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The Case for Coaching: Why Executive Coaching is the Best Leadership Development Strategy in Today's Turbulent Times

By Helen Peters

Organizations are caught in a dilemma. The recent global economic meltdown has required many companies to cut back drastically and tighten belts where ever possible – including cutting their commitment and resources dedicated to leadership development. At the same time, a majority of CEOs across industries and geographies view maximizing the productivity of their current leaders and developing the next generation of leaders as mission critical. Aon Consulting's *2008 Benefits and Talent Survey* found that 56% of employers in the U.S. are experiencing a leadership shortage that is impeding their organization's performance. In addition, succession planning is taking on a new urgency in many organizations as the baby boom generation of managers head toward retirement.

How can companies reconcile their need to retain and develop leaders while still managing costs and ensuring a return on investment? We believe that one-on-one executive coaching is the best answer to that question. Business school programs meet certain development needs, but tend to be generic and at times academic. More targeted in-house leadership initiatives help to align leaders with corporate culture and strategy, and have the added advantage of building internal networks. But once again, large leadership programs tend to be a shot gun-type approach to development with potentially uneven and difficult to measure benefits. Only executive coaching provides:

- Development that is specific to the individual leader and their unique needs at this point in time
- Clearly defined measurable objectives and outcomes that are collectively agreed to by the boss, the leader being coached, and the coach
- Observable behavioral change and business impact in four to six months

In this article we will look at:

- How coaching can benefit your next generation of leaders, leaders you are brining into your organization from the outside, and current leaders who need

- to up their game to meet new strategic and global challenges
- The background and experience you should look for in an executive coach and the characteristics of qualified vendors of coaching services

Along the way we will be referencing recent research on best practices and ROI for executive coaching, plus our own experience working leaders and leadership teams for over twenty years.

DEVELOPING THE NEXT GENERATION OF LEADERS

Leadership development used to be done primarily by moving young, talented professionals progressively up the middle-management ranks. Incremental promotions allowed them to be tested in lower risk assignments and to develop skills over a more extended period of time. Their direct managers were often available to provide hands-on coaching and mentoring along the way. In today's flatter organizations, mid-management jobs have been eliminated and more traditional career paths have become a thing of the past. Greater demands mean that bosses are no longer able to give more junior executives the time and attention they would like to. Global and virtual organizations provide less visibility and less one-on-one access.

An external executive coach can help fill the development gap. A 2007 survey by the Alta Mesa Group, *The Establishment of Executive Coaching*, found that the most frequent reason for hiring executive coaches is to boost the performance of high-potential leaders, and maybe more importantly, that 93% of survey respondents who had worked with a coach considered the experience a success. Coaches help the aspiring leader to understand what is required to be successful in organizational terms, develop their own leadership template, and create a goal oriented development plan that will increase the probability that they will move to the next level of the organization. As an objective third party, the coach can provide necessary feedback, appropriate encouragement, and a confidential sounding board for grappling with management and leadership challenges and opportunities. Collaborating with the next generation leader's boss, the coaching engagement ensures milestones are measured in business terms and the end goals are clearly met.

SUCCESSFULLY ONBOARDING EXTERNAL HIRES

As much as we may want to develop and promote from within, we sometimes need to look outside the organization for the executive competencies and experience that we need. But bringing in talent from the outside presents its own set of problems and challenges. Some studies suggest 40% of new leaders fail within the first 18 months. Aon Consulting and DBM, in separate studies, report a 50% chance an executive will quit or be fired within his or her first three years. The Alexcel/ Institute of Executive Development 2008 *Executive Transitions Market Study* provides even more insight:

- Ninety-two percent (92%) of respondents said it takes new executives 90+ days (to reach productivity) and 62% said 6+months. Even after making it through the first 90 days and the first 180 days, a significant percentage of external executive hires are gone within two years.

- Thirty percent (30%) of external hires fail to meet expectations in two years, representing millions of dollars in losses at the executive level. Among all respondents, 68% indicated fail rates are related to a lack of interpersonal and leadership skills; 45% of respondents indicated it was a lack of personal skills; and 41% of respondents attributed underperformance to goal conflicts between the executive and the organization.

Other research and our own experience tell us that the four key factors that lead to derailment of external hires are:

- Not understanding the culture and/or lack of political savvy to navigate the culture
- Lack of clarity about their new boss' expectations of them and what the real success metrics are
- Inability to build effective relationships with peers and subordinates
- Reliance on what worked for them in the past rather than what is needed now

Considering all the data available and the well known landmines that new executives face, what causes these failure rates to continue? On the organizations part it is the mistaken belief that having hired a senior person, she or he “should be able to figure it out on the own.” From the executive’s side it is assuming that they are smart and need to prove themselves and make their mark as soon as possible. A more thoughtful and structured approach to onboarding new executives – creating a process by which a new executive hire is integrated and oriented in their new job and organization – is clearly needed. A senior internal mentor working hand-in-hand with an external executive coach should be a key component of the onboarding process.

One-on-one coaching helps the new leader avoid de-railers by providing an experienced but unbiased thought partner in grappling with the challenges of a new organization, identifying the relevant success metrics with the new team, and quickly building credibility with the colleagues that are critical to achieving strategic business objectives. By partnering with an internal mentor, the external coach can monitor first impressions and ensure the executive leverages strengths and thoroughly understands where their focus and priorities need to be.

UPPING THE GAME OF CURRENT EXECUTIVES

The number of executive competencies required for success has grown exponentially. Talented leaders – smart, sophisticated business people who are technically literate, globally astute, and operationally agile – have been identified as the most important organizational resource over the next 20 years. This means that the ongoing development of current leaders has to be a priority.

Trends in Executive Coaching, a 2008 joint study by DBM and the Human Capital Institute, found that the business community has embraced executive coaching as a “*versatile leadership development tool that can be used to proactively enhance the effectiveness of already high-performing and capable executives.*” The study found that organizations using coaching got a solid return on their investment. Direct financial impact of coaching included:

- Executive output (33%), such as sales revenue and productivity
- Quality improvements (23%), such as increased reliability or decreased defects
- Cost savings (23%)
- Reduced turnover (21%)

Qualitative measures of coaching effectiveness included:

- Achievement of agreed upon development objectives (84%)
- Anecdotal evidence of success (83%)
- Other people's perceptions of the coachee (79%)
- Coachee's ability to be promoted or to take on new responsibility (74%)

Coaching helps experienced leaders redefine their success metrics, reassess their leadership style, realign their priorities, prepare for an uncertain future, and lead their new multigenerational and often global teams to success. As Fortune Magazine has correctly noted, "*Coaching bridges the growing chasm between what managers are being asked to do and what they have been trained to do.*"

SELECTING LEADERSHIP DEVELOPMENT VENDORS AND EXECUTIVE COACHES

Coaching: A Global Study of Successful Practices, a 2008 study by the American Management Association and the Institute for Corporate Productivity, found that organizations are engaging coaches more frequently and in different ways. As the coaching profession matures, there will be more standard contracts, vetting of credentials, and ways to measure return on investment as well as "return on expectations." The profession is moving away from a cottage industry model of individual practitioners, in the direction of credentialed professionals who are part of a larger association, consulting group, or coaching agency.

Organizations that are using coaching to maximize leadership bench strength and get the best return on development dollars are increasingly looking for coaching vendors who can provide:

- a cadre of pre-qualified coaches
- consistent coaching services across organizational boundaries
- validated and appropriate coaching tools and techniques
- an understanding of global leadership issues
- partnership with the organization in defining, tracking and measuring success

Executive coaches should be highly credentialed business executives and senior practitioners in the areas of leadership development and organizational performance. Coaches must be able to demonstrate a balance of diverse and relevant business experience, an understanding of organizational dynamics, and proven executive coaching capabilities. The AMA/Institute for Corporate Productivity found that the three most common criteria for selecting coaches are business experience of the coach, recommendations from a trusted source, and interviews with prospective coaches to ensure best fit.

IN CONCLUSION

Futurists tell us that there have been more changes in our world in the last fifty years than in the previous 50,000 years – and that in the next fifty years we can expect even more radical changes. The recent global financial crisis is just one example of what may be ahead. In this environment, leadership that can adjust to meet new challenges will be critical and successful organizations will not be able to leave leadership development to chance. Executive coaching provides a development strategy that meets today's needs while preparing your leadership team for the future. The results can be clearly defined and measured. ROI can be directly observed in changed leadership behavior, increased leadership competency, and greater organizational impact. Consulting firms providing executive coaching can be your strategic partner in preparing your leadership team for today's and tomorrow's turbulent times.

About the Author

Helen Peters, M.A., is Senior Vice President - Leadership Development for Torchiana Mastrov & Sapiro, a leading San Francisco Bay Area provider of Leadership Development and Career Management services. She has conducted published research and speaks regularly on a wide range of leadership topics including keys to leadership effectiveness, cross-cultural issues in leadership, and leadership and gender.

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