

# Vision Quest

## CONSULTING

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A Newsletter for Corporate Leaders

### The Business Case for Coaching

The higher up the organizational ladder an executive climbs, the less he/she can depend on their technical skills, and the more they must have command of effective interpersonal skills and emotional intelligence.

Organizations spend large sums of money to hire coaches for top executives in an effort to improve these abilities. Are coaching programs effective in improving bottom line performance for organizations?

Research by the Center for Creative Leadership has found that the primary causes of derailment in executives involve deficits in emotional competence. The three primary ones are:

1. Difficulty in handling change
2. Not being able to work well in a team
3. Poor interpersonal relations

A study of 130 executives found that how well people handled their own emotions determined how much people around them preferred to deal with them (Walter V. Clarke Associates, 1997). If you can't manage change well yourself, don't work well in a team environment, and have inadequate "people skills," how will you be able to function well as a leader? Good leaders need to have all of these skills, and the better they are at it, generally the further they go in the organization.

Effective coaches work with executives and other leaders to develop their proficiency in working with change. Their coaching helps leaders identify when teamwork is important, and how to use these skills to foster it. Coaching builds skills and broadens capacity to improve effective working relationships.

Coaching paves the way for decision makers to create higher levels of organizational effectiveness through dialogue, inquiry and positive interactions. Coaching creates awareness, purpose, competence and well-being among participants. Effective leadership coaching is NOT another feel-good exercise based on soft-skills that have no correlation to the bottom line.



Wendy Capland, CEO

*"We help you build management talent to grow your business long term."*

**Vision Quest Consulting** is a management consulting firm specializing in developing extraordinary leaders in organizations.

We are experts in leadership development. We provide leadership coaching, consulting and training to top executives and their teams.

We work with executive and senior managers who want to enhance their own effectiveness and the effectiveness and results of their management teams.

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In an article in the *Harvard Business Review* (Jan-Feb 1998) entitled “The Employee-Customer-Profit Chain at Sears”, by Rucci, Kirn and Quinn, a model was developed indicating that 5 units increase of employee attitude led to 1.3 unit increase in customers’ positive impression, resulting in 0.5 percent increase in revenue growth.

One study examined the effects of executive coaching in a public sector municipal agency. Thirty-one managers underwent a conventional managerial training program, followed by 8 weeks of one-on-one executive coaching. The training included goal setting, collaborative problem solving, practice, feedback, supervisory involvement, evaluation of end-results, and a public presentation.

Training alone increased productivity by 22.4 percent. Training and coaching combined increased productivity by 88 percent, a significantly greater gain compared to training alone. (Public Personnel Management, Washington, Winter 1997, Gerald Olivero; K Denise Bane; Richard E Kopelman). That’s nearly a 400% productivity increase! That kind of productivity has a definite bottom line impact.

Between 25 and 40 percent of Fortune 500 companies use executive coaches, according to the Hay Group, an international human-resources consultancy. According to a survey by Manchester, Inc., a Jacksonville, Florida, career management consulting firm, about 60 percent of organizations currently offer coaching or other developmental counseling to their managers and executives. Another 20 percent of companies said they plan to offer coaching within the next year.

Although it was once used as an intervention with troubled staff, coaching is now part of the standard leadership development training for executives in such companies as IBM, Motorola, J.P. Morgan Chase, Hewlett-Packard and many others. Brokerage firms and other sales-based organizations such as insurance companies use coaches to bolster performance of people in high-pressure, stressful jobs.

In some cases, coaching is geared toward correcting management behavior problems such as poor communication skills, failure to develop subordinates, or indecisiveness. More often, however, it is used to sharpen the leadership skills of high-potential individuals. Coaching can ensure the success, or decrease the failure rate, of newly promoted managers or newly hired managers, which is referred to as on-boarding.

*“People are in a legitimate state of doubt about galloping technology, globalization, heightened*

*competition and increased complexity,”* says Warren Bennis, who teaches leadership at the University of Southern California. *“They need someone to bounce ideas off of and to listen to their existential grousing.”*

Michigan-based Triad Performance Technologies, Inc. studied and evaluated the effects of a coaching intervention on a group of regional and district sales managers within a large telecom organization. The third party research study cites a 10:1 return on investment in less than one year.

The following business outcomes were directly attributed to the coaching intervention:

- Top performing staff, who were considering leaving the organization, were retained, resulting in reduced turnover, increased revenue, and improved customer satisfaction.
- A positive work environment was created, focusing on strategic account development and achieving higher sales volume.
- Customer revenues and customer satisfaction improved due to fully staffed and fully functioning territories.
- Revenues increased, due to managers improving their performance and exceeding their goals.

## The Confusion over Coaching

Coaching means many different things to different people. The occupation is emerging as an organized profession and sometimes struggles to find its identity. Coach training schools vary widely in their philosophies and competencies. Many consultants and persons trained in psychology are simply calling themselves coaches with no formal training or consistent standards adherence.

In many companies and industries coaching is showing up in several ways. One way is through the use of external coaches to work with key or targeted individuals (CEOs, high potential executives, problem managers). Another way is that some companies have hired internal executive and management coaches. Some companies have trained their own management and executive staff in coaching skills.

While all of these are valuable initiatives, each has its own unique implications.

How coaching is experienced by people in organizations, however, is not always clear. There is a great difference in the coaching experience that depends on whether the coach is truly independent, or not. Are they objective? Can they challenge

enough? Are they influenced by the politics? Do they have a vested interest in the results?

## Coaching without Responsibility, Accountability and Authority

The difference between an external coach and a manager who coaches is important, because it shapes the nature of the coaching relationship. Coaches should focus solely on the agenda of the person being coached in their capacity as part of a business or organizational system. When a manager is coaching, or using coaching skills, there is at the very least implicit pressure for some change in a desired direction. That pressure is also present when an organization designates internal personnel to do coaching.

With an external coach, the focus is often on the development of the person being coached, because the coach as a neutral advocate does not have the internal responsibility, accountability and or authority over internal politics and/or ramifications of betrayed confidentiality, whether intentional or accidental.

The most effective coaching helps clients identify the relationship between their own development and requirements of the business. There is a natural tension between these two streams of consciousness that an external coach can help clarify. By asking questions designed to examine assumptions and beliefs, the mental models of the person being coached are explored. This leads to double-loop learning (Argyris & Schon), where a person can improve not only performance, but emotional intelligence as well.

A truly effective coaching experience is one that provides long-lasting results. Ken Blanchard, who co-authored a book with Don Schula, the Dolphins Hall of Fame Head Coach, said in their collaboration book that *Everyone's a Coach*. To some degree or other it may be true that everyone can coach. But in the world of business and enterprise, not everyone's a *masterful* coach who knows about business and how to tie leadership development to business strategies, goals, and needs.

## Not Everyone Is a Masterful Coach

The work of effective coaching within organizations involves unleashing the human spirit and expanding people's capacity to stretch and grow beyond self-limiting boundaries. Coaching should not start with goal setting and problem solving, but rather with exploring the underlying concepts or mental models that a person relies on for meaning in their personal

and professional lives. What assumptions and beliefs determine behavior? The truly effective coach knows that you can't solve a problem before you know what the problem really is, and you can't know what the problem really is unless the person you are coaching has permission and authority to speak with candor and forthrightness.

Before focusing on performance issues, a masterful coach guides those involved through the exploration process, helping to identify openings and opportunities where there may have been blind spots and failures. He or she helps clarify what really matters to the person being coached. Together, they seek to align personal and organizational goals. Only then can there be commitment to right action within the context of the organizational culture and business reality.

Goleman, Boyatzis and McKee in their book *Primal Leadership* (Harvard Business School Press 2002) point out that despite the commonly held belief that every leader needs to be a good coach, they exhibit this style least often. In high-pressure situations, leaders say they "don't have the time" for coaching. Yet the evidence from the studies is clear. Effective leadership coaching not only develops better leaders; it improves productivity substantially - even exponentially, in some instances.

## The Critical Need for Impact Studies

What is not always clear in organizations is how initiatives of any sort dealing with intangibles can impact the bottom line.

One study conducted by MetrixGlobal for an executive coaching program was impressive. Seventy executives from a multi-national telecommunications company that included participants in the United States, Canada, Mexico, and Brazil were coached. MetrixGlobal performed an extensive survey of 43 coaching participants that yielded the following results:

*"Coaching produced a 529% return on investment and significant intangible benefits to the business. Including the financial benefits from employee retention, coaching boosted the overall ROI to 788%. The study provided powerful new insights into how to maximize the business impact from executive coaching."* —Merrill Anderson

The need for coaching to demonstrate the impact on the bottom line is critical. It is necessary to establish measurements before effective coaching programs can be implemented, in order to account for the changes induced by coaching.

## Emotional Intelligence, Coaching... and the Bottom Line

An analysis of more than 300 top-level executives from fifteen global companies showed that six emotional competencies distinguished stars from the average. They are:

Influence	Self-Confidence
Team Leadership	Achievement Drive
Organizational Awareness	Leadership

(Spencer, L. M., Jr., 1997)

Currently, organizations are looking at recent works on emotional intelligence to augment approaches to executive and management development. One study involved a leadership competence model developed by Lyle Spencer for an industrial controls firm, a \$2 billion global division of Siemens AG with 400 branches in 56 countries.

When star performers were compared to average managers, four competencies of emotional intelligence emerged as the unique strengths of the stars. Not a single one of these strengths related to technical or purely cognitive strengths. The following four abilities distinguished those managers who were star leaders - those whose growth in revenues and return on sales that placed their performance in the top 10 to 15 percent of the company:

The drive to achieve results	Skills in collaboration and teamwork
The ability to take initiative	The ability to lead teams

Then, with a clear idea of which competencies to target, another pool of managers was trained to cultivate these four strengths. They became familiar with, and were evaluated on each competence, and they set goals for improving them. The result was an additional \$1.5 million profit, double of that of a control comparison group who had no training.

This is a clear case for training in the competencies that involve emotional intelligence. Being able to identify and define such competencies is now made possible through 360 degree surveys such as the Emotional Competency Inventory, or ECI, developed by the Hay Group.

One of the most effective ways of accessing greater emotional competency is through effective coaching. Our coaches at **Vision Quest Consulting** help develop sound leadership, outstanding interpersonal practices and the ability to manage organizational conflicts. Coaching is about creating the capacity for appreciative and supportive interaction that leads to the achievement of business results.



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