

The Utilization and Impact of Leadership Coaching in Organizations: Results from the Second Annual Benchmark Study

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Executive Summary

The MetrixGlobal and Linkage annual Coaching in Organizations Benchmark study explores how leadership coaching is being utilized and managed in organizations and spots trends for the future. The focus of the second annual study being reported in this article is to build upon the results of the 2006 study and focus more on the impact that coaching is having on the organization. The survey was administered online through targeted invitations to specific organization managers. The survey was completed by 148 people, over half of whom (55%) were leaders of human resources, learning, organization development, leadership development or coaching. Another 10% were leaders in a line business or non-HR functional role.

As coaching continues its evolution in organizations, there appears to be a trend from leaders being coached to leaders being *coaches*. The respondents had high value for leaders incorporating coaching into their leadership styles, Unfortunately, the respondents gave very low ratings to their organizations effectiveness in doing so. In a

similar vein, engraining coaching into the company culture was also viewed as extremely important, and yet, the organizations were not effective in doing so. Integrating coaching into the organization represents one of the major challenges faced by organizations.

According to the respondents, coaching must be more strongly linked to business outcomes. While the respondent's agreed that this was important, they felt that their organizations were not sufficiently effective in doing so. Those who manage coaching initiatives may consider explicitly linking initiative objectives to business outcomes.

The integration of coaching into leadership development and other people processes such as selection and succession management was viewed as an important next step for the evolution of coaching in organizations. How best to achieve this integration remains a strategic and logistical challenge for HR and leadership development professionals.

The application of coaching in the respondents' organizations is producing both intangible and tangible benefits. Teamwork and collaboration increased. People felt more engaged in their work and were less likely to leave the organization. The bench strength of leadership increased, making more leaders available for new opportunities for advancement. Turning our attention to more tangible benefits, coaching was credited by the respondents to have reduced the cost of operations, improved quality of products and services, and increased productivity and net revenue.

The impact of coaching in organizations continues to evolve. Coaching has expanded from being solely a one-on-one development tool to become an accepted and expected leadership practice. For many organizations, engraining coaching into the company culture is on the horizon. Leaders of human resources functions and those who lead coaching initiatives need do more to integrate coaching with other people processes. The challenge before the HR and other professionals who are responsible for the development and deployment of coaching initiatives is to entice business leaders to play a bigger game when it comes to coaching.

Purpose of the Study

The MetrixGlobal and Linkage annual Coaching in Organizations Benchmark study explores how leadership coaching is being utilized and managed in organizations and spots trends for the future. The first annual survey, reported last year, focused more on how coaching was being utilized in organizations. Highlights of the 2006 survey included:

1. Half of the respondents said that their organizations did more coaching in 2006 than 2005. Only 4% said that their organizations did less coaching.
2. Executives and senior leaders were much more likely to use an external coach: 40% exclusively used an external coach, while only 22% used an internal coach. The remainder used a mix of externals and internals. This situation was the

reverse for managers and supervisors: only 12% exclusively used internal coaches while 65% used internals. The remainder used a mix.

3. Turning to the strategic outcomes expected from coaching, over 60% of the respondents said that it was extremely important for leaders to become more effective coaches and for coaching to become engrained in the company culture. However, 7% or fewer respondents felt that their organizations were extremely effective in accomplishing these two outcomes.

The focus of the second annual study being reported in this article is to build upon the results of the 2006 study and focus more on the impact that coaching is having on the organization. The 2007 study included the same three items summarized above so that, when data are compared to the 2006 study, some indications of trends may emerge. In the present study, impact is explored in terms of intangibles, such as increased employee engagement, and tangible benefits, such as increased productivity. Data were collected to convert some of the tangible benefits into monetary value, in order to gain a more complete picture of the value creation of coaching.

Study Methods and Profile of Respondents

The survey was administered online through targeted invitations to specific organization managers. The survey was completed by 148 people, over half of whom (55%) were leaders of human resources, learning, organization development, leadership development

or coaching. Another 10% were leaders in a line business or non-HR functional role. Of the remaining respondents, 20% were either individual contributors or internal consultants, 7% were external consultants and 8% described themselves as having another role.

Over a dozen industry groups were represented, including financial services (15% of the respondents), healthcare (15%), government (12%), professional services (11%), and high technology (7%). The remaining industries each had less than 5% of the respondents. Almost half of the 2007 respondents were from companies with annual revenue of at least \$250 million, of whom more than 30% had annual revenues of over \$1 billion. These companies had average annual revenue of \$750 M and an average number of 9,000 employees.

Findings

These findings are organized into three major sections: the utilization of coaching, the organizational context for coaching and the organizational impact of coaching.

The Utilization of Coaching

What are the trends in utilization?

The respondents were asked about the level of coaching their organizations experienced in 2007 compared to 2006. These findings are represented in Figure 1; 44% of the respondents said that their organizations did more coaching in 2007 than the previous year, while only 9% did less. Twenty-nine percent of the respondents indicated that the level of coaching was about the same during both years. Note that 18% of the respondents indicated that their organization did not utilize coaching. These respondents were instructed to skip to the demographics section of the survey.

These results are in line with what was reported in the 2006 survey. In the 2006 survey 50% of the respondents reported that coaching increased in 2006 from 2005 levels. Only 4% said that they did less. This shows that from 2005 to 2007, coaching experienced double-digit growth.

Looking to the future, respondents in the present study were then asked about the level of coaching they expected their organization to do in 2008. Figure 2 illustrates these results. 59% of the respondents indicated they expect the level of coaching to increase, while 4% expected coaching to decrease. Thirty-six percent expect the utilization of coaching to be about the same for 2007 and 2008. It appears then, that coaching will continue its double-digit growth in 2008.

Those respondents who indicated that coaching in their organization was expected to change from 2007 to 2008 were additionally asked to estimate the degree of the change. Those who expected coaching in 2008 to increase estimated that this increase would be,

on average, 16% greater, while those who expected coaching to decrease estimated an average decrease of 18%.

Who is being coached?

The respondents were asked how the utilization of coaching was distributed by organizational level. Three-quarters (74%) of the respondents indicated that at least some of their senior leaders of business units or functions were being coached, 69% said that coaching was occurring at the directors and managers level, and 41% indicated that some of the supervisors were being coached. At the top of the house, 59% of the respondents said that at least some of those in the corporate executive office were being coached. Therefore, below the corporate executive office, the utilization of coaching lessens with each successively lower level in the organization.

Respondents then were asked to estimate the number of people being coached by organization level. On average, the respondents indicated that about 37 senior executives and leaders were being coached in their organization, and about 46 managers and supervisors were being coached. Adding these two numbers together shows that, on average, 83 people are being coached in the respondents' organizations.

Who is doing the coaching?

Figure 3 presents the combined average percent of senior executives and business unit or function leaders who were coached by internal or external coaches as well as the combined percent for managers and supervisors. According to this figure, 43% of the senior executives and leaders who received coaching worked with an external coach, while 17% were coached by someone drawn from their own organization. Forty percent indicated that senior executives and leaders were coached by both external and internal coaches.

Turning to the managers and supervisors we see the opposite effect. Most (60%) of the managers and supervisors were coached by internal coaches, while only 13% received coaching by someone from outside the organization. Twenty-seven percent of the respondents said that managers and supervisors were coached by both external and internal coaches.

The Organizational Context for Coaching

What strategic outcomes are expected from coaching?

Respondents were asked how important to their organizations two strategic outcomes were: leaders being coaches and coaching becoming engrained in the company culture. They were also asked how effective their organizations were with achieving these outcomes. Figure 4 presents these results. Over half of the respondents felt that leaders

becoming coaches (57%) and coaching becoming engrained in the company culture (52%) were extremely important for their organizations. Achieving these outcomes appears to be a major challenge however, with only 3% rating their organizations as extremely effective in having their leaders becoming coaches and 4% rating their organizations as having been extremely effective at engraining coaching into the company culture.

These results are similar to those found in the 2006 study, where over 60% felt that these two areas were extremely important and less than 7% felt that their organizations were extremely effective in doing so.

How well integrated is coaching in the organization?

According to Figure 5, the respondents felt that it was extremely important that coaching was linked to business outcomes (51%), integrated with other leadership development initiatives (59%) and integrated with selection and succession processes (48%). The respondents, however, gave low marks to their organizations being extremely effective with each of these three areas with ratings of 10% or less. There appears to be a significant opportunity to better integrate coaching in the organization.

The Impact of Coaching on the Organization

Both intangible and tangible benefits that were realized from coaching were explored. Respondents were asked to estimate the percent improvement in each benefit area that resulted from coaching. Then, the respondents were asked, on a percentage basis, how confident they were in making these estimates. The confidence factor provides the error of the estimate. These two percentages were multiplied together to produce the average qualified percent improvement in each benefit area.

What impact did coaching have on intangibles?

Figure 6 presents the average estimated percent improvement in each of five intangible benefit areas. The respondents indicated that four of these intangibles were improved by over 8%: increased bench strength (8.5%), improved team work (8.4%), increased collaboration (8.5%) and increased employee engagement (8.1%). Retention was increased by 7.5%, according to the respondents.

What tangible impact did coaching have?

Figure 7 presents the average estimated percent improvement that coaching produced for four tangible benefit areas. Two of these areas were greater than a 7% improvement: quality of work products or services improved by 7.5% and productivity increased by 7.3%. Net revenue was estimated to have increased by 6.5% and the cost of operations was estimated to have been reduced by 6.3%. In order to better understand what these percentages mean, we will make some conservative assumptions and estimate the total

potential monetary opportunity for two of these benefit areas: productivity and net revenue.

Productivity

On average, 83 people were coached in the respondents' organizations, 37 of whom were executives and senior leaders and 46 were managers and supervisors. If we assume that compensation and benefits for the former group was about \$350,000 and for the latter group about \$125,000, we can estimate the benefit opportunity accordingly:

37 executives and senior leaders times \$350,000 times 7.3% = \$945,350

46 supervisors and managers times \$125,000 times 7.3% = \$419,750

The total combined opportunity = \$1,365,100

Reducing this value by half to be extra conservative = over \$600,000

Net Revenue

The average total revenue for the respondents' organizations was about \$750M. If we assume a 15% margin on this revenue, we can estimate the total net revenue opportunity for coaching. The average percent increase in net revenue estimated by the respondents was 6.5%.

\$750M times 15% margin = \$113M

\$113M times 6.5% = \$7M

Reducing this value by half to be extra conservative = over \$3.5M

Combining the benefit opportunities from productivity and net revenue reveals a total opportunity of over \$4M. It seems likely that improvements in quality and operating cost would also produce monetary benefits, although there was insufficient data to estimate these opportunities. The point of this exercise was to show a more complete picture of value creation from coaching. Not only are important intangible benefits produced, potential monetary benefits may be realized as well.

Discussion

Coaching in the respondents' organizations experienced rapid growth from 2006 to 2007 and this growth is expected to continue for 2008. With the average respondent organization having over 10,000 employees and estimates of about 80 people currently being coached, it seems that there is substantial room for coaching to grow in these organizations.

With added growth comes added investment. External coaches are much more expensive than internal ones and so as coaching continues its growth at the manager and supervisor levels, internal coaches are expected to be increasingly used to coach people at these levels. Scale becomes an issue as well. There are many more supervisors than managers in an organization, and many more managers than senior leaders. It will be a challenge to

meet the coaching needs of supervisors and managers solely through external coaches. More senior level leaders have consistently shown a preference for external coaches and so these leaders will likely continue along this path.

As coaching continues its evolution in organizations, there appears to be a trend from leaders being coached to leaders being *coaches*. The respondents had high value for leaders incorporating coaching into their leadership styles, Unfortunately, the respondents gave very low ratings to their organizations effectiveness in doing so. In a similar vein, engraining coaching into the company culture was also viewed as extremely important, and yet, the organizations were not effective in doing so. Integrating coaching into the organization represents one of the major challenges faced by organizations. With only about 80 people, on average, being coached in organizations averaging over 10,000 people, clearly the organizations are far from reaching the critical mass necessary to successfully integrate coaching into the organization.

According to the respondents, coaching must be more strongly linked to business outcomes. While the respondent's agreed that this was important, they felt that their organizations were not sufficiently effective in doing so. Those who manage coaching initiatives may consider explicitly linking initiative objectives to business outcomes. Senior leaders must be continuously engaged in conversations about how coaching is contributing to the business. These conversations will reinforce in the leaders' minds that coaching is delivering value and strengthen the partnership with those who manage coaching and other people processes.

The integration of coaching into leadership development and other people processes such as selection and succession management was viewed as an important next step for the evolution of coaching in organizations. Again, the respondents agreed how important this integration was, and yet, rated their organizations low in effectively doing this. How best to achieve this integration remains a strategic and logistical challenge for HR and leadership development professionals. HR leaders may want to consider exploring with the appropriate business leaders how best to address this challenge. According to the respondents, these efforts should be made a priority.

The application of coaching in the respondents' organizations is producing both intangible and tangible benefits. Teamwork and collaboration increased. People felt more engaged in their work and were less likely to leave the organization. The bench strength of leadership increased, making more leaders available for new opportunities for advancement. All of these outcomes, while intangible in nature, are critical components of a coaching culture and of successful organizations. It is reasonable to conclude that the continued growth of coaching will increase these intangible benefits throughout the organizations.

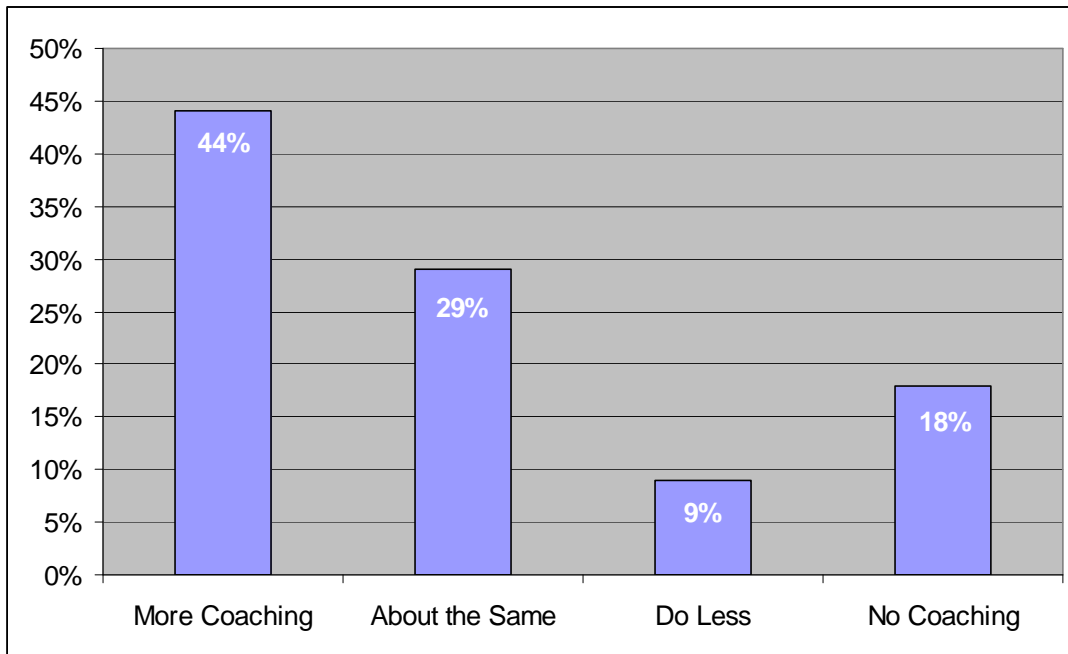
Turning our attention to more tangible benefits, coaching was credited by the respondents to have reduced the cost of operations, improved quality of products and services, and increased productivity and net revenue. The latter two tangible outcomes lent themselves to additional analysis, given the information provided by the respondents as well as some

assumptions that were made. The opportunity for monetary benefits from increases in productivity and net revenue were conservatively estimated to be over \$4M. While the amount of monetary benefits may be open to debate, depending upon how one may adjust the assumptions, what is clear is that coaching is delivering value that can be expressed in monetary terms.

The impact of coaching in organizations continues to evolve. Coaching has expanded from being solely a one-on-one development tool to become an accepted and expected leadership practice. For many organizations, engraining coaching into the company culture is on the horizon. Leaders of human resources functions and those who lead coaching initiatives need do more to integrate coaching with other people processes. The challenge before the HR and other professionals who are responsible for the development and deployment of coaching initiatives is to entice business leaders to play a bigger game when it comes to coaching. It seems evident that those who manage coaching initiatives see the potential of coaching to deliver real business value. Their challenge is helping business leaders to expand their perspectives and to do the same.

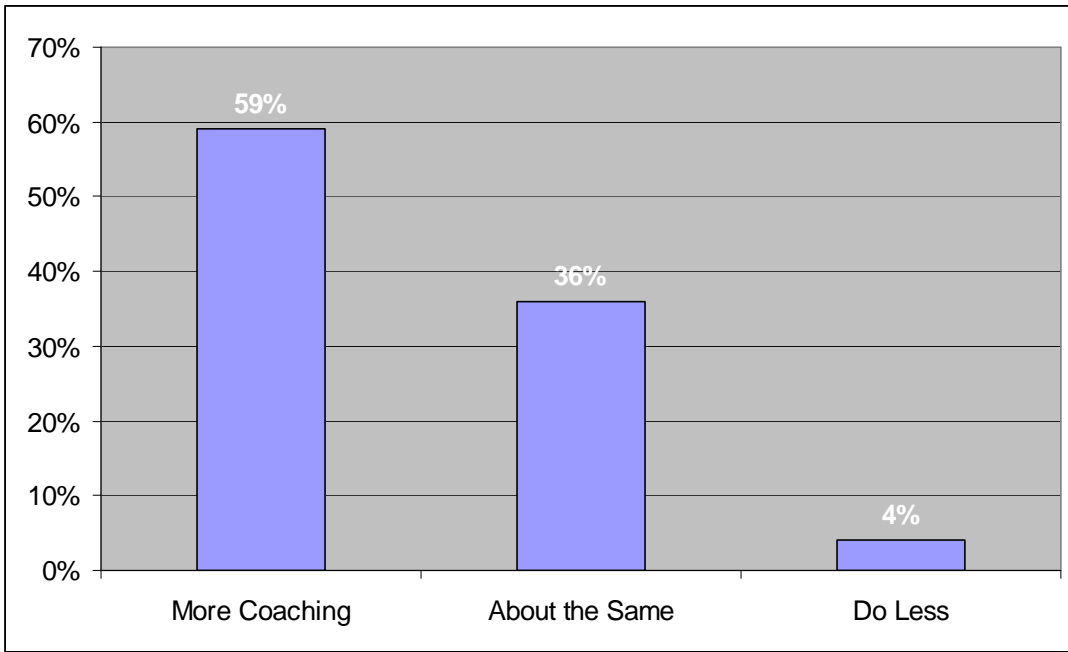
It is an exciting time for everyone involved with expanding the scope and impact of coaching in organizations. The potential payback from coaching to the business is impressive, with the possibility of several intangible and tangible benefits being realized. Potential being the operative word here. Realizing the potential of coaching requires all of us – human resources professionals, coaches and others – to think and work more creatively to better integrate coaching into the organization. We need to take a “coaching

approach” in working with business leaders so that they will understand and embrace that coaching delivers real, lasting value for individuals and organizations.



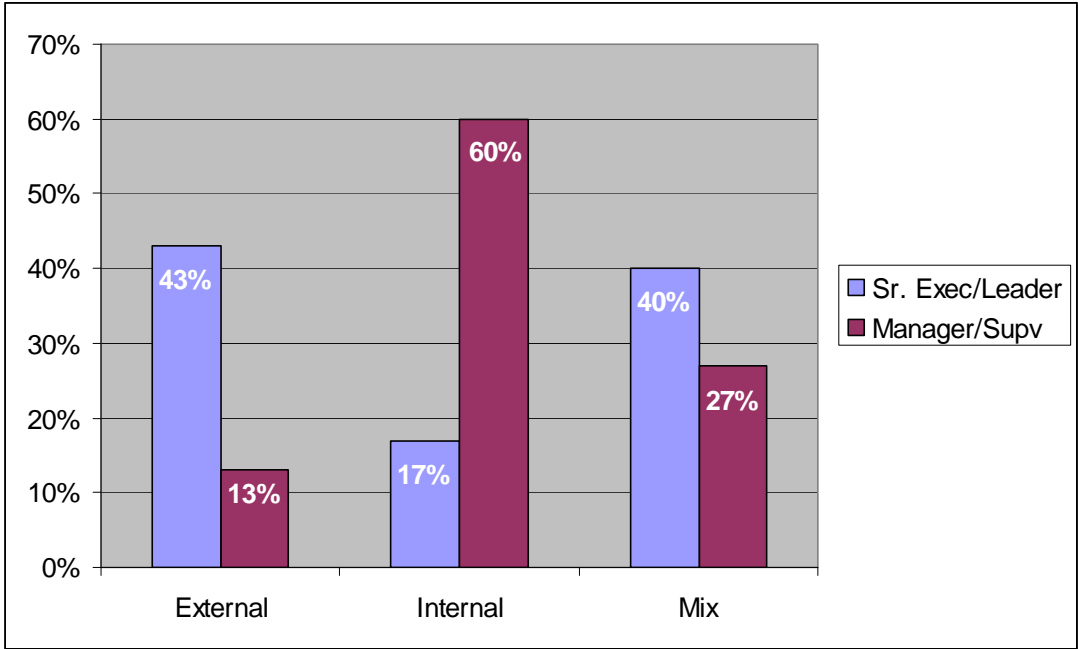
The Percent of Respondents Who Said that their Organizations Were Doing More Coaching in 2007 than 2006, About the Same or Doing Less Coaching

Figure 1



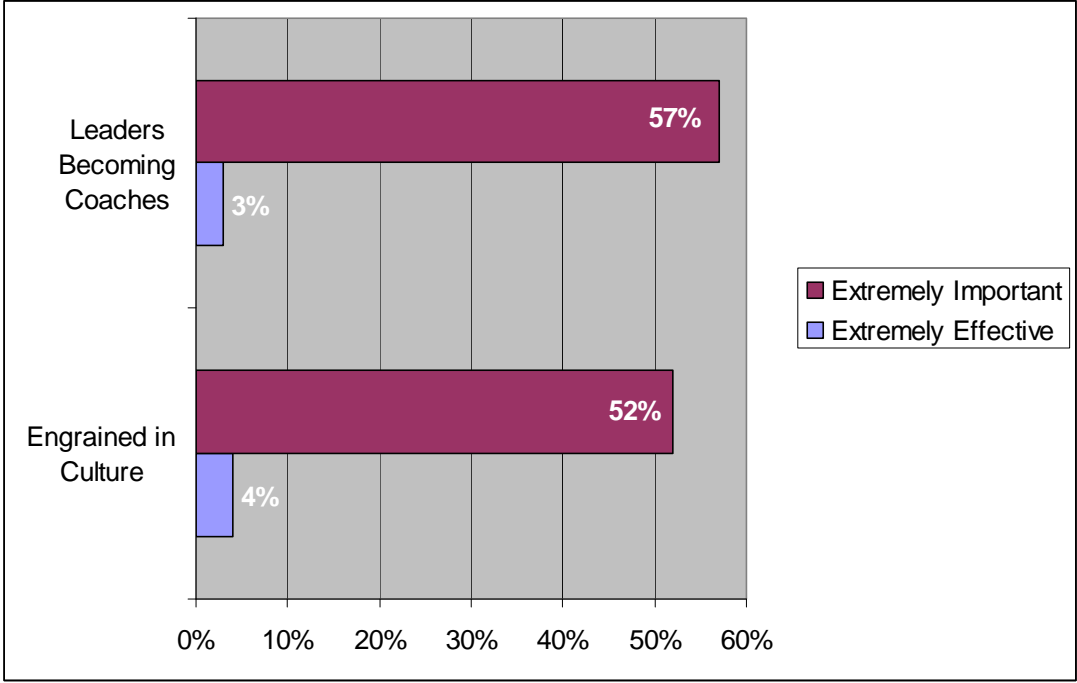
The Percent of Respondents Who Expected their Organizations to Do More Coaching in 2008 than 2007, About the Same or Do Less Coaching

Figure 2



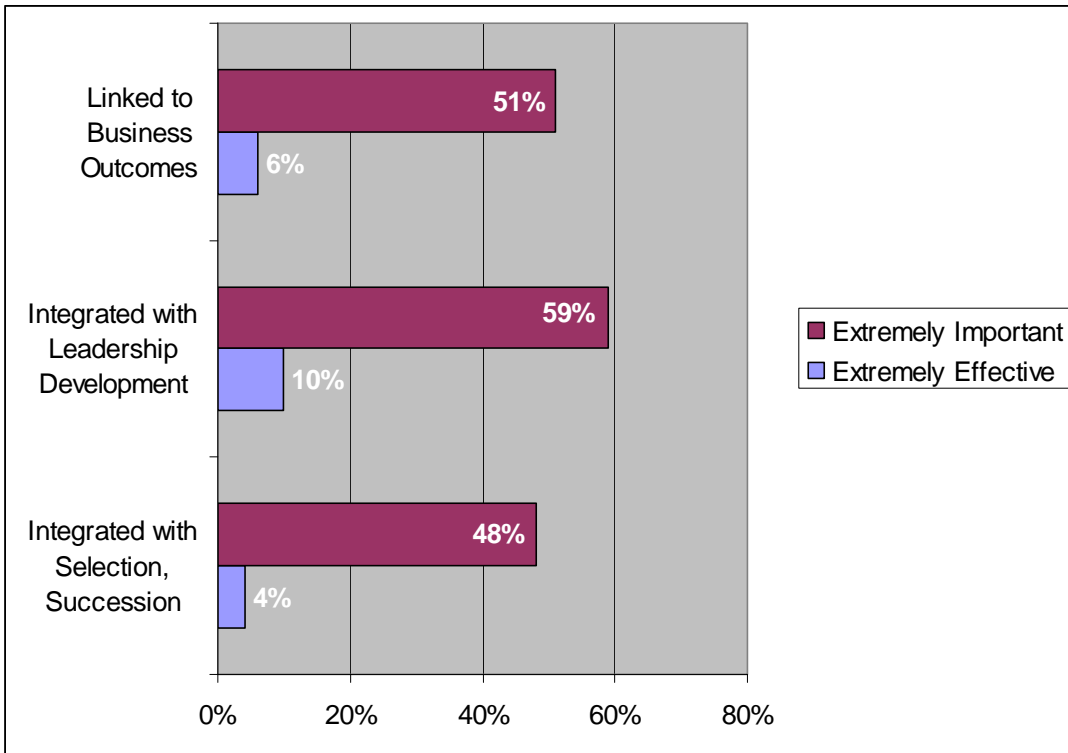
The Percent of Senior Executives / Leaders and Managers / Supervisors Who are Coached by External or Internal Coaches

Figure 3



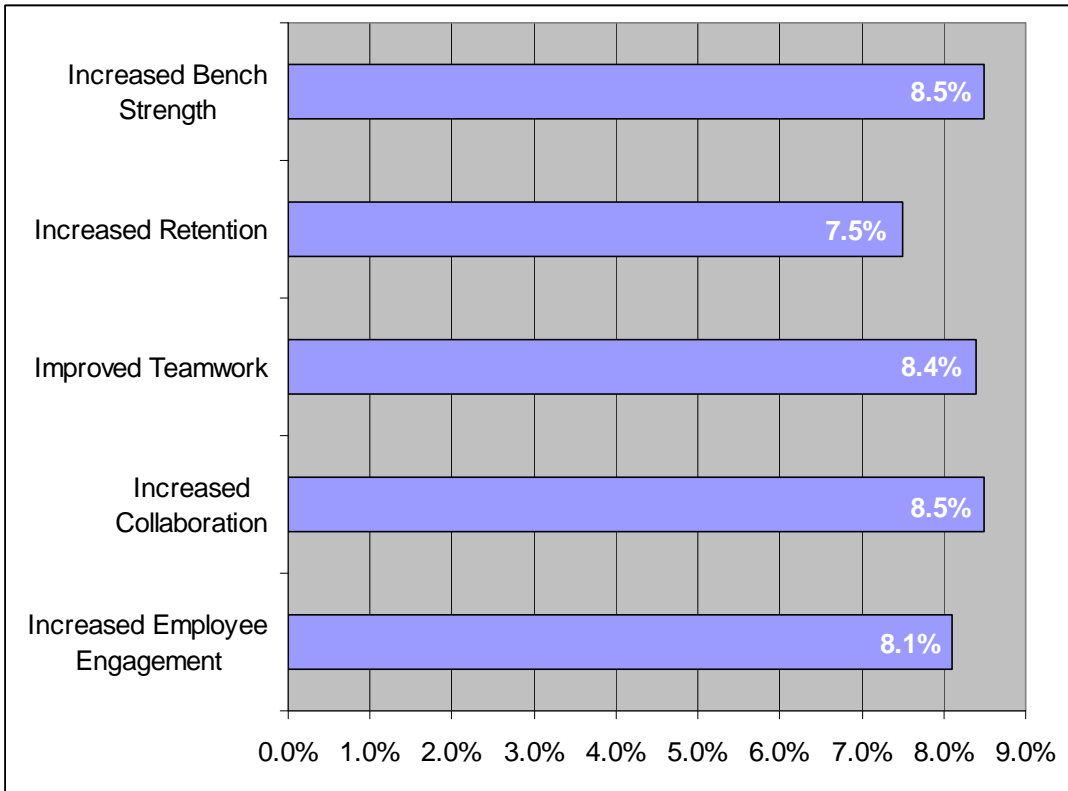
Percent of Respondents Who Indicated the Importance of Each Strategic Outcome And How Effective Their Organizations Were with Each Outcome

Figure 4



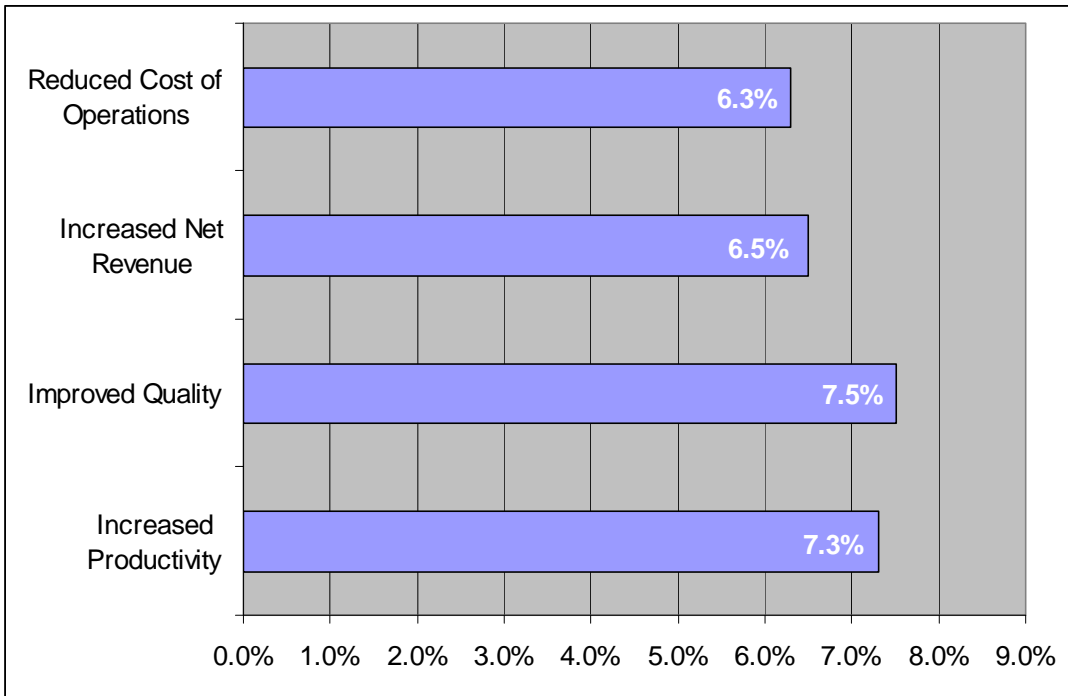
Percent of Respondents Who Indicated the Importance of Each Strategic Outcome And How Effective Their Organizations Were with Each Outcome

Figure 5



Estimated Percent Improvement in Each Intangible Benefit Area

Figure 6



Estimated Percent Improvement in Each Tangible Benefit Area

Figure 7

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Merrill C. Anderson, Ph.D. is a business consulting executive, author and educator with over twenty years experience improving the performance of people and organizations. Dr. Anderson is currently the chief executive officer of MetrixGlobal, a professional services firm that offers a full spectrum of leadership coaching and learning evaluation services. He has held senior executive positions with *Fortune* 500 companies including chief learning executive and vice president of organization development. He has consulted with over one hundred companies throughout the world to effectively manage strategic organization change. He has over ninety professional publications and speeches to his credit including his latest book *Coaching That Counts* co-authored with his wife and executive coach Dianna Anderson, MCC. Dr. Anderson was recognized as the 2003 ASTD ROI Practitioner of the Year and his work has been recognized with several international awards.

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Pam is Linkage's Senior Vice President of Learning Solutions responsible for combining Linkage's best practices and learning tools into integrated solutions. As a Licensed Psychologist, Pam brings over twenty years of experience in consulting to and coaching with organizations, teams, and individuals. She is recognized nationally as an expert in the dynamics of initiating, motivating, and sustaining peak performance and strategic change. Prior to joining Linkage, Pam consulted and coached through her own firm, *In The Zone, Inc.*, and with larger firms that include The Tom Peters Company, Manchester Partners, and directly with world-renowned Executive Coach, Marshall Goldsmith. Pam earned her Bachelor of Arts degree from Smith College, her Master's from Boston University, and her Doctorate from University of Maine with a Predoctoral Internship in Clinical Psychology at Dartmouth Medical School. Pam is the author of *The Winner's Way: A Proven Method for Achieving Your Personal Best in Any Situation* (McGraw-Hill).

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