

Many organisations had already pursued comprehensive cost reduction plans in response to the economic recession, but it was encouraging to find anecdotal evidence that training and development budgets had been less targeted for drastic cuts than in previous recessions.

It is not surprising given the above climate that the author detected a general picture of very high workloads and long working hours.

The Big Questions from the HR Professional's perspective

The HR professionals interviewed were found to be grappling with many of the same issues in relation to executive coaching and the most common questions they asked were:

- How do I ensure that my organisation is getting good value out of our significant investment in coaching?
- How do I ensure that coaching is supporting my organisations objectives?
- How can I reduce the total cost of coaching without losing any of the benefits?
- How can I find good coaches with *both* relevant experience *and* excellent coaching skills?
- How do I find good coaches outside the UK?
- How do I ensure that coaches and coachees are appropriately matched?

- How do I know which of our current coaches are the most effective and ensure that our future preferred supplier list is of high quality?
- What should I be paying for good coaches and am I paying over the odds currently?
- How can I get some help to manage our whole coaching process?
- How does our practice compare to others and where should I focus my efforts to gain maximum advantage?

This report does not attempt to provide all the answers to these questions. However, it should help readers to ask the right questions and how to find the answers to them.

Benefits

Interviewees were asked the open question as to what they saw to be the benefits of executive coaching in their own organisation. The main benefit quoted was the contribution coaching made to improved individual performance, self-awareness and behaviours. One respondent felt that coaching was most effective at ***'making already good people even better'*** (a developmental objective). Another saw a benefit because it was ***'better to turn around an underperforming individual rather than start afresh with a new recruit'*** (a remedial objective).

The theme of personal support was also prevalent. One quoted the benefit as being ***'the provision of much needed support to be able to cope with ambiguity, loneliness and unrealistic workloads'***.

Several respondents talked about the times when coaching was most effective as being ***'when an individual was transitioning into a new organisation or role'*** (transitional coaching).

A number of participating organisations had wider leadership development objectives, often involving the creation of a 'coaching culture' and the provision of executive coaching was seen to be an integral and supportive element of this.

Disappointments

Half of the respondents expressed disappointment that it was ***'very hard and virtually impossible to quantify the benefits and measure the true value of coaching'***.

The second main disappointment was because there was felt to be often a lack of clarity on the purpose, goals and desired outcomes of individual coaching interventions.

Using coaching to change underperforming individuals was considered to be ineffective by some. ***'Some individuals simply don't change and the old habits re-emerge when the coaching support is withdrawn'***. [Author's note: Perhaps this was an indicator of poor coaching practice in the organisation concerned?]

It was seen to be hard to connect individual coaching back into the organisation and to imbed changed behaviour. Indeed, several respondents commented about the danger of coaching creating a dependency on the coach and hiding potential line management failings.

A theme emerged concerning the challenge of achieving a good coach/coachee match, which was seen to be critical for success, but hard to achieve. There was no clear consensus, however, on the meaning of a 'good match'.

Several respondents talked about the costly nature of their overall coaching programme whilst others used the more positive terms 'investment' and 'value'. Overall there was a disappointment that good coaches were so expensive.

There was also disappointment that some coaches were *'too keen to cross-sell their services'* which was not seen to be appropriate.

One respondent, new in a corporate role, had inherited a comprehensive programme of coaching carried out by internal coaches (who undertook this role in addition to their normal jobs). This was seen as *'simply not being effective'* leading to considerable disappointment. In contrast, several organisations talked about the success of their internal coaching initiatives.

Strategy, Policy and Approach

It will come as no surprise to the reader that there were a variety of different approaches to the provision and management of executive coaching in the organisations surveyed. The strongest factors influencing the approach were the structure and style of the company, in particular the degree of centralisation and the role of the corporate centre. The historical culture and values had an influence, as well as the role and power of the HR function.

There was little evidence of specific coaching strategies that defined the purpose of the activity in the context of the organisation's overall mission, strategy and objectives. Where a leadership development strategy existed, which was the case in about one half of the participating organisations, it typically included the use of coaching. One respondent saw coaching as *'only one delivery channel amongst many'* for the delivery of leadership development and expressed surprise that *'a whole industry has grown up around it as a specific activity'*.

Most organisations reported having a central framework or guidelines for executive coaching but many were honest in admitting that the level of adherence to these was variable. It seemed that coaching was an area in which line managers liked to exert their independence and challenge the authority of the corporate centre.

Without exception the HR function, often represented by a Learning and Development Director, was the key gatekeeper for the organisation's coaching policy and in the majority was the custodian of a central preferred supplier list. The most common approach was to offer potential coachees a choice of coaches from the list (see the importance of coach/coachee matching above).

Who receives coaching?

In most companies the facility for coaching by an external coach was mainly limited to the Board, senior management and high potentials. This often coincided with the senior management population whose career development was closely monitored by the corporate centre. Use of external coaching outside these groups was mainly confined to individual cases where performance issues existed.

A definite trend towards the integration of external coaching within broader Leadership Development programmes was noted. Most recent new Leadership Development programmes contained a coaching element.

A desire to develop a coaching culture was mentioned by many of those interviewed.

In addition to the approach for the senior groups mentioned above, the following activities were reported:

- For middle managers the provision of internal coaches, either fully dedicated ones or those who were undertaking this role in addition to their normal duties. One respondent talked about a 'sheep dip' approach at middle management level. This involved bringing in an external coach for a full day and requiring them to coach 4-6 managers on a single visit.
- For other levels of employee telephone coaching and support through e-learning portals.
- One third of the organisations reported specific initiatives under the heading of 'the manager as coach', usually also commenting that this was seen to be the way forward for the future given the availability of limited funds to engage external coaches.

Recruitment and Selection of Coaches

Most relationships with individual coaches or coaching companies were reported as being 'legacy' ones originating from the network of either current or past HR Directors. Respondents considered reputation and references as the most important techniques for coach selection. The most frequent selection technique was an individual interview with the HR or L&D Director.

A small number of organisations who had sought to become more professional in their approach to coaching included the observation of coaching practice in their coach selection process, but this practice was relatively rare.

Three organisations reported using specialist external coach recruitment agencies to source their coaches, especially in the US where such practice is more commonplace.

It was not always clear from the discussions on this subject where the responsibility for the quality control of coaches rested. This appeared to be an issue that many organisations were grappling with. Most respondents had included both coaching companies and independent coaches on their preferred supplier lists. The use of coaching companies was seen as one method of delegating the quality assurance to a trusted third party.

Coaching Qualifications

There was an almost unanimous view that good coaches with BOTH relevant experience AND formal coaching qualifications were difficult to find. Indeed, one HR Director reported that ***'none of the best coaches on our preferred supplier list has a specific coaching qualification'***.

Of all the subjects researched this one seemed to generate the most passion and produced the greatest diversity of view. These views were to some extent dependent on sector and the maturity of the coaching process in each organisation. It will come as no surprise that where Purchasing departments were involved in the procurement decision it was more usual for there to be a requirement for the formal qualification of coaches.

The majority of those interviewed considered relevant experience to be **ESSENTIAL** whilst the possession of a formal coaching qualification was **DESIRABLE**. The exception to this was when

behavioural or psychological issues were involved, when formal qualification was usually considered to be essential.

When prompted for the most important criterion for a successful coach the most common response was **'a good understanding of our type of business'**. This view was most powerful in a private equity backed business.

Two HR Directors expressed the view that **'the issue of qualification seems to be a bigger issue for the coaching industry that it is for their clients'**. Other respondents took a different view, believing that **'the industry is in urgent need of better standards and regulation'**.

Budgets, Costs and Fees

In two thirds of organisations budgets were mainly or exclusively held by line management, whilst in the other third they were mainly held centrally. In those instances where coaching formed an integral part of a central leadership development initiative it was usual for the budget to be controlled centrally. There was a strong correlation between the location of the budget and the level of knowledge of the overall cost of coaching to the organisation. Those HR Directors who held the budget centrally were well aware of the total investment the organisation was making and often under pressure to reduce it.

The corollary was that the majority of HR Directors had no idea what the total cost of coaching was to their organisation. [It seems that there may be both threats and opportunities in centralising budgets for leadership development!]

Most respondents reported that the level of fees that they were prepared to pay for coaching was dependent both on the level of the coachee and the expertise of the coach (i.e. a combination of internal and external factors). Two thirds of organisations said that they negotiated fees with individual coaches within central guidelines. Several reported that they only purchased coaching in programmes of six or twelve month's duration.

The wide range of fees quoted in the discussions are summarised in the following table (figure 1)

Level of coach/coachee	Per diem fee range(£)
Top coaches for top people	1500 to 3000
External coaches for SM's/HPO's	1000 to 1500
Sheep Dip for other levels	500 to 1000

Return on Investment

It is interesting to note that very few interviewees made an unsolicited mention of business impact. When prompted, half claimed that they considered it impossible to demonstrate a true financial return on the coaching investment.

Nearly all organisations were making attempts to evaluate the impact of the investment, but these were largely at an individual, rather than an organisational, level. The most prevalent practice was to measure the achievement of specific objectives within the normal annual review/appraisal process. The author perceived an ongoing trend to include SMART (Specific, Measurable, Attainable, Realistic, Time-bound) objectives for both performance and behaviours within such a process. The setting and monitoring of behavioural objectives was seen to have a direct relevance to measuring the effectiveness of coaching.

In most organisations objectives were agreed between the coachee and their line manager in advance of the specific coaching intervention, in addition to those set within the annual review.

Several organisations used the 'leadership effectiveness' measure within an annual employee engagement survey to evaluate the impact of coaching.

One organisation reported being in the process of **'building measurement tools'**.

Not all respondent organisations had the required critical mass of coaching taking place in a single business area to enable the measurement of organisational impact to take place.

Other issues identified in the research

Three respondents expressed concern over the difficulty of procuring coaches internationally. Whereas the UK was seen to have an over-supply of coaches this was not perceived to be the case in all the regions of the world where the organisation had a presence.

The author did not include a specific question on coaching supervision but it is interesting to note that there was little unsolicited mention of this subject.

One respondent believed that **'the coaching industry takes itself far too seriously and issues such as supervision and qualification are not really of concern to the client'**. [This respondent's organisation was relatively low on the coaching maturity scale described in the next section.]

The majority view, however, was that the industry **'needs better standards and better regulation'**.

It is interesting to note that several interviewees commented on the changing role of the coach. The advent of a team coaching approach and the continuing trend for coaching to become part of wider leadership development initiatives was seen to require coaches to become more skilled as both facilitators and consultants. There was an expectation that the trend towards team coaching and a better integration of development activities would continue into the future.

A model for identifying priorities for action

After holding seventeen meetings and recording answers to more than four hundred questions, the author offers a simple model for interested organisational readers to plot the maturity of their current approach to coaching. The matrix shown overleaf provides a framework for readers to evaluate their organisation's performance against nine criteria on a scale of one to five, thus producing a current coaching maturity profile (CCMP). Readers may then consider the future strategic needs of their organisation and how coaching may be used to support the achievement of business objectives, and plot the desired future coaching maturity profile (FCMP).

An analysis of the gaps will provide evidence as to where future efforts should be focussed.

Figure 2: A Model

	5	4	3	2	1	
STRATEGIC		X		X		TACTICAL
For the ORGANISATION			X		X	For the INDIVIDUAL
INTEGRATED	X		X			STAND ALONE
CONTROLLED	X			X		CHAOTIC
For the MANY		X	X			For a FEW
Seen as an INVESTMENT	X		X			Seen as a COST
Outcomes are MEASURED		X			X	Outcomes are ASSUMED
Professional SELECTION		X		X		CONTACTS led
Most talk is about BENEFITS		X	X			or about DISAPPOINTMENTS

X = Current Coaching Maturity Profile of a typical participating organisation

X = Required Future Coaching Maturity Profile of that organisation

It is intended to develop this model further to take advantage of the learning derived from the communication of the research findings.

What next for the research?

The author will provide feedback to participating organisations on how their practice compares to others, and will share the research findings with all interested parties. A more detailed process of 'coaching audit' will be available to organisations that have an appetite to review their approach to executive coaching in more depth.

It is intended to widen the opportunity to participate in the debate on these key issues through the launch of an on-line survey later in 2010.

In the meantime the author and his partners at Jericho will continue to champion the need for coaching to be strategically aligned to business objectives and for its value to be measured and demonstrated.

Conclusions

Not all organisations need, neither can they afford, to adopt **best practice** in coaching. What they need instead is **good practice** relevant to their particular needs and circumstances.

There currently exists much opportunity for organisations to derive **better value** from the significant sums that they invest in coaching.

There is no single answer to how best this may be achieved. The optimal approach in an individual organisation will depend on many factors, including the current state of maturity of the coaching process. However, now is a good time for organisations to review their approach and the best starting point is to undertake an audit of the current situation. An independent and holistic approach to such an audit is recommended.

Although this report may not have provided answers to all the 'big questions', it will have achieved its objective if it has stimulated new thinking and renewed energy for action.

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Thank you also to my friends at Jericho Partners for undertaking four of the structured interviews and for providing advice, support, input and inspiration throughout.

John Gilkes

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John Gilkes Biography

John has 35 years experience in a wide range of business environments, including Consumer Products, Business to Business, Manufacturing, Research, Consultancy, Education and Not-for-Profit.

After graduating with a Masters Degree in Physics and a Post-Graduate Certificate in Education, and following a brief flirtation with the world of Banking, John joined Unilever and worked in a wide range of Personnel roles, culminating in Head of Personnel for the international Research and Engineering Division. John left Unilever to become Group Director of Human Resources for De La Rue plc where he supported two successive Chief Executives during periods of major change.

In 2000 John joined DBM, and established a new service to support Chief Executives in career transition. He led the business to 70% revenue growth and personally coached more than 50 Chief Executives and Board Directors. In 2003 John was appointed Chief Executive of the Roffey Park Institute and led the transformation of the organisation over a five year period to deliver major enhancement to revenue and reputation. He stepped down in 2009 to pursue a portfolio of activities.

John's combination of experience gives him expertise as a coach and facilitator and a unique insight and ability to shape coaching and leadership development to improve organisational performance.

John has been a Director of the Devonshire House Management Club since 2006 and was appointed Chairman in July 2009.

Participating Organisations

AET

AMEC

Balfour Beatty Civil Engineering

Centrica

Delloitte and Touche LLP+

Department of Health+

Fujitsu Services

Health and Social Services Department, Welsh Assembly Government+

HSBC UK+

Intercontinental Hotels Group

Logica CMG

Ministry of Justice*

Serco Solutions*

Smith and Nephew

The Vita Group

Thomson Reuters

Yell plc

* Participated on specific issues

+ Interviewed by Jericho Partners

Research Core Questions

- Q1. What do you consider to be the main benefits of your investment in executive coaching and your greatest disappointments?
- Q2. Do you have an executive coaching strategy?
- Q3. Does it express specifically the purpose of your investment in coaching?
- Q4. Do you have an executive coaching policy?
- Q5. To what levels of management does this policy apply?
- Q6. Who is responsible for the development and implementation of the policy?
- Q7. Who holds the budgets for executive coaching?
- Q8. Who has the authority to engage a coach and do they have to be selected from a preferred supplier list?
- Q9. How does individual executive coaching fit within your overall performance and leadership development process?
- Q10. Do you measure the return on your coaching investment and, if so, by what method?
- Q11. Do you collect feedback on the performance of individual coaches and what do you use this for?
- Q12. What linkage is there between executive coaching and your other leadership development initiatives, including both internal and external programmes?
- Q13. To what extent are line managers formally involved in setting the objectives for subordinate coaching and the evaluation of its impact?
- Q14. Do you collect common themes arising from individual coaching for organisational use?
- Q15. Do you know the total annual cost of coaching across your whole business?
- Q16. What approach do you take to coach fees?
- Q17. What does your selection process of individual coaches include?
- Q18. Do you select a supplier company or individuals?
- Q19. Are coaches required to have formal qualifications?
- Q20. Do you have formal contracts with your coaches?