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Does executive coaching work?

An insider's report reveals the paradoxes and benefits of executive coaching.
By Steve Packer

Keypoints
• The state of executive coaching in Australia is revealed in a rare HR-based study.
• The motivation for coaching is shifting from remedial to developmental purposes.
• Executives rate coaching highly—more highly than many HR facilitators do.
• Selecting good coaches and proving a return on investment is difficult but possible.

On paper, the task seems straight-forward: interview a cross-section of HR managers about their experiences with executive coaching to find out how it is being used, how effective it is and the factors that predict success. In reality, it's a task fraught with complexity, beginning with the difficulty in finding HR managers who are willing, and per-mitted by their employers, to talk about it.

"Can you get into the story how much I owe the participants a huge debt of thanks?" asks Dr Gavin Dagley, who, in association with the AHRI, has produced the report Executive Coaching: An HR view of what works.

After considerable searching, and aided by assurances of confidentiality, Dagley interviewed 17 HR professionals in Melbourne (where he is a psychologist, researcher and executive coach who works with business leaders and elite athletes). They have been responsible for just over 1,000 individual coaching programs in the past two years, which cost a total of $15.4 million. The organisations include manufacturing, retail, corporate and financial services, and local government and state-owned ventures.

"Rapid growth of the industry is a national phenomenon," says Dagley, "but surprisingly little research has been done with the HR professionals who have to devise the programs. These results from Melbourne are consistent with the anecdotal evidence from other places."

The report is a rare and welcome Australian addition to research, says Dr Anthony Grant, director of the Coaching Psychology Unit at the University of Sydney. "People are very reluctant to talk outside their organisations," he says. "Most executives don't want it known that they are being coached, and the HR practitioners don't want to give their secrets away if they have found something that works. Doing a good job is a complex challenge, with multiple stakeholders to please."

The report is timely, with executive coaching going through a period of major transition. Barely a decade ago, it was a rarity in Australia, where it was largely perceived and stigmatised as a remedial activity. If an organisation was having problems with a valued executive, it might call in a supposed expert to help sort the situation out. Even now, one of the study participants commented: "Those who have used the coaching view it as positive, but others less so. They often feel there is suspicion 'something is wrong with me'."

But, in recent years, executive coaching has become more prevalent and sophisticated, with a less 'wild west' approach to coach selection and assignment. It's now mainly about executive development and self-awareness, and changing corporate cultures from the top down. At least internally, it is increasingly viewed as a reward and proof that an executive is worth developing as an important component in their organisation's long-term strategy. "Execu-tive coaching became a badge of honour [in my company]," commented one of the study's participants. "Many of the younger managers thought it was nice to be part of the group above the thin black line," said another.

But the process is not easy—"If it was, then executives would have done it already, without a coach," says Dagley—and the results are not guaranteed and are hard to measure. "Executive coaching is about people addressing fundamental and personal aspects of themselves," he says. "Its power and value derives from the ability of coaches to adapt to unique circumstances, from the learning styles and personality of each executive, and from the commitment and courage of executives to look at their lifelong patterns of behaviour."

At the same time, however, HR professionals need to be able to demonstrate the financial value of their programs. This creates pressure for more structured and therefore more measurable approaches—whether or not they increase the success of programs. An extensive study in the United Kingdom in 2003 found that fewer than 30 per cent of companies using coaching evaluated it in any way at all.

The participants in Dagley's study fell into two groups: organisations which spent less than $200,000 on coaching over the two years and those that spent more than $1 million. "That's mainly because the coaching is used two ways," he says. "There continue to be cases where an organisation is having a problem with a person or a specific issue and doesn't know how to deal with it, so it brings in an outsider. Then there are the larger programs where larger companies are using coaching as a developmental tool by putting quite a number of people through—sometimes hundreds. These would mainly be in head offices, which tend to be in Melbourne and Sydney."

Averaged out, the programs cost $12,600 per executive for nine sessions over seven months. But there was much variation—for example, from $600 for four sessions to $45,000 for 18 sessions. Session durations ranged from 50 minutes to two hours, with a cost per hour range of $150 to $1,650. The spread of sessions ranged from three to 12 months. Half of the programs were funded from HR budgets and half from the executives' business units. Participants' comments included: "It's considered expensive, but that doesn't matter if it works" and "Money is an issue, but not as much as expected."

The first question the HR study attempted to answer was "Does coaching work?" While the answer was consistently "yes", there was much more to it than this simple response suggested.
As well as giving their own personal assessments, the HR professionals were asked to estimate what the participating executives had thought of the programs. In a surprising finding, they said they thought the executives rated the programs more highly than they did. One HR person rated the coaching as 'outstandingly effective', six said it had been 'very effective' and 10 ticked 'moderately effective'. But when it came to estimating the executives' responses to the degree of benefit they received, three said 'outstandingly effective', 11 favoured 'very effective' and two 'moderately effective'. (No-one chose marginally or not effective in either estimation.)

"There's something funny going on there. It's a paradox," says Dagley, pointing to the fact that only five of the 17 participants were prepared to engage in any analysis of return on investment, and four of them said their analysis was "informal". Only one laid claim to strong measures and formal ROI assessment. Only nine of the 17 were prepared to estimate whether they thought benefits exceeded costs. (Two estimated costs 'greatly exceeded', four said 'exceeded', two said 'equal', and one estimated 'less than'). And yet when it came to degree of interest in using executive coaching services in the next two years, 15 said 'strong interest' and the other two ticked 'some interest'.

"I think the HR people rated the programs more moderately than they thought the executives did because it's difficult for them to go to the board and demonstrate that they are very successful. It's such a difficult thing to measure and quantify, they can't justify it absolutely. Coaching offers the possibility of transformation of the individual, and how do you show the benefits of behavioural changes for one person when they will be quite dif-ferent for the next person?"

Study participant Anna Woods has a simpler explanation: "Maybe HR as a profession tends to apologise for itself rather than recognise its enormous value."
There was also difficulty in tying individual gains to performance and organisational gains. "We need better measures. We don't do it very well," said another study participant (who, like most, didn't want to be named). "The industry does not like to be measured. The tools are lacking." Another said: "We have not been good at being able to quantify returns. This is partly due to the one-off nature of the work and the restriction of information due to confidentiality." And another: "There are intangible benefits. It's recognition of the individual, time out to review their careers. It's special… People do like to talk about themselves. It can be pretty lonely in executive roles. It is the opportunity to open up, possibly for stress relief. There is a bravado required of executives. They don't have the opportunity to show any chinks. Executive coaching deals with the wants in all of us without outside scrutiny."

Confidentiality rated second-equal out of 22 factors listed under "What makes executive coaching effective?" It came in just behind having highly skilled coaches, and equal with having rapport and trust in the coaching relationship. Next on the list—all equal—were senior management support and engagement; participant engagement and commitment; management of ethical considerations; and careful matching of coach and participant.

Clearly, if executives are going to open up and bare their weaknesses or flaws in the interests of self-betterment and improved performance, the quality of the individual coach and the conduciveness of the organisational environment are critical.

Moving down the list, HR professionals also gave quite high ratings to sponsor/supervisor support and engagement, individually tailored program content, rigorous coach selection procedures, careful participant selection, and a varied range of coaches. Scoring significantly lower, at the bottom of the list, were a standard structure for coaching programs, the use of psychometric tools and inventories, collation and presentation of results, and a standard model for the delivery of content.

Overall, this 'efficacy drivers' section indicates that successful programs require the management of a large number of important factors. On a scale of one to four, only seven of the 22 factors averaged less than three.

"A lot of the coaches who are putting themselves forward havespecific training or use a particular psychometric tool. They have a one-model approach," says Dagley, director of Perspex Consulting. "This is good in one respect. HR knows what it's getting and it's easier to measure. But look at what people valued. All those structural things came last. It's not about having one model, but about flexibility, the coaching relationship and working with the individual, using tools suited to each individual. Different organisations and people respond in entirely different ways.

"It can be difficult to get the traction to get coaches brought on board, but they are often brought in to complement a CEO's strategy to facilitate cultural change. For example, they might be after a greater focus on customer satisfaction."

Grant says it is important that coaches have "informed flexibility" and work from an evidence-based perspective. "There are tools from the psychology literature which are quite straightforward, but they don't get used—measures of cognitive hardiness, of hope, engagement and wellbeing, of resilience or 'bouncebackability'. A lot of the psychology-based tools are better than the expensive 360-degree tools because they get at the core of the psychology of change."

But it's also important that HR practitioners understand from the outset what the coaching is intended to achieve, and many don't, says Grant. "It gets lumped under the remedial banner, where executives are effectively being coached out of an organisation. Or it can be for a specific project, or to develop personal and people skills. If it relates to a specific project, it's easier to get hard data. Did they achieve where they previously didn't? But, if the target is developmental, you are dealing with soft outcomes, so you will get soft data."

At the Institute of Executive Coaching in Sydney, Dr Hilary Armstrong, director of research and training, says she has been surprised by just how positive executives have been about the benefits of coaching, and the executives themselves have been surprised. In an independent study commissioned by the institute, involving 111 coached executives from a range of organisations, 92 per cent said they were satisfied or very satisfied with what they had gained from programs of 6–10 sessions, and 57 per cent said they were surprised by the amount of benefit.

They cited four key areas: self-awareness (86 per cent), developing communication skills (76), improving work organisation and planning (76), and understanding the context and strategy of the business (50).

"One of the biggest struggles for HR is retention," says Armstrong, "so coaching is often used as part of talent-retaining programs and succession planning. But that's by no means across the board. We often get called in because an organisation wants to create cultural change, and coaching is best when it's part of a suite of cultural change programs. It's much harder to get sustainable change when it is used in isolation and seen as a fix-it-all."

When participants in the Executive coaching: An HR view of what works study were asked to rate various types of organisational gain from coaching, 16 of the 17 reported some or strong gains in building talent pool capability and 12 ticked talent retention and morale. Effective leadership was a factor for 11 HR managers, with cultural change and team cohesion each registering with nine. Although conflict resolution scored with 10, nine of them ticked 'some gains' rather than 'strong gains', and performance remediation scored lowest.

As for measurement and satisfying boards, Armstrong suggests that focusing on gains in terms of key performance indicators and employee satisfaction is more appropriate than looking at ROI.
With regard to the "paradox" in the HR study, she says HR people would probably rate coaching as highly as executives if they had been through coaching themselves. "But most haven't. Executive coaching is largely about leadership and people issues, which is already HR's core business. It's the technical people—in IT, for example—who get promoted, and suddenly find themselves in charge of five, 10 or 20 people, who have the most to gain. For these people, acceptance can depend on how the coaching is framed. It's generally better received if it's within an adult learning framework and not seen as psychological intervention."

Dagley's study reflected this view with comments such as: "When you work with engineers, you need hard data to reflect your results"; "Scientists need hard facts. Was there value in behavioural change?"; and "Lawyers really love documents. Without these, they struggled to understand what executive coaching is."

Another said coaching had been complex to implement in their organisation due to "a general culture of not having rigorous and regular transparent performance discussions… Executive coaching would be more powerful if we could get this right."

Armstrong says she rarely encounters scepticism about coaching. “Executives expect that coaching will benefit them in some way, and coaching is most effective with people who expect to get something out of it.”

On their selection
Participants in the study Executive Coaching: An HR view of what works highlighted the importance—and difficulties—in finding suitable coaches to pair with individual executives.
“Do you have 10 pages? It was a journey of enlightenment,” said one of the 17 HR practitioners interviewed. “We put out an expression-of-interest document and conducted interviews. It was a horror show—the shallowness, the fad nature of it all. Everyone had a different model, and a lot were totally unskilled. I abandoned the notion of one service provider, but the process gave me enough information to find what I was looking for.”

Another participant said the calibre and credibility of the coaches, and their acceptance by the executives, was their greatest concern. “The executives all think they are special. It’s elitism: ‘No-one knows my job.’ The coach must be able to identify with the pressures of senior executive roles and have previous experience.”

Only four of the 17 HR practitioners thought formal qualifications were important, with a further three indicating they were helpful.

“These people are getting calls from coaches day in day out and there’s no barrier to entry,” says Dr Gavin Dagley, who conducted the study. “Coaching has become fashionable, but fashions don’t last and the industry can be damaged by bad delivery.” Sports psychology people, psychotherapists, former executives and CEOs—they all have something to add, but it’s very hard for HR people to know who will be good, he says. “I think coaches need some formal training, but they must also have the ability to work with executives without getting anxious themselves. When a coach is changing a person’s patterns of behaviour, their own patterns can come up too. Under pressure, they can get anxious and become defensive, and the situation can turn to custard very quickly.”

Coach selection is especially difficult for smaller businesses, says Dr Hilary Armstrong, of the Institute of Executive Coaching. “People are looking for various things, but they mainly have to go on reputation.”

She notes the difference between executive coaches and life coaches. “With life coaching, the coach is being paid by the person right in front of them, but, with executive coaching, the organisation is paying. There’s a complex set of relationships between the executive, coach and sponsor, and the coach needs the qualifications, experience and intellectual nous to deal with that.”

Selecting coaches isn’t easy for larger organisations either. Anna Woods, who now works in HR at ANZ, took part in the Executive Coaching: An HR view of what works study in the context of her previous experience in managing coaching at the National Australia Bank. In a well-documented case, more than 300 people at the NAB have been coached under a national program which started in 2003.

At the time the program was introduced, NAB was going through a cultural change and strategic development approach it called ‘Revitalisation’, says Woods. One shift was to a coaching style of leadership. “Rather than executives and other leaders prescribing the way, we needed to develop them to facilitate the gaining of insights and learning moments with their people, and empower their people to find their own way of achieving the required out-comes.

"Initially, a number of coaches were interviewed and two coaches with quite different styles and experience were chosen to co-design the program model. With their input, we embarked on a rigorous selection process to establish a panel of coaches, mostly working for themselves, who we managed internally. There are organisations that can provide all the coaches, but their models can be prescriptive, so we decided to form our own panel."

They were looking for diversity of backgrounds and styles—professional and academic, and in terms of gender. "We gave them an over-arching model to follow, but it had a lot of scope for using different styles and methods, which we encouraged. We wanted to bring outside thinking in. The executives had the opportunity to change coaches if the relationship wasn't clicking, but that happened only once or twice."

At Sydney University, Dr Anthony Grant, who has designed and set up coaching panels for private companies and public departments, says the "Do you have 10 pages?" comment doesn't surprise him at all. "Good coaches can charge many hundreds of dollars an hour," he says. "The reason is that it's so difficult to do well. For a start, you need to be extremely intelligent—in the top 3–4 per cent of the population—because you are working with very smart people. You also need emotional intelligence. Not a 'perfect life', because no-one has one of those, but you need to understand the interaction of your own feelings and behaviour with other people's. You also need systems intelligence. And, guess what? You need to be very personable as well. Put all those together and you can manage the three or four-way client relationship.

"Of course, when big dollars are involved, it brings out all the wannabes as well. Coaching panels need to screen and interview with great care."
On a slightly less daunting note, Grant says that over the past four or five years he has witnessed a significant improvement in how HR practitioners are tackling the task. "There are good HR practitioners working on this in every sector who really know their stuff. They just don't communicate it very well to outsiders—and that's often because they choose not to."

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A best-practices guide has been developed as a result of Dr Gavin Dagley's research and is available to AHRI members at www.ahri.com.au