

What Coaching Can and Cannot Do for Your Organization

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The authors conducted a survey to measure the organizational impact of coaching. Organizations making greater use of external coaches for senior executives report improved alignment among the leadership team, the team's ability to execute strategy, and leadership behaviors. Greater use of internal coaches is associated with improved teamwork and strategy execution at management levels throughout the organization—high, medium, low. More internal coaching for middle managers appears to improve culture and morale.

Organizations addressing derailment risks through the greater use of internal coaches report positive outcomes; the opposite holds for greater use of external coaches for derailment risks. More internal coaching for solid performers can improve motivation and organization culture, yet they are least likely to receive coaching, compared to high potentials and derailment risks. How coaching is managed also affects organizational outcomes: Organizations that use central coordination of coaching and evaluate its effectiveness report better results. What is measured appears to affect what happens.

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

To bridge this knowledge gap, the authors conducted a research study to identify enterprise-wide best practices in coaching. We define coaching as one-on-one interventions with an individual who is not the executive’s supervisor, where the focus is on job-related issues such as demonstrating leadership behaviors, new job transitions, and job performance/avoiding derailment. The emphasis is on building the executive’s ability to deal with the issues using his or her own decision making skills, versus telling him or her the specific actions to undertake.

We conducted initial interviews with 10 companies to identify the issues for the survey, then surveyed a broader sample of 55 companies regarding how they manage and measure coaching and other feedback tools. The survey was conducted on-line, targeting individuals with responsibility for leadership and organization development in large companies. The typical survey respondent was the person responsible for coaching initiatives in his or her organization, with a title of manager, director, or vice president of HR in leadership development, talent management, or organization development. Most of the companies (80%) are multinationals, with mean 2003 annual sales of \$18.5 billion (median \$10.0 billion), and 34,000 median employees. With the exception of one responding company, which had only \$1 million in sales, all the other respondents had at least \$400 million in annual sales, and 95 percent had sales greater than \$1 billion. Thus the sample is dominated by large companies.

The study focused on the following questions:

1. To what degree does coaching influence organizational capabilities, including teamwork and execution; communication; and employee motivation, organizational culture, and values?
2. Do organizations that use coaching more extensively perceive greater effectiveness?
3. Are internal versus external coaches better suited for achieving certain outcomes?
4. How much do companies manage the coaching process and measure the impact?

One potential concern about the survey ratings is that they are self-reports; thus, organizations making greater use of coaching may have responses biased toward indicating positive coaching impacts. To address this, in the interviews used to design the survey we probed for the respondents’ attitudes toward coaching. Despite the fact that the typical respondent plays a role in monitoring or coordinating coaching in his or her organization, our interview results indicated the respondents were not necessarily enamored of their organizations’ utilization of coaching. To the contrary, they almost unanimously were constructively skeptical that coaching

as currently applied in most organizations yields large benefits for everyone receiving it.

One reason for their skepticism was the disorganized approach to coaching today. Often, individual managers engage external coaches one-on-one with little oversight from leadership or organization development specialists who could help improve decision making about coaching. One area of concern is the initial decision to use coaching, versus a possibly better use for the coaching dollars targeted toward other staffing, developmental, or performance interventions. Given the growing groundswell of support for coaching among many senior line leaders, it is often easier to get budget dollars allocated for coaching over other developmental initiatives.

EXHIBIT 1

Sample Characteristics

Coaching Study Characteristics of Participating Companies	
N	55
Revenues/Sales \$billions FY2003	
Mean	\$18.5
Median	\$10.0
Std. Deviation	\$20.9
Country in Which Headquartered	
Bermuda	1
Canada	5
Germany	1
Italy	1
Mexico	1
Norway	1
Switzerland	1
United Kingdom	1
USA	43
Company Type	
Non-Profit	2
Private	6
Publicly Traded	43
Subsidiary	4

The second area of concern is the lack of organizational learning regarding coaching. With so many coaches being hired and evaluated, if at all, in a decentralized manner throughout the business units where the executives work, the interviewees expressed frustration that some of the basic “good housekeeping principles” regarding identifying effective coaches, matching coaches to coachees, setting proper expectations for the coaching intervention, etc., were being learned and relearned over and over again. The recognition of lack

of knowledge management and uniform processes as implied by the interview results increased our confidence in the survey respondents' ability to provide unbiased assessments of the benefits of current organizational coaching practices.

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

The Nature and Prevalence of Coaching

A key objective of the study was to measure the extent to which coaching takes place in organizations. Because of coaching's growing popularity, we did not focus on measures of coaching incidence over an executive's career. Such long-run measures should yield high incidence rates, given the likelihood an executive will work with a coach at some point during a career. Instead, the survey question asked about the use of coaching as a "significant source of feedback and help on a yearly basis" for different groups of executives and managers. This undoubtedly lowered the measured incidence relative to measures of "any" coaching during the course of a year. Despite this, the survey results indicated relatively high rates of coaching.

EXHIBIT 2

Usage of External and Internal Coaching as a Major Source of Feedback

"Please estimate the percentage of the following people for whom (external/internal) coaches are a significant source of feedback and help on a yearly basis."

	<i>% Who Receive External Coaching on a Yearly Basis¹</i>	<i>% Who Receive Internal Coaching on a Yearly Basis²</i>
Managers who are high potentials	7.5	22.8
Managers who are solid performers	1.3	9.8
Managers who are derailment risks	6.4	12.4
CEO and top management team	23.9	15.5
Senior VPs and GMs	16.3	16.0
VPs	10.9	16.7
Directors and middle managers	4.0	12.2
First line supervisors	0.5	11.3

¹ Calculated over entire sample (N=55)

² Calculated over sample of respondents who answered questions about internal coaching (N=33)

On average, the participating companies provide external coaching on a regular basis for only 4 percent of their middle managers and 1 percent of first line supervisors, versus 24 percent of their CEOs and top management team, 16 percent of their general managers and senior vice presidents, and 11 percent of their vice presidents. Some insight into the motivation for using external coaching is reflected in the following quote from one of our interviews. Explains Steve Arneson, senior vice president of executive development at Capital One:

Coaching is a critical part of our executive development strategy. We believe external coaches provide an independent stimulus for growth and development, providing direct feedback and a clear plan to address developmental opportunities in a "game changing way." With our coaching program, we're not merely trying to boost performance and results, we're looking to build a deep bench of effective people leaders for the company's future.

Only 60 percent of the companies report any internal coaching. In contrast, all the participating companies provide external coaching. This may partly reflect response bias: Only companies that focus on external coaching might have responded. Yet the interviews found external coaches are often used at the most senior levels of the organization because of "bandwidth" issues with internal coaches: It often is impractical for the board of directors to coach the CEO and president, or for the CEO/president to coach the entire top management team. Hence the prevalence of external coaches at very senior levels, even in organizations that use internal coaches at lower levels of management: The extent of use of external coaches for each managerial level is about the same in the 60 percent of organizations that use internal coaches as it is in the 40 percent that use only external coaches. Internal coaches are provided on a much more uniform basis in the organizations that use them, ranging between 11 percent and 17 percent for the different levels of management from the top to the bottom of the organization.

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

A majority (57%) of the companies indicated they plan to increase the use of coaching "moderately" or "a lot." Only 2 percent plan to decrease coaching "moderately"; the balance (41%) plan no change in the amount of coaching provided. So the trend clearly is toward greater use of coaching. The tide is definitely rising—but is it lifting all boats?

Coaching Helps, But Not for Everything

Companies report that coaching has the biggest positive impact on micro-level outcomes such as developing future leaders and improving leadership behaviors and individual employees'

performance. These often are the main objectives of coaching, so it is good to know that it appears to be accomplishing its objectives—at least partially. A note of caution, however, is that the average positive impact that organizations perceive from coaching in these areas lies in the “moderate” to “large” range, not the top choice of “extremely large,” including strategy execution, teamwork, change management, perceived responsiveness of management, employee motivation, and organizational culture and values. These outcomes depend on more than one person alone. Employee morale, organizational culture, and conflicts about company values may be beyond the reach of even the most compelling coaching program alone.

Who Gets the Coaching Matters as Much as Who Gives It

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

In order to conduct the analysis, we first factor analyzed¹ the individual survey items in Exhibit 3 to identify the unique constructs. Doing so produced three groupings:

1. Coaching’s impact on strategy and teamwork: Three-item scale consisting of
 - a. Ability to execute business strategy,
 - b. Alignment and teamwork among the senior leadership team, and
 - c. Teamwork at levels below the senior leadership team (alpha = .77)

2. Impact on employee motivation and organization culture: Two-item scale consisting of
 - a. Motivation of employees, and
 - b. Organization culture and values (alpha = .75)
3. Impact on communication and perceived responsiveness of management: Two-item scale consisting of
 - a. Perception that management is responsive to workplace issues, and
 - b. Communication of important but sensitive messages (alpha = .77)

We then used each of these three effectiveness constructs in univariate regressions with the measures of the coaching usage on a regular basis for people at each level of the organization (from Exhibit 2). This enabled us to see how differences in the prevalence of coaching across organizations are related to the effectiveness of coaching. Instances of statistically significant positive results indicate that “more is better,” whereas negative results indicate that “less is better.” Given the nature of the analysis and the range of the data, positive results mean that organizations making more use of coaching for that group at the level observed in the data report better results. We cannot, in contrast, conclude that going to 100 percent coaching for any group of executives would necessarily produce positive results, because the vast majority of survey respondents have responses well below that extreme scenario. Instead, the implication is that increasing from very low (or zero levels) to the levels at or somewhat above those indicated in Exhibit 2, on average, should improve the effectiveness of coaching in an

EXHIBIT 3		
Perceived Impact of Coaching		
“How effective overall is the coaching that takes place in your organization?” Mean = 3.4 Scale: 1 = Not At All Effective; 2 = Slightly Effective; 3 = Moderately Effective; 4 = Effective; 5 = Highly Effective		
“Please indicate the extent to which coaching has a positive impact on each of the following in your organization: Scale: 1 = Not at all; 2 = Slight; 3 = Moderate; 4 = Large; 5 = Extremely Large”	<i>Mean</i>	<i>% Indicating “Large” or “Extremely Large”</i>
1. My organization’s ability to execute its business strategy	3.1	33.3%
2. Alignment and teamwork among our senior leadership team	3.2	37.0%
3. Teamwork at levels below the senior leadership team	3.2	30.2%
4. The effectiveness of my organization’s talent management processes	3.0	27.8%
5. Development of future leaders	3.8	53.7%
6. The effectiveness of our change management efforts	3.0	29.6%
7. Our senior managers’ use of appropriate leadership behaviors	3.6	51.9%
8. The motivation or engagement level of our employees/team	3.0	25.9%
9. The improvement of individual employee’s performance	3.5	48.2%
10. Organizational culture and values	3.1	27.8%
11. The perception that management is responsive to workplace issues	2.6	11.3%
12. The notion that development is important in this organization	3.7	55.6%
13. Communication of important but sensitive messages	2.8	33.3%

organization, though only in cases in which the results in Exhibit 4 are positive and statistically significant.

Note in Exhibit 4 that, in all but a handful of cases, there is no statistically significant correlation between overall coaching effectiveness and the extent to which it is used in an organization; thus, more usually does not equal better. But where coaching is deployed within an organization—and under what circumstances—appeared to make a significant difference in some cases: Organizations in which coaching is focused on positive performance outcomes report better results than those that use coaching extensively for “problem cases.”

Using external coaches for the CEO or top management team along with senior VPs and GMs correlates with perceived overall coaching effectiveness at the 1 percent level of significance. When external coaches are engaged at such senior levels, it can set a positive tone for the organization and send a message that even very high-performing leaders can and should improve. The specific perceived coaching outcomes that are positively related to the extent

of coaching use varied, however, for the different management layers throughout the organization, as shown in Exhibit 5, which summarizes the results and implications from Exhibit 4.

Relying on outside coaches for derailment may not only tar poor performers, it also suggests that the organization abdicates responsibility for tough conversations about performance issues. As noted by an experienced coach who reviewed these results, one problem with companies extensively using coaching for derailment risks is timing. External coaches often are used to “save” an executive from failure when it’s too late: like closing the barn door after the horse has already gone. Given the large financial resources needed to support extensive use of external coaches, the survey results suggest that such organizations might do better by reigning in the dollars spent on already derailed executives. A better use of those dollars would be pre-derailment interventions for the executive and his/her team of direct reports, peers, and manager.

Using internal coaches in derailment cases, in contrast, may signal that the company takes performance issues seriously and

EXHIBIT 4

Effectiveness Regression Results

Extent of Use of Internal vs. External Coaching at Different Levels of the Organization and Perceived Effectiveness

Extent of use of coaching for:	Overall Effectiveness of Coaching		Impact of Coaching on Strategy and Teamwork		Impact of Coaching on Employee Motivation and Organization Culture		Impact of Coaching on Communication and Perceived Responsiveness of Management	
	Extent of use of external coaching	Extent of use of internal coaching	Extent of use of external coaching	Extent of use of internal coaching	Extent of use of external coaching	Extent of use of internal coaching	Extent of use of external coaching	Extent of use of internal coaching
High Potentials	.006	-.000	.002	.003	-.010	.008	-.009	.002
Solid Performers	.008	.011	-.034	.014*	-.017	.018**	-.035	.004
Derailment Risks	.003	.002	-.014	.004	-.022*	.013*	-.027**	-.007
CEO and Top Management Team	.009***	.004	.007**	.008*	.002	.006	.001	.001
Senior VPs and GMs	.010***	.005	.006	.008*	.003	.005	.002	.000
VPs: Internal Coaches	.010*	.004	.007	.009*	.001	.005	-.006	.000
Directors and Middle Managers	.013	.008	.002	.012*	.011	.013*	-.013	-.002
First Line Supervisors	.060	.006	-.024	.007	.095	.010	.040	-.003

* $p \leq .10$

** $p \leq .05$

*** $p \leq .01$

Note: Each cell contains the results from a univariate regression of the extent of use of coaching for a particular group (row) on the perceived effectiveness of coaching (column). The number of observations ranges from 53 to 54, depending on the regression.

EXHIBIT 5

Summary and Implications of Significant Regression Results

	<i>Findings</i>	<i>Implications</i>
External Coaches		
	<ul style="list-style-type: none"> ➤ For the CEO and top management team, greater use of external coaches is positively correlated only with coaching impacting alignment among the senior leadership team and strategy execution. 	<ul style="list-style-type: none"> ➤ External coaches for the CEO and top management team tend to achieve better results when focusing on alignment among the leadership team and the team's ability to execute the strategy. External coaches for GMs and senior VPs tend to achieve better results when focusing on improving those executives' leadership behaviors.
	<ul style="list-style-type: none"> ➤ For the level just below the top management team—GMs and senior VPs—greater use of external coaches is positively correlated only with coaching impacting senior managers' use of appropriate leadership behaviors. 	
Internal Coaches		
	<ul style="list-style-type: none"> ➤ Greater use of internal coaches for almost all management levels (with the exception of first line supervisors) is positively correlated with coaching impacting strategy execution and teamwork throughout the organization. 	<ul style="list-style-type: none"> ➤ Internal coaches can help improve teamwork and strategy execution at management levels throughout the organization: high, medium, and low. Targeting internal coaches at middle managers can pay off in terms of improved culture and morale.
	<ul style="list-style-type: none"> ➤ Greater use of internal coaches for directors, middle managers, and solid performers is positively correlated with coaching impacting employee motivation and organization culture. 	
Derailment Risks		
	<ul style="list-style-type: none"> ➤ Using external coaches extensively for derailment risks is <i>negatively</i> correlated with perceptions that coaching can impact employee motivation, organization culture and values, communication, and the perceived responsiveness of management. 	<ul style="list-style-type: none"> ➤ It is fine to use internal coaches for derailment risks. There appears to be little benefit to using external coaches extensively for derailment risks.
	<ul style="list-style-type: none"> ➤ In contrast, using internal coaching extensively for derailment risks is <i>positively</i> correlated with employee motivation and organization culture and values. 	

is willing to invest the time of its own people, not just dollars, in supporting an employee's efforts to improve. Internal coaches may also be better positioned to leverage other people and resources in the organization to help solve the issues that lead to derailment. When used regularly for various levels in the management hierarchy, internal coaches also appear to improve the organization's ability to execute strategy and teamwork, and, to a lesser extent, employee motivation and organization culture.

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

Few Companies Manage Coaching for Maximum Benefit

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

Most executives do not understand coaching provider differentiators or how they should use a coach; they simply want to complete the coaching process. There are also perverse incentives for the coaches because most are paid on a time basis, which creates disincentives to resolve complex foundational issues that may be at

the core of executive ineffectiveness. Companies that do not rigorously manage the coaching process will likely find that they do not know what value they derive from coaching or even what to expect from a coaching assignment.

Quality control issues are not limited to external coaches. Among the respondents, only 49 percent of their internal coaches have been trained, and 12 percent of internal coaches have been certified. As shown in Exhibit 6, the most likely reason for the low level of certification is the low perceived value that it provides. Certification as a coach or a degree in psychology are perceived to be much less important for successful coaches, compared to leadership and general business experience, which are rated the highest.

Another negative finding is the lack of systematic goal setting and follow-up to gauge coaching effectiveness. Only one-third of external and internal coaching engagements are evaluated for their effectiveness. Fewer than 40 percent of respondents (33% “frequently” and 5% “all the time”) use follow-up 360-degree feedback to assess the effectiveness of coaching, making it difficult to tell whether behavioral change has occurred.

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

Our analysis suggests a direct link between better measurement and management of the coaching process and coaching effectiveness. Organizations making greater use of centralized coordination of external coaching engagements reported greater positive impacts on employee attitudes and organizational culture. And those organizations that evaluated the effectiveness of a greater fraction of external coaching engagements reported greater overall coaching effectiveness. What you measure truly may be what you get.



Too often, coaching is judged solely by whether the coachees felt good about the process rather than whether they were challenged by it.

In a recent article,² coaching gurus Marshall Goldsmith and Howard Morgan (2004) cite studies showing that leaders who regularly ask for input are seen as being more effective. Only with a stated behavioral objective and a commitment to evaluate results through follow-up reviews is this process of stakeholder feedback fully leveraged.

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

EXHIBIT 6

Coach Characteristics and Effectiveness

“Based on your organization’s experience, what is the impact of each of the following coach characteristics on the effectiveness of a coaching engagement?”

Scale:

- 1 = Big Negative Impact
- 2 = Negative Impact
- 3 = Slight Negative Impact
- 4 = No Impact
- 5 = Slight Positive Impact
- 6 = Positive Impact
- 7 = Big Positive Impact

1. General business experience	6.1
2. Business experience in our industry	5.6
3. Business experience in our company	5.4
4. A degree in psychology	4.8
5. Professional certification as a coach	4.7
6. Prior experience coaching in our industry	5.4
7. Prior experience coaching in our organization	5.8
8. Prior leadership experience	6.2
9. Unique “subject matter expertise”	5.2

results and determining the dollar value of the service based on its impact on organizations.

What Is the Future?

Coaching appears to improve an organization’s effectiveness if it is deployed in a systematic and strategic way. Fortunately, the steps used to make coaching effective are achievable:

1. Visible leadership from the top;
2. Discipline to define behavioral objectives and measure success;
3. Integrating coaching and other leadership development programs; and
4. Centralized management of external and internal coaches.

As coaching moves from sporadic and unsystematic to strategic, both the sellers and buyers of coaching services must grow their skills. Unfortunately, solo practitioners who lack the scale and

sophistication to drive coaching systematically through large organizations represent much of coaching today. As companies internalize the evidence that coaching has greater impact when deployed strategically, the coaching industry will need to consolidate and focus far more rigorously on measurement: The players who deliver the greatest measurable impact should be the big winners. For HR leaders, the implications are clear: They will be expected to manage the entire coaching process with the same level of maturity and discipline as they manage classroom-based leadership development programs today. The ultimate benefit will be a richer talent pool, with leaders who are better equipped to drive organizational performance, more skilled at developing their successors and better attuned to learning and adapting throughout their careers.

Recommendations

1. Organizations need to ensure that coaches are trained appropriately, use appropriate methodology, and are focused on a limited set of goals.
2. Too often coaching is selected simply to respond to the needs of one individual leader, which is an incomplete approach. The ultimate client of a coach ought to be the company as a whole, not the individual who receives the coaching.
3. Organizations need to evaluate coaching engagement effectiveness and discontinue working with coaches who do not deliver positive results. HR and OD experts need to play a key role in ensuring accountability of the coaching process.
4. Organizations must treat coaching as an integral part of their leadership development programs. Coaching initiatives should complement the corporate leadership model, and should be scalable across the organization. A true measure of coaching effectiveness is an ample supply of the leadership skills needed for the businesses to achieve strategic goals.

NOTES

1. We used both orthogonal and oblique rotations to identify the constructs with the most robust items.
2. See Goldsmith M & Morgan H (2004). "Leadership Is a Contact Sport: The 'Follow-up Factor' in Management Development," *Strategy + Business* (Fall).

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