

Coaching – Business Essential or Management Fad?

“Is coaching just another management fad or fashion? Effective coaching requires clear articulation of the business need and why coaching is the best solution, well-defined coaching goals, selection of a highly skilled coach, and thorough evaluation of outcomes.”

Gillian Pillans, Report author.

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Executive Summary

"There is a challenge with 'everything' being solvable by coaching – this is not the case. It is not the be-all and end-all solution, nor should its impact be diminished when it is done well."

Respondent to CRF member survey

- 1 This report considers the state of the coaching market, current trends within organisations, the evidence that coaching works, and how coaching can be evaluated.
- 2 We define coaching as a series of results-focused conversations between coach and client, designed to help the client come up with their own solutions to the issues discussed.
- 3 The coaching market has seen rapid growth over recent years, with both coaching spend and the number of practising coaches having increased considerably. A CRF member survey found that 56.2% of respondents had 'increased' or 'significantly increased' spending in the last three years. Similarly a majority of respondents expected spend to 'increase' or 'increase significantly' over the next three years. The supply of coaches remains fragmented, with one-man-bands and small coaching companies predominating.
- 4 The principal reasons companies use coaching are:
 - helping leaders prepare for the transition to a more senior role
 - to provide ad hoc support for leaders' personal development
 - integrated into leadership development programmes to help embed learning
 - providing an independent sounding board for CEOs and other senior executives.
- 5 There is, however, a risk that coaching is simply a management fad or fashion. Common criticisms of coaching include:
 - it is simply a substitute for good management, which should be the responsibility of line managers, not coaches

There has been a move away from 'remedial' coaching, with much greater focus on helping high performers get even better.

- having a coach has become a 'badge of honour'
- coaching has become a 'panacea', when other development interventions such as training, mentoring or a stretch assignment may be a better solution
- inadequate assessment of coaching's contribution to business outcomes.
- 6 We find that organisations have become more professional about how they manage coaching, and the internal and external coaches who deliver it. Many organisations coordinate coaching centrally, although budgets are usually held in business units. Coaches are increasingly selected from pre-vetted supplier lists, with consistent application of well-defined selection criteria.
- 7 A key trend is the rise of internal coaches, with expenditure increasingly being diverted from external coaches to developing in-house capability. The reported benefits of internal coaches – aside from lower cost – include a better understanding of the business context, greater flexibility, and the opportunity to make coaching available to more junior populations who largely miss out on executive coaching.
- 8 We found little scientific evidence that coaching works, as there have been no large-scale trials measuring the greatest impact of coaching. However, research suggests that trials which have found psychotherapy to be effective can be applied to coaching. The research identifies the following active ingredients, which appear to have the greatest impact:
 - the characteristics of the coaching client, such as their commitment to change and their work environment
 - a strong, trust-based relationship between coach and client
 - the quality of goals set during a coaching assignment

"If you did nothing else ... other than go around your organisation requiring a far higher standard of clear goal-setting, that alone would be transformational." **Anne Scouler, Managing Director, Meyler Campbell**

- in contrast, the techniques and approaches selected by the coach appear to make little difference to outcomes.

We also find the quality and calibre of the coach to be critical.

- 9 Practical reasons why coaching works were identified, including:
- providing space to think, consider issues and options in depth, and practise new techniques in a safe environment
 - greater commitment to implementing ideas that the individuals develop themselves.

We also note that successful coaching is highly dependent on the support of the employer, and the organisational context within which the client works.

- 10 We considered how to find a good coach. First, clarity about business needs and objectives is critical. Second, the process for selecting a coach needs to be rigorous. Good practices include conducting a sample coaching session before engaging a coach, and checking their references. We found that the bodies that accredit coaches are increasing their influence, but accreditation does not provide a guarantee of quality.

- 11 Criticisms commonly levelled at coaches are discussed. These include:
- a lack of senior-level business experience
 - insufficient understanding of – and ability to apply – psychological tools and techniques.

- 12 We describe a four-stage process highlighting good practice that can be applied to obtain maximum benefit from coaching. The stages are:
- establish the business case and goals for coaching
 - select and manage suitable coaches

- set up and manage coaching assignments
- review and evaluate effectiveness.

- 13 The difficulties of evaluating the business impact and effectiveness of coaching are recognised. Suggestions include:
- designing the evaluation approach before coaching commences
 - establishing a baseline against which outcomes can be measured
 - focusing on outcomes, not inputs or activity.
- However tricky evaluation may be, it is vital that organisations build this into their coaching activities.

- 14 Throughout the report, we consider the potential impact of some key trends in coaching, including:
- increasing use of technology
 - the impact of positive psychology and neuroscience
 - the growth of team coaching.

- 15 We conclude that coaching has the potential to help individuals improve performance and learn new skills, but that success is highly dependent on having clear business objectives for coaching, selecting high quality coaches, setting specific, measurable goals for coaching assignments, and the commitment of the individual who is coached. There are examples of good practice, but for many organisations, current approaches fall short. This is an area where HR has the opportunity to set an example, ensuring a clear 'line of sight' between the use of coaching and business outcomes.

1

THE STATE OF COACHING

Topics covered

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Introduction

In this chapter, we consider what coaching is, and how the market has developed over recent years. We also look at trends in the use of coaching within organisations.

"Coaching needs to lead with what the business needs – coaching is just a vehicle to achieve that."
Orla Leonard, Partner, RHR International

Coaching has become a big industry over the last two decades, and has continued to expand through the recent economic crisis. Companies are continuing to make sizeable investments in coaching, both through engaging external coaches and developing in-house coaching capabilities. In this report we explore:

- whether coaching is just another management fad or fashion, and what evidence there is that it works
- the state of the current coaching market
- how coaching is used within organisations
- latest trends in coaching
- good practices with regard to selecting and managing coaches, and deploying coaching to support business performance
- whether, and how, coaching can be evaluated.

Coaching has been around for some time. Indeed, some writers trace its origin to the development in Ancient Greece of the Socratic method of questioning to help people acquire knowledge and wisdom for themselves.

But what is coaching? Tim Gallwey, author of '*The Inner Game of Tennis*', says: "Coaching is unlocking people's potential to maximise their own performance." A fuller definition is provided by Rock & Page in their book '*Coaching with the Brain in Mind*

The key features of coaching are:

- a series of respectful conversations
- a relationship of equals between coach and client
- the eliciting of ideas and solutions from the client
- a focus on performance and results.

1.1

The coaching market

The global coaching market has grown rapidly over recent years. The International Coach Federation (ICF) estimates that there were approximately 41,000 active coaches globally in 2012, generating an estimated \$2bn annually. The highest concentration of activity was in Western Europe (41.8% of total spend) and North America (35.7%). However, the ICF notes that coaching appears to be growing more rapidly in emerging regions than in these established regions.

Coaching, counselling, therapy and mentoring distinguished

How is coaching different to other forms of one-to-one, talking-based interventions?

Mentoring

Mentoring and coaching are similar, and the terms are often used interchangeably. However, mentoring usually involves a more experienced person helping someone to learn by sharing their expertise and offering advice. It is usually an ongoing relationship that may last longer than a typical coaching assignment. In contrast, coaching is more likely to be non-directive, although opinions differ on the degree to which coaches do or should advise based on their experience.

Therapy/Counselling

While some coaching may shade into the therapeutic in order to achieve deep shifts in executive behaviour, the majority of business coaching addresses work issues rather than those that are more personal.

For many organisations, this is an ethical boundary, where they have every right to ask an employee to improve their work performance, but cannot insist that an employee undergoes any deeper or more personal process unless they choose to do so.

In this report, we focus on *business coaching*, funded by the client's employer, as distinguished from *life coaching*, which is normally paid for by the individual and includes issues outside of work.

Research approach

Our research consisted of:

- Interviews with approximately 20 companies who make extensive use of coaching
- Interviews with coaches, coaching providers, trainers, and academics
- A CRF member survey of 195 participants
- A review of relevant books and studies.

"Coaching has become endemic in the design of all our training, including technical, business development and personal skills." **Andrew Wright, Firm Wide and Markets Learning Leader, EY**

Trends in coaching fees

What has happened to coaching fees in recent times? Our research indicates that the market is split in two. Fees at the top level have remained firm, and highly experienced, credible coaches can charge premium prices. However, many interviewees reported downward pressure on fees at the lower end. We expect this may have a bearing on the quality of people who choose to enter the coaching profession in future.

Professionalisation

A key theme emerging from our interviews was the increasing professionalisation of coaching:

- Buyers of coaching are becoming more sophisticated in their procurement practices. Many of those who commission external coaches are trained coaches themselves, and have a better understanding of what good looks like
- Better processes for coordinating coaching across large organisations and managing the relationship with external coaches. HR and procurement are more involved – although many coaches resist the involvement of procurement, particularly if they treat purchasing coaching like buying 'widgets'
- Better coordination has led to increased consistency in deploying coaching within organisations, which makes it easier to evaluate coaching
- The development and increasing use of internal coaches
- Coaches becoming better trained in psychological tools and techniques.

As we detail in chapter 3, many large organisations have invested in developing pre-vetted banks of coaches, often managed by a central team within HR. This allows for a more consistent approach to quality control and cost management.

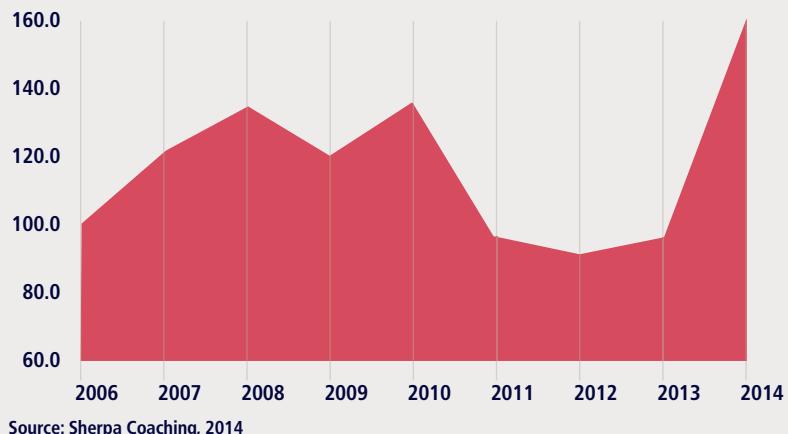
The ICF's 2012 Global Coaching Study also reported an increase in fees, hours worked, numbers of clients, and revenues over the previous twelve months (see graphic below). In spite of the recession, demand has remained buoyant.

Change experienced – last 12 months



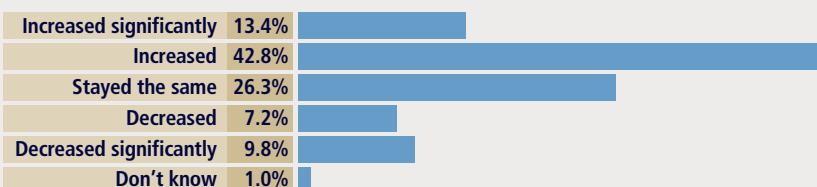
Similarly, Sherpa Coaching's annual Coaching Confidence Index (calculated based on fee rates, numbers of clients, predictions of demand and marketing spend) reached a record high in 2014 (see graphic below).

This year's index has taken a significant leap, to arrive at a record high of 166 (2006 =100)



A survey of CRF members conducted as part of this research also found that expenditure on coaching has increased over the last three years. 56.2% of respondents reported that spending had 'increased' or 'increased significantly'. Furthermore, over half of respondents expected spending to 'increase' or 'increase significantly' over the next three years (see graphics below).

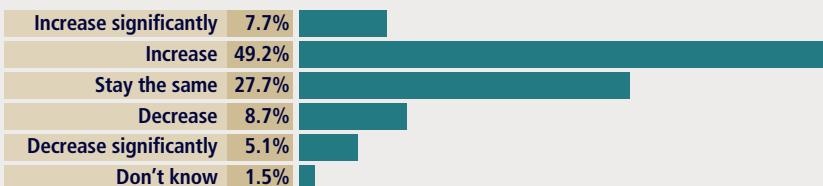
Compared to three years ago how has your organisation's coaching spend changed?



Source: CRF Member Survey, January 2014

"It seems to me, the real purpose of coaching is to provide the conditions for people to think for themselves." **Nancy Kline, Founder and President of Time to Think, Inc.**

How do you expect your organisation's spending on coaching to change over the next three years?



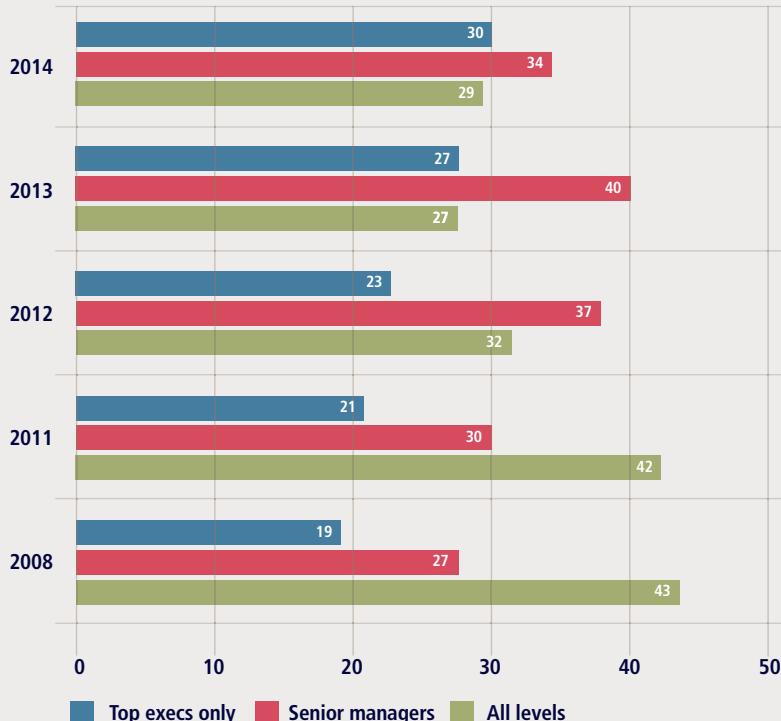
Source: CRF Member Survey, January 2014

While demand for coaching continues to grow, the supply side remains fragmented. There are few large coaching providers, and large organisations generally have to bring together several players to meet coaching needs globally. The domination of one-man-bands and small coaching companies makes coach selection and quality control an onerous task.

1.2

How is coaching used?

Overall, the coaching market may have held steady during the recession, but it has become more 'exclusive'. Sherpa Coaching's 2014 survey found that, whereas coaching had previously become 'democratised', i.e., spread across all organisation levels, in recent years it has become more focused on senior leaders, top executives and high potentials (see graphic below).



Source: Sherpa Coaching, 2014

Other uses of coaching

Some other developments in coaching use include:

- **The role of coaching in diversity initiatives**, particularly boosting the pipeline of women (see Case Notes on page 12). Previous CRF research on diversity (*Diversity and Business Performance*, 2011) found that women often need more encouragement than men to push for stretch assignments that accelerate career development.
- **Enabling culture change or developing a 'coaching culture'**. Companies such as BT are moving from a 'tell' towards a less directive culture (see the BT case study on page 22). Some organisations have been working at this for some time. For example, coaching has become embedded in the culture at PwC over the last twenty years; the principles of coaching are woven into all development and performance management processes.
- **Coaching to support business turnaround**. For John Renz, Director of HR at Novae, coaching helped a new executive team rescue the business from crisis and deal with a highly uncertain situation. "Coaching helped individuals in the executive team get clarity around their personal operating frameworks, think longer term and focus on issues that would make a difference to business results. The pace of change meant the timescales between critical decisions were short. There was no road map. Coaching helped each member of the executive team create their own."
- **Coaching's role in learning and development strategy**. Many organisations use coaching as part of a blended approach to learning. This model, originating from the Center for Creative Leadership, suggests that effective managers learn 70% on-the-job, 20% from other people, and 10% from courses and reading. Erica Gee, Partner Development Delivery Manager, John Lewis says: "We are an omni-channel business; we need to offer omni-channel learning."

"We are now moving into a phase where managers are seeing coaching as an aid to performance improvement, even when performance is already acceptable or good." **Respondent to CRF member survey**

Case Notes

Coaching support for diversity programmes

As part of their women's leadership development programme, which is designed to increase the number of female partners, Linklaters offers group coaching. Groups of 5 women work with an external coach throughout the programme to apply learning, build confidence, and share experiences. This gives the women a sense of being all in it together, and builds their network across the firm. Participants are also assigned a partner from another office as an internal coach for the duration of the programme, giving them a mix of internal and external coaching.

Chris Parke, CEO of Talking Talent, a coaching firm specialising in developing women leaders, agrees that coach-facilitated peer-to-peer groups of high potential women, meeting over longer time periods of a year or more, is much more effective in helping women move into leadership positions than a one-off leadership development intervention. He advises focusing on women at or just below the level where women's progression typically stalls. Such groups create an open environment where women can discuss and develop strategies to deal with the issues that hold them back. "It's like walking into a decompression chamber."

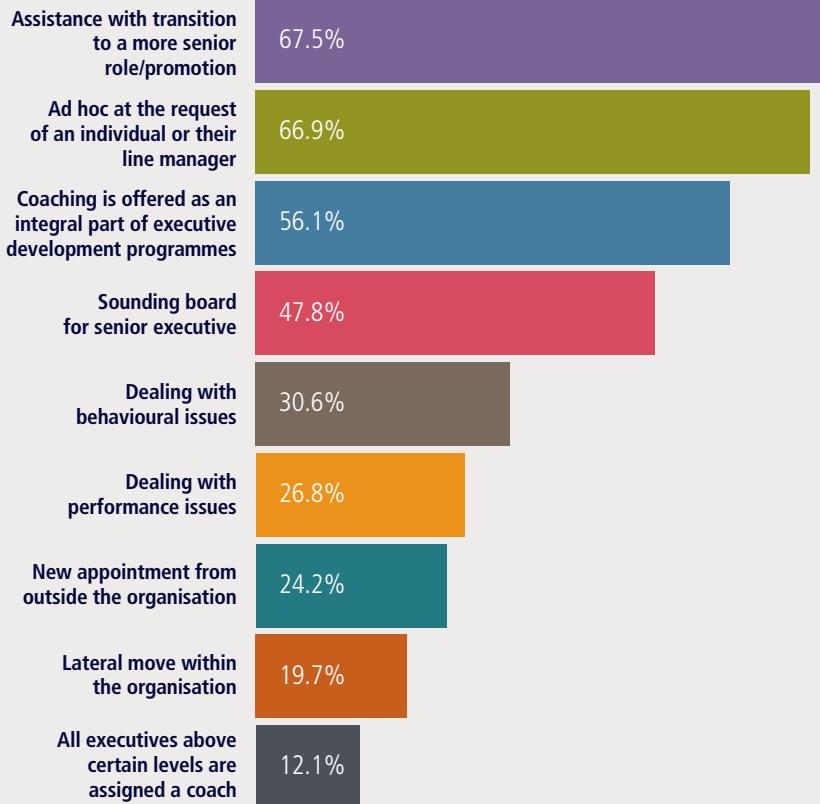
Coaching to aid transition/promotion

EY has mandatory transition coaching for new partners for at least six months after promotion, to ease the often difficult move to partner. Coaching is provided by existing partners, who train as coach-champions. According to Andrew Wright, Firm Wide and Markets Learning Leader: "Transition coaching is targeted at a specific need and a clearly defined population. We can gather the data on impact and we can see that the time for new partners to assimilate has reduced." EY has been able to review outcomes, including sales pipeline figures, to measure the effectiveness of this approach.

According to Clive Mann, Managing Director of Ridler & Co, publishers of the Ridler Report, the squeeze has come at middle management level. In larger organisations, coaching at this level is increasingly provided by internal coaches (see page 14).

We asked our members the extent to which they use coaching in various situations. The findings (see graphic below) were echoed in the qualitative interviews we conducted with both purchasers of coaching and coaching providers.

In what circumstances do you use executive coaches within your organisation?



Source: CRF Member Survey, January 2014

Some of the key themes include:

- Other than the 'classic' situation of an individual being coached to support a particular development need, the most common uses of coaching are to assist the transition to a more senior role, and coaching that is integrated with existing leadership development activity
- Coaching appears to be especially useful in helping leaders move out of silo-based functional management into general management roles
- There is demand for senior executives to have an independent adviser to act as a sounding board. Coaching needs at the most senior levels are different (see page 13)
- Specialist coaching is common in areas such as maternity, outplacement and retirement planning.

"We have to guard against senior managers thinking they can send someone off to a coach to be 'fixed' and they do not need to do anything themselves." **Georgia McHardy, Talent Manager, Jardine Lloyd Thompson plc**

We found that coaching is becoming less frequently used in the following situations:

- Although it is common for senior executives to have an adviser or 'sounding board', few organisations allocate a coach as a matter of course
 - There has been a move away from 'remedial' coaching. Coaching is still used to address performance issues, but tends to be focused on high-potential people.
- In spite of this, we have some concerns about particular aspects of coaching:
- **Coaching is often used as a substitute for good management, or as a means of 'outsourcing' the management of difficult people.** The reality is that few senior executives make the time for in-depth development discussions with their staff. And many lack the skills to have these conversations, even if they are able to make the time.
 - **There is a 'trophy' aspect to coaching.** There is a danger of coaches being assigned to those who shout loudest rather than in response to real business need.
 - **Coaching is seen as something of a 'panacea'.** Before investing in a coach, organisations should think carefully about what the specific development need is and whether other solutions such as mentoring, training, a secondment, or a different role, might be more suitable.
 - **Coaching should not be used as a shortcut for proper assessment of development needs.** Sometimes coaches are paid large amounts to do the assessment the organisation should have done.
 - **There is very little evaluation taking place.** Many organisations simply take it on trust that coaching is worth the spend. Evaluation is difficult to do well, but our view is that all companies that are coaching in any numbers, should be evaluating how good the coaching is and what difference it makes. This is an important – but often neglected – role for HR.

Is coaching just another management fad and fashion? We return to a key theme of this and other CRF research: you need to define clearly what the business need is and why coaching is the best solution, establish clear goals for the assignment, make sure the coach selected is skilled in dealing with these issues, and evaluate coaching's effectiveness.

1.3

Who's responsible for coaching?

In our research, we were interested to find out how coaching is organised within large companies. We found that, whereas ten years ago coaches may have been engaged predominantly by line managers, with little or no coordination across the firm, there is a trend towards greater coordination and consistency in coach selection and allocation.

Our member survey found:

- Just over half of respondents (58.9%) coordinate the selection and ongoing management of coaches centrally
- Responsibility for selecting coaches and assigning them to clients predominantly lies with the leadership development or talent management function (72.3%). An example of this is GSK, who have recently moved their coaching Centre of Excellence from the Employee Health and Sustainability (EHS) team to sit within the Talent, Leadership and OD Centre of Excellence. This indicates that coaching has become more widely accepted – it was originally sited within EHS because it was felt that the business would have greater confidence that coaching would remain confidential if it was separate from HR

C-suite Coaching

The most senior executives often have different coaching needs:

- Senior leadership can be lonely, and CEOs often have no one in whom they can confide their doubts, insecurities and weaknesses
- Coaching can provide a safe place to talk about confidential issues like difficult board dynamics or strategic business decisions
- Coaches at this level often act more as a sounding board or trusted advisor. They typically need to have had relevant career experience to have credibility
- Top executive coaching is often more directive – akin to a mentor providing advice based on their business experience. This might include helping with specific objectives, such as dealing with the City. However, according to Peter Hogarth of JCA, who coaches many CEOs: "it's not so much about telling them the answer as steering and helping them to get there themselves"
- Rather than being an engagement for a limited time period, according to John McCarthy, Partner at Stork & May, 'often the timeline is extended'
- Often coaching assignments at this level are initiated by a chairman who is concerned that a new CEO is not 'cutting it', and HR may not be involved.

Peter Hogarth thinks that any stigma associated with coaching has gone. "Almost everyone now gets the fact that coaching can help the most senior executives improve their performance."

"If the development focus isn't clear, a coach will be engaged and paid to do the development that managers should be doing." **Gail Sulkes, Leadership Assessment & Development Consultant, Thomson Reuters**

Team coaching

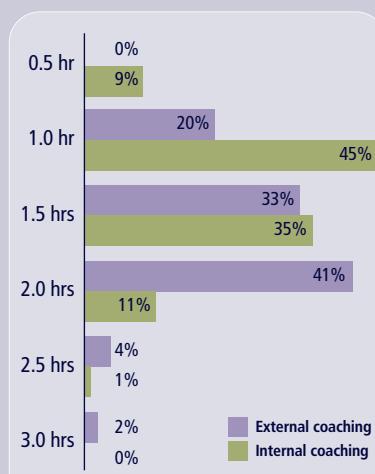
Team coaching appears to be a key area of growth in the coaching market. In theory, team coaching involves applying the concepts and techniques of individual coaching to teams. However, we are sceptical about how different in reality team coaching is from other techniques for building high performing teams, such as team facilitation. We are concerned this may be something of a fad. Supporters of team coaching argue that coaching should help a team set up and maintain its own processes for goal setting, decision-making and dispute resolution, and build trust within the team.

What we do observe is:

- The organisations that are using team coaching tend already to be reasonably sophisticated users of individual coaching.
- It tends to be used in situations where teams need to make a performance shift, for example in transitions, where new teams are forming, or to respond to challenging business goals.

How internal coaching differs

A key difference between internal and external coaching is the average length of a coaching session. Data from the 2013 Ridler Report (see graphic below) shows that internal coaching sessions tend to be shorter.

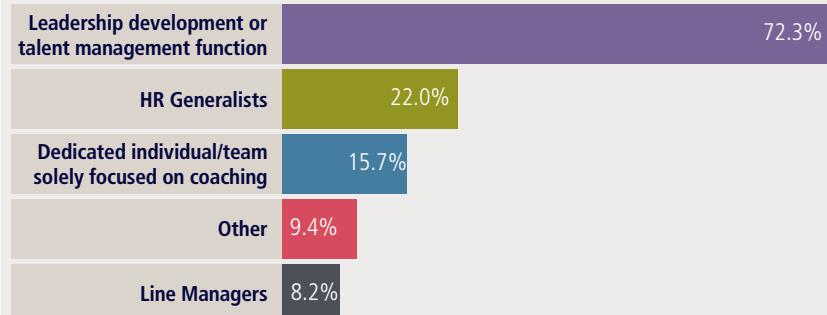


Average length of a coaching session

Source: Ridler & Co, 2013.

- 15.7% have a dedicated team or individual solely focused on coaching (see graphic below).

Who is responsible for selecting coaches and assigning them to coaching clients?



Source: CRF Member Survey, January 2014

Central coordination allows for:

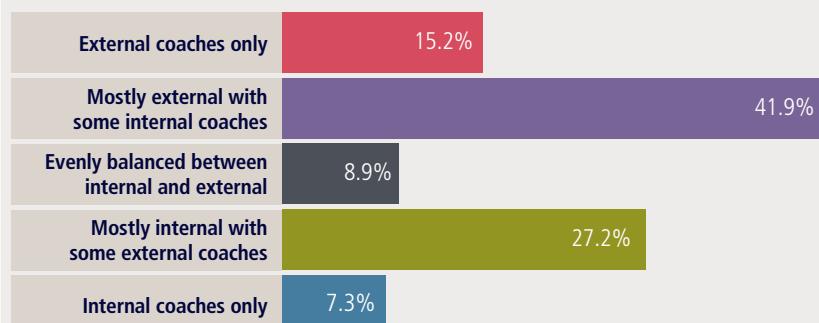
- better quality assurance and consistent standards
- evaluation of coaching effectiveness and return on investment
- visibility of spending, although coaching is usually funded from divisional – rather than central – budgets.

1.4

Internal vs external coaches

More than half our respondents (57.1%) source either all or the majority of their coaches externally (see graphic below). However, this picture is changing, with many organisations investing in developing internal coaches (34.5% of survey respondents use internal coaches predominantly or exclusively). In many cases expenditure on external coaches is being diverted to develop in-house capability. For example, in 2013 GSK's internal coaches completed assignments that would have cost £3M had they been delivered by external coaches.

What is the balance between internal and external coaches in your business?



Source: CRF Member Survey, January 2014

"Our leadership philosophy is based on helping leaders navigate their personal leadership journey, and identify their unique individual style. Coaching plays a big part in this." **Samantha King, Group Head of Executive and Team Development, Standard Chartered Bank**

There are several drivers for this shift:

- reducing the spend on external coaches, although this is not always the main driver
- where demand for coaches exceeds available resources
- a recognition that it can be very helpful for coaches to understand the particular business context, culture and nuances of the organisation
- flexibility, because internal coaching can be less formal, more time-efficient, and allow different models of contracting
- it builds capacity to make coaching more widely available, especially to more junior populations
- the desire to build a 'coaching culture'.

One of the positives of investing in internal coaching is that the people skills of line managers who train as coaches often improve as a consequence. In many firms, the employee survey ratings of managers who have trained as coaches improves after training.

Our observation is that **the most sophisticated users of external coaches are also investing in a strong internal coaching capability**. They meet the bulk of their coaching needs internally, with external coaching reserved for the most senior levels. Most firms we interviewed are moving towards greater use of internal coaches, and are at varying stages on the journey. The 2013 Ridler Report found that 79% of organisations expected to see a small (40%) or large (39%) increase in internal coaching over the next three years.

We note the dilemma for organisations in freeing up internal coaches who coach in addition to a busy day job. We would echo Orla Leonard, Partner at RHR International: "Companies need to think carefully about whether internal coaches have the time and resource to deliver the quality of coaching needed."

Case Notes

Standard Chartered

Standard Chartered Bank's approach to leadership development at the most senior levels is heavily focused on developing and sustaining the bank's unique culture, and helping individual leaders go through a personal journey to identify and lead from their own values. Coaching plays a key part in helping leaders make this journey. According to Samantha King, Group Head of Executive and Team Development, "Coaching helps leaders become aware of how everyday decisions – both small and big actions – shape our culture."

This has translated into a coaching strategy that differs from the other large global organisations we interviewed. Coaching support to top leaders is provided by five 'Lead Effectiveness Facilitators' who are full-time internal coaches. Each LEF is experienced in coaching top executives, and is assigned to a specific business area, where they coach 30-50 clients a year. Being embedded in the business allows the LEF to develop deep insight into the strategy and issues of each division. Samantha King finds that internal coaching at this level is a powerful lever for the culture change aspect of leadership development, and the LEFs play a key role in maintaining the corporate culture.

The bank makes limited use of external coaches – they tend to coach the levels below the most senior people and are mostly used to deal with specific issues such as helping a leader improve their communication.

In terms of selection, Standard Chartered expect their external coaches to have accreditation from more than one source, and to use at least three different approaches/schools of thought. Reflecting the international nature of the bank, their coaches must have experience of working across cultures and geographies.

The bank has also defined the criteria used to select coaching recipients:

- (1) people in high impact jobs
- (2) business opportunity such as growth in emerging markets
- (3) people in transition or change.



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