

Saving Executive Coaching from the Fad Graveyard

Our theme is simply this. Executive Coaching is increasingly becoming a management fad, sold and purchased as a commodity, leading to its certain decline as a human resource tool.

Yet, where coaching is well focused as a risk management tool for maintaining investment in executive leadership, it can deliver value.

This article is based on collaboration between Square Peg International and the Berkeley Consulting Group. We have compared our experiences in executive leadership development and coaching in each of our local and global markets.

Our thinking is supplemented by a web survey completed in the autumn of 2004 by many suppliers, purchasers and users.

Our findings were originally presented to audiences in Toronto and London in late 2004, and Madrid in early 2005. Both North American and European audiences generally confirmed our insights and found our conclusions thought provoking and challenging.



Executive Coaching is Becoming a fad

Clearly, Executive Coaching is becoming immensely popular. Recent estimates peg the American market at about \$1 billion.

Some credit the growth in coaching to the crying need for more effective executive leadership in organisations of the new century. Hence, the marked growth in leadership development of the past decade is, to a degree, carrying executive coaching on its coat-tails. Organisations are also looking ahead to figure out who will fill their executive ranks, soon to be depleted as baby-boomers retire. We estimate that over 40% of executives will retire over the next 5 years.

Coaching is seen by many as an entitlement and executives are beginning to expect access to coaching support as part of their job.

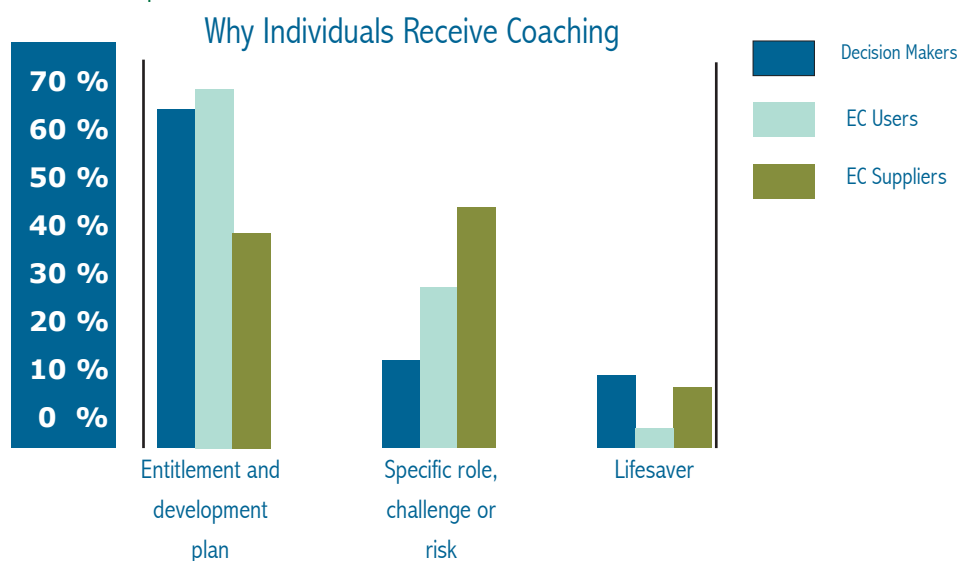
So, there is good reason for the apparent interest in investing in executive coaching. Yet, the response in the market appears even more dramatic than the demand. Some estimates put growth rates of executive coaches at 500% in the past five years, and see growth at the same rate in the next five years.

Out in the market, coaching is being packaged and sold as an executive coaching-in-a-box service. Coaches are being 'certified' and trained in processes that are supposedly special. In fact, it is becoming a commodity.

More and more executives are requesting coaching help as an 'entitlement' or 'life saver'.

Within organisations, Human Resource Departments are getting caught in the middle. To keep costs in line, they are listening to the suppliers pushing executive coaching-in-a-box services.

So, the problem here is that the growth cycle we are experiencing looks very much like that of a management fad- one that grows quickly and then diminishes just as quickly having failed to satisfy its excessive expectations.

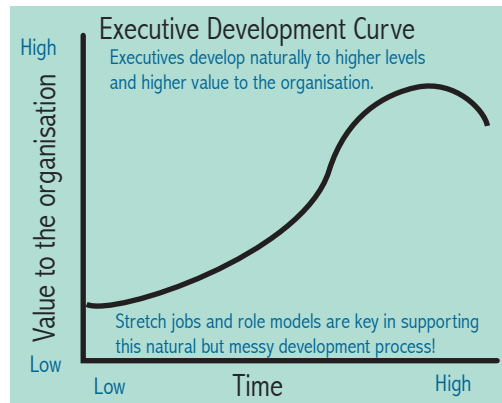


Our View of the Value of Executive Coaching

Square Peg and Berkeley Consulting have similar experiences with executive coaching, having gravitated there from the related management consulting fields of strategic organisational change and leadership advice. Not surprisingly, after sharing our experiences we found much in common.

Starting with the Natural Executive Development Process

Executive coaching is an ingredient in helping executives develop and provide value to their companies. So, the starting point for us is about how executives develop. The Executive Development Curve, shown here, displays the process as executives develop and become more valuable to their organisations. Fundamentally, this is a natural but messy process that happens over time.



Most studies suggest that 'stretch jobs' as well as role models or mentors are key contributors to that process. There are other enablers and supports to executive development including leadership development programs and executive coaching. However, there is no evidence that one ingredient is a panacea on its own.

Managing the Risk of Executive Development Success

Executives are an investment whose return increases as they rise up the organisational ladder. Sometimes, the executive costs or investments do not return much. That is the risk factor. Sometimes executives "crash and burn"; sometimes their experiences limit their future growth and development; sometimes they leave for greener pastures.

In our view, risk management is the key lens to use in looking at the value of executive coaching. The real value of coaching lies not in increasing the individual contribution of leaders, but in managing the risk of investment in executives.

There are two key risks that executive coaching can address:

1. The risk of an executive not delivering on expectations.
2. The risk that an executive fails on the way up the development curve, especially in difficult transition roles.





Risk of Not Meeting Expectations

Success is about delivering to and beyond expectations. That involves a process of managing expectations as well as delivering to them. Within this context, there are three clear risks.

1. Business Decision Risk- the single largest risk facing executives, which encompasses their personal judgements as well as the decisions made by others on their behalf. Examples of decision risks include:

Neglecting talent issues: not making tough people decisions early and often.

Control issues: making too many decisions themselves, often at the inappropriate level, making myopic decisions (not searching out diversity), and making superficial decisions (procrastinating or ignoring the “real” issues facing the organisation).

Strategically out-of-line decisions: decisions with no clear linkage to the strategic direction of the business or making self-centred decisions that support a personal agenda often leading to a silo mentality. These types of decisions often erode synergy from the overall corporate strategy and vision. Danger signs of these types of decisions include forgoing good business acumen for the status quo and developing a reliance on systems as a surrogate for good interpersonal skills.

Balancing speed and quality: either tardy decision making (the process of involving others can create data overload and bog the process down) or processless decision making (without quality involvement of key stakeholders and their perspective of the risks relative to a decision) if not balanced, can result in failure.

2. Leadership Style-Misfit Risk- certain leadership styles fit some situations better than others. Growth means that executives need to demonstrate a breadth of styles to fit various jobs. Sometimes, their inability to do so may restrict their potential and successfully managing their way to the next desired position. Examples of these risks include:

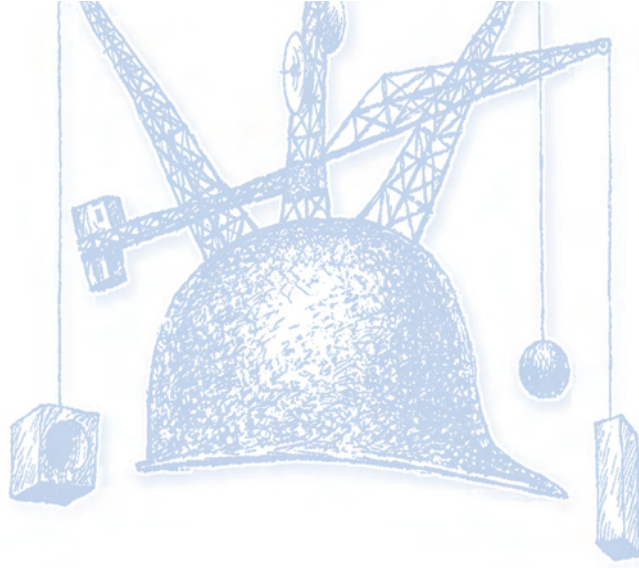
Executive Style/Strategic Requirements Misfit: sometimes, executives need to demonstrate styles outside their natural strength to fit the strategic requirements of a role - a merger and change mode, versus a stable operational mandate. With their Achilles heel exposed, some do not make it.

Corporate Culture Misfit: an executive may shift into a new corporate culture with different norms. Some executives may not naturally fit into the new culture and have difficulty with meeting new expectations.

Culture Misfit: global executives need to manage others from different cultures, languages, nationalities, and so on. This creates style conflicts and communication issues that need to be solved. Some styles are more flexible and can make these accommodations and learn; others have more problems.

3. Organisational Alignment and Commitment Risk- the degree to which executives are perceived to demonstrate commitment to advancing corporate goals. To effectively implement strategic change, the executive must understand and own the strategies. Their expectations must be aligned to those of the organisation in terms of the desired culture, climate, and strategy. They must accept the agreed upon strategy, commit to its implementation, and ensure that their personal goals are in line with the objectives of the organisation. Leaders also must have the competence in terms of skills, abilities and leadership approach to get the job done.

During the executive coaching process, able coaches can work with the executive to identify and mitigate these risks.



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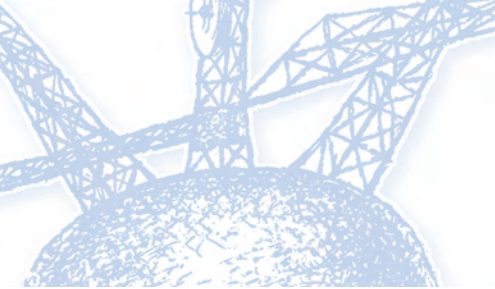
ole Transition Risk

Executive development requires an individual to grow and take on higher level challenges as they develop. Executives evolve through these transitions. However, executives are especially vulnerable when evolving into roles and new settings - taking on 'impossible' jobs, assuming a stretch job too early in their career, moving to a new culture or company, or experiencing a new function that does not fit their competencies.

Transition Role Risk Factors

- New job - never been done before
- Knowledge requirements key
- Company direction or results not clear
- Dramatic change expected
- Degree of influence needed to get results
- Breadth and diversity of scope
- Cultural scope or differences
- Organisational setting (HQ, Field)

During a series of assignments with a global client, we identified the risks of role transition and a number of factors that contributed to the level of that transition risk. This experience taught us the importance of providing support through the most difficult transitions. Executive coaching can be particularly worthwhile when directed at helping high potential executives navigate their way through 'stretch' role transitions. Typically, a comparison of the person's expertise, experience, emotional and analytic intelligence, talents and flexibility with the new role requirements will reveal the key risks.



Fallacy of Measuring Return from Coaching

"Not everything that counts can be counted
and not everything that can be counted, counts."

Albert Einstein

In fact, like Albert Einstein, we believe that measurement is a red herring. Measuring return from coaching is not relevant or helpful. After all, measuring the executive assets that did not crash and burn is not easy. Executive coaching, as a tool, should be mostly about managing risk, not as ROI, i.e., preventing a business loss from poor decisions or avoiding the loss of executive talent when executives leave after a bad experience.

Selective Investment versus Cost Control

Executive coaching is costly. From our survey results, formal controls are not yet widely in place. With little or no monitoring of the services being purchased, and yet increasing concern for cost containment, one can assume that human resource controls are on the way.

Not surprisingly, some attention will be directed to making coaching less costly or at least controlling its cost growth. That will support the approach now in the market place to treat executive coaching as a commodity.

Making coaching cheap does not necessarily increase its value. In our 'risk management' view, one needs to look at the value of the asset being protected. Coaching protects investments in good people - it does not salvage lost causes! Coaching is about helping good executives do their jobs and deliver to expectations given their talents and situation. Therefore, investment needs to be focused on high potential executives and those in transition.

Selecting the Right

There is no Secret Formula- Coaching Processes are not Different!

Despite the market buzz, there are no secret formulas and no perfect coaching processes. Yet, there is an explosion of organisations claiming to have the secret formula who are missing the point that individual coaching is by its nature a bespoke or individualised proposition.

Process is not a differentiator. Coaching processes are largely built on the same sound logic and research.

Common Ingredients of Coaching Processes

- Establish rapport between coach and executive.
- Understand the person's talents so as to build on strengths- using 360° testing.
- Clarify business requirements and expectations.
- Assess (objectively) the match between executive strengths and requirements.
- Establish and contract the executive's behavioural objectives based on assessment.
- Follow-up program using behavioural change monitoring and support.
- Close-out with an evaluation of whether objectives were met.

While packaged approaches to 'certifying' coaches are popular, there is no evidence that one approach is much different, let alone more effective, than others. Eventually, the 'commodity' approach will run its course, as have so many management fads.

Approach or Coach

Selecting the Right Coach Matters

The survey evidence, while not 100% conclusive, suggests that there is little formality in the process of selecting coaches to date. On the other hand, there is no clear evidence of what criteria one would use.

While the jury is out about what makes an executive coach more qualified or more effective, in our view selecting the right coach does matter.

- For one thing, research into almost all counselling activities demonstrates that the fit between counsellor and subject matters. However, it goes beyond having rapport!
- The survey suggests a gap exists between the type of coaches that are used and those who are needed. Many coaches fully understand the process steps of coaching, but they overemphasise the ‘soft personality’ issues or are too ‘empathetic’ with their clients, to the exclusion of the business issues.
- In the case of executive coaching, the coach also needs to fit the situation - the company and nature of the challenge. Generally, survey respondents agreed; most feeling that coaches needed to know or get to know the business context to be useful.

Coaching situations raise inherent conflicts for coaches. Coaches need the character to deal with these effectively. Coaches need to demonstrate courage and expertise to address difficult issues, often putting them at risk of losing future business.

It is about the coach serving as “an outsourced supplier of candour”. Hence, the personal character and talents of coaches are important.

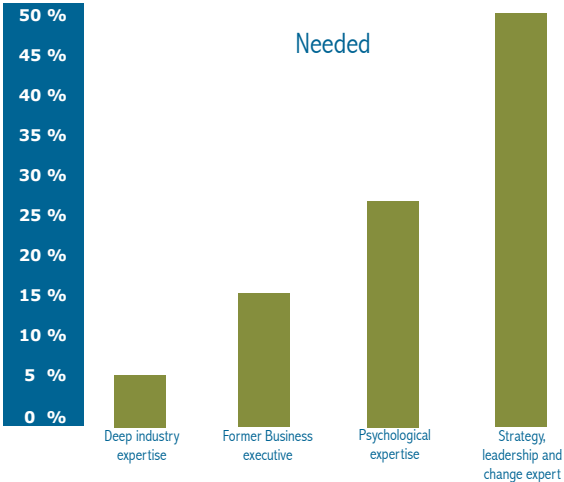
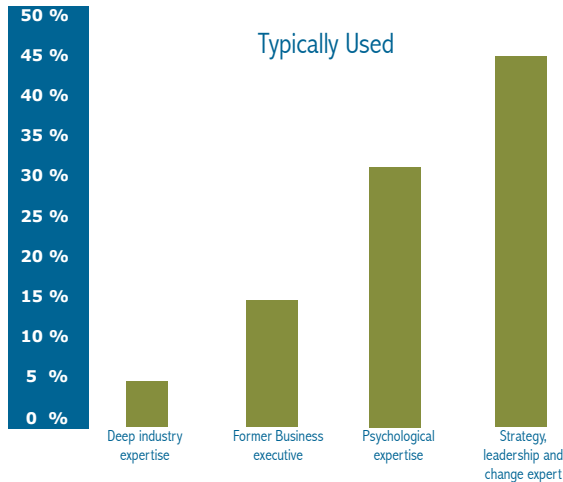
- Coaches should be non-judgemental, tactful, contrarians who suppress their own ego to the benefit of the client.
- Business success is the aim. Coaches must understand the business context, challenge the blind spots, and have the ability to be a devil’s advocate.

Common Success Ingredients - a Business Focus

Real value and excellence come from executive coaches who understand business, who are impartial, and who are courageous in challenging their clients. Our experience offers the following ingredients for successful coaching interventions:

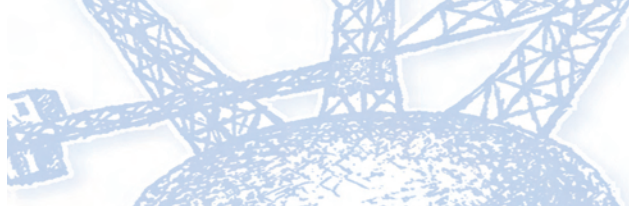
- Be careful to address what we call the “domino issue”(resolve a domino issue and all kinds of other issues fall into place).
- Find practical first steps for individuals to act on and that show tangible improvements.

This is consistent with the survey findings. We found that a gap exists between what coaches currently do and what they ought to do. All survey participants (suppliers, purchasers, users) believe more focus should be on achieving business objectives and action planning than on issues such as changing interpersonal style, people skills, or balancing stress and wellness.



Users and decision-makers (HR) want a shift from psychological expertise based coaches to coaches who can address issues of strategy, leadership and change management.





Human Resources Becoming Caught in the Value Dilemma

The growing popularity of executive coaching is placing great pressure on human resource departments to respond. To date, there appears to be little formality to the process of deciding on coaching or selecting coaches. However, human resources is clearly involved in the leadership development process and is naturally becoming a gatekeeper to the growing need for executive coaching, whether it wants to or not.

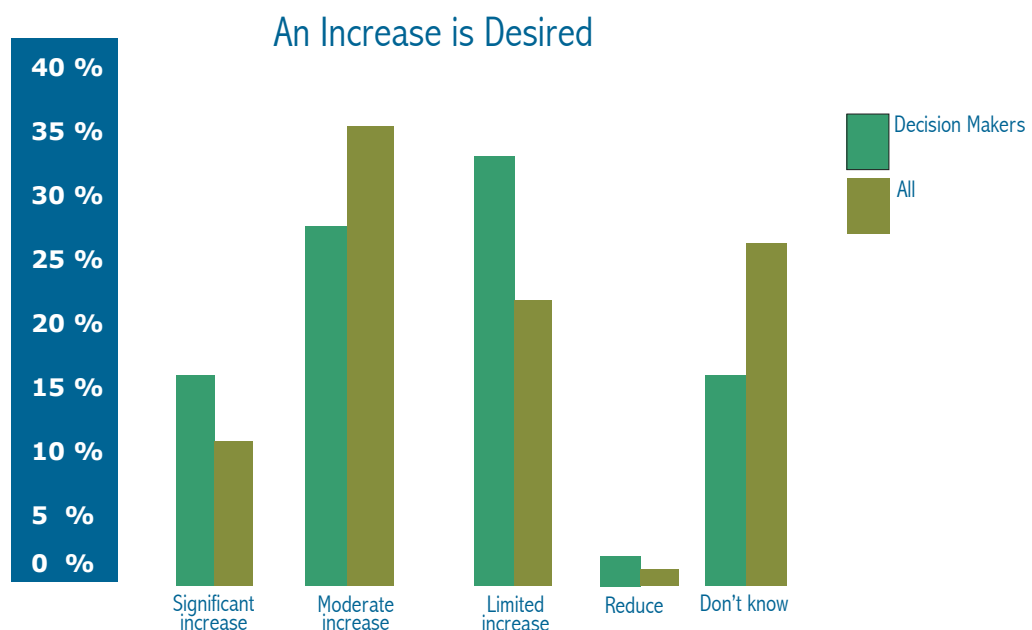
The key issues that need attention involve the question of the value of investing in coaching, and the decisions of who should get it and how it should be purchased.

Concerns about who Benefits from Coaching

Although the usefulness of measuring ROI is in question, some argue that intrinsically executive coaching creates a significant return on investment. That would support the view that organisations should invest heavily in executive coaching. Our survey suggests that not everyone is convinced.

Users and suppliers are positive about the need for an increased investment in coaching. Yet, almost 40% of decision makers are not sure that a greater investment in coaching is desirable.

Our survey shows clearly that most (87%) believe executive coaching delivers value to the individual. Fewer believe that the organisation also receives high payback, especially among decision makers (human resources) - here, less than 50% see high payback to the organisation, i.e., people take the benefit and move on to new pastures.



Concluding on our Fears and Hopes

Our main fear is that executive coaching has become too popular, so its value will become questioned and will fall into disfavour.

- Suppliers are turning it into a commodity product with packaged solutions.
- Coaches are being certified by being fed coaching processes that are appropriate but not sufficient to create success.
- Buyers will begin to control the use of coaching by rationing it and limiting its cost.
- Coaching will be bought on a standard per unit basis.

We see this as leading executive coaching into the fad graveyard.

We want to save it and ensure it plays its proper role in the executive development process. This means our hope is that clients will:

- Invest selectively in high potential executives to avoid risk of loss and failure.
- Ensure coaches fit the situation and demonstrate the character to be frank with clients.
- While avoiding dependence on external coaches, invest enough in key executive assets to make a difference.
- Build relationships with high quality coaching suppliers that include accountability for qualitative results.

That is what the dialogue is all about! We welcome responses and your views.



Why Square Peg?

Organisational effectiveness is our business. At Square Peg, organisational effectiveness is our business - performance is our goal. Our consultants are seasoned experts who understand, from first-hand experience, the challenges of running and growing an organisation. Our research and constant search for global best practices ensures that we deliver innovative workable solutions to help meet those challenges head on.

Clients are why we exist. Our success formula of growing one client at a time works and we now provide support to clients all over the world. As a small focused firm we can dedicate the attention and time required to develop long standing, valued, relationships with many of our clients more than 20 years in some cases. This approach allows us to have a complete understanding of their needs and means that we can move quickly to focus our efforts on activities that add value. Our creative solutions are inspired by our overriding commitment to total client satisfaction. We strive for a special synergy in our client relationships. We challenge each other. Brainstorm. Test ideas. Lock in solutions.

We have a “no bull” attitude. Like all highly successful market focused businesses, Square Peg International's future isn't just about money. What we really believe sets us apart is the integrity we bring to our work; it is about leadership, making things happen, and a “no-bull attitude”. We believe that business success is not achieved through brilliant strategy. It is achieved through the brilliant execution of strategy: solutions need to pass the common sense test - always!

We take a complete approach. Unlike other firms which bring only functional or technical expertise, we take an holistic approach to our engagements, focusing on the strategy, leadership and people practices that contribute to organisational effectiveness. This approach, combined with our strong commercial acumen, results in recommendations that are fact-based, results-oriented and actionable.

We use a flexible, bespoke approach to consulting. We do not use off-the shelf solutions, we do not have to. We are innovators - thought leaders with global breadth and depth of services. Our network of consultants and independent associates can provide whatever level of service that our clients need, from over-the-shoulder advice to hands on involvement.

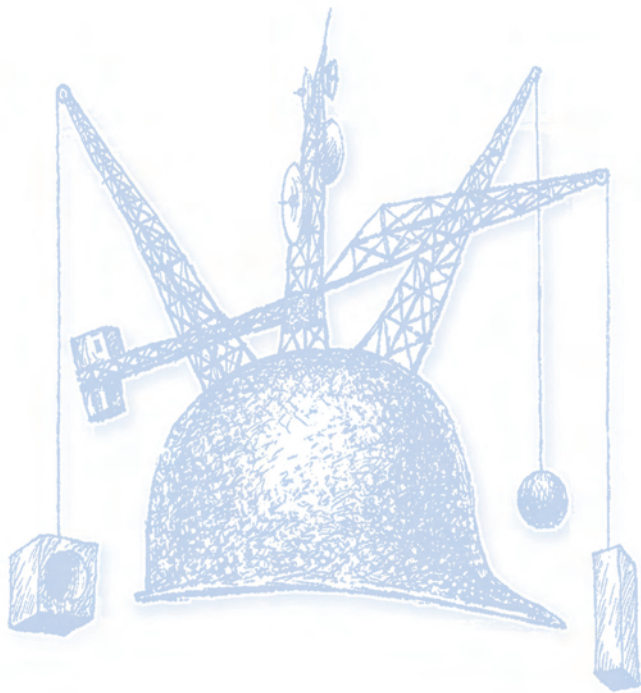
We know that the best consulting services are an investment not a cost. Square Peg strives to deliver the best return on your investment. We can help your organisation achieve organisational excellence.

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bout the Authors

Douglas Ross is the European Managing Director of Square Peg International. His multinational team has recently won the appointment as global suppliers to executive coaching for one of the world's best known brands. Doug has been honoured by the Canadian Government for his leadership work and has been recognised by the Independent Newspaper as one of the top 10 management consultants in the UK. Doug is co-author of the groundbreaking European Human Capital Index, which links people practices to shareholder value and is author of recently published articles including The Success Equation, and Beyond Lip Service. Prior to joining Square Peg, Doug retired his Partnership in Watson Wyatt where as part of their Human Capital Group he supported clients for over a decade in more than 20 countries. He holds an MBA and is a Certified Management Consultant.

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A bout Square Peg International Ltd.

Square Peg is an international boutique consulting practice that provides an integrating force in the alignment and effectiveness of organisations. Our services are based on the interrelationship between business strategy, leadership and HR - our focus is to help clients improve performance and drive value.

As business consultants focused on the people side of change we support clients managing a variety of enterprise-wide changes such as M&A's, establishing new mandates, aligning organisations to new challenge and meeting expectations.

We maximise productivity, performance and morale and drive value by accelerating results, ensuring their quality, and measuring their impact. From our offices in the UK and North America we assist companies to capture the full value of their investment in people.

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