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SAMPLE

## Executive Summary

As an executive, **you face enormous pressure every day** to improve revenues, increase profitability, and enhance productivity whatever your business, industry or sector.

The simplest way to address these pressures is to expand your market, introduce operational improvements and/or redirect your strategy.

But when you begin to make those adjustments, you may find yourself facing even more and greater challenges. **Developing existing talent, hiring new talent, and working toward effective execution** may raise questions related to your current team and leadership performance.

In addition, with additional pressure comes the need for better cost control and more effective management and leadership skill – from yourself as well as from your team.

Many leaders face such challenges by exploring the idea of **Executive Coaching**. And since there is no “official” voice for the executive coaching industry, **this report describes 6 key “truths”** about the process, offering some needed insight into this much-discussed, yet somewhat “mysterious” developmental process:

1. Coaching is a cost-effective investment with a high rate of return
2. Coaching must align to business outcomes
3. Coaching must involve the leader’s key stakeholders
4. Coaching is NOT therapy or counseling
5. Coaching is NOT for everyone
6. Coaching requires a dialog fit

This Special Report will explore each in detail, emphasizing that executive coaching can be the most cost-effective solution to the challenges facing you and your organization.

**EXECUTIVE COACHING:  
THE 6 TRUTHS**

1. Coaching is a cost-effective investment with a high rate of return
2. Coaching must align to business outcomes
3. Coaching must involve the leader's key stakeholders
4. Coaching is NOT therapy or counseling
5. Coaching is NOT for everyone
6. Coaching requires a "dialog fit"

## Introduction

In today's highly competitive corporate landscape and shifting economic conditions, companies need to take advantage of every performance-enhancing tool at their disposal not only to survive – but to thrive.

**Executive coaching is one of the most cost-effective tools available, providing average returns on investment of more than 500%.**

Talent makes the difference between success and failure in most businesses. Strategy, customer insight, the superiority of your product or service and the size of your financial resources are all critically important, but are simply not enough if the people within the organization lack the skills necessary to make the most of them.

That's why **organizations of all sizes in almost every industry, have used executive coaching** to improve productivity, increase bottom lines, and assist high-level executives in gaining critical leadership skills for themselves, their teams, and their organizations.

But given the growth and fragmentation of the coaching industry (meaning thousands of people in the marketplace who call themselves coaches – more on this later), it is not surprising that many leaders looking at the idea of executive coaching are confused.

And since there is no "official voice" for the executive coaching industry, there is a need for some truth about this widely-discussed yet somewhat mysterious developmental tool.

If you're looking for a clear understanding and insight about the process of executive coaching and whether it might be a viable solution for you or your organization, I'd like to share my insight about the subject.

In my own professional experience – having coached over 1,000 executive clients -- I have discovered six universal "truths" about executive coaching. I consider them truths because they have proven consistent over time and will continue to define the field of executive coaching for the foreseeable future.

## The Six Truths of Executive Coaching

### 1. Coaching Is a Cost-Effective Investment with a High Rate of Return

Think about how much your organization spends on paper clips, Dixie cups, and coffee filters each year –

then think about the ROI from those expenditures. Not much of a return, right?

Now think about how much your organization spends (in both direct and indirect costs) to recruit, hire, train, and retain key talent, “hoping” their MBA or recent experience will guarantee they leap into the fray, contribute to your bottom line and further your organization’s agenda to improve its competitive position.

Investing in executive coaching is one of the most cost-effective ways to ensure your investment in key talent pays off with results. From this perspective executive coaching is extremely cost effective, and can create very high returns on investment.

## **2. Coaching Must Align to Business Outcomes**

Any investment in executive coaching must be data-driven, measured against desired business results: improved processes, streamlined decision-making, and a healthier bottom line.

It’s about the business, plain and simple. If you cannot connect the process directly to business outcomes, don’t invest in coaching

## **3. Coaching Must Involve the Leader’s Key Stakeholders**

The whole coaching process must include consideration of the leader’s key stakeholders. Colleagues, bosses, direct reports, board members or other stakeholders are identified early in the process – and their feedback about the leader’s effectiveness is actively sought.

Any behavioral changes in the leader, and resulting changes in his or her outcomes, will directly impact those stakeholders and their buy-in is critical to the process.

## **4. Coaching is Not Therapy**

Executive coaching will not help you decide what you want to be when you grow up, help you find your ideal mate, or help you with issues of distress or personal loss. Therapy or “life coaching” best resolves such personal challenges.

An executive coach, however, works with you individually or with your group to help develop leadership behaviors and skills that directly impact your organization’s strategy and contribute to its key financial indicators.

## **5. Coaching is Not for Everyone**

Perhaps because it’s confused with “therapy” or “life coaching,” many people erroneously believe that coaching is a remedy for poor performers or those who lack motivation or focus. Nothing could be further from the truth.

Executive coaching is designed for leaders who are highly valued key contributors — those whose roles

are expanding, who are motivated toward organizational growth and increased profitability, and whose commitment to the process is unshakable.

Coaching is designed to make the best of your team even more effective. It's about working with professionals who are already very good at their jobs -- and making them even better.

## **6. Coaching Requires “Dialog Fit,” not Just a Personal Fit between Coach and Client**

The success of executive coaching hinges on the partnership between the coach and the leader – who must be matched in terms of goals, drive, and, to some extent, “personal fit.” However, “personal fit” is subordinate to “dialog fit.”

One of the best ways to achieve such a dialog fit is to ensure that any executive coach you select brings experience and expertise as a leader to the process. In other words, it's important to know your coach has sat where you're sitting, and can discuss your process with relevant wisdom and insight.

And given that the goal of executive coaching is to produce organizational outcomes, choosing the right executive coach should be an organizational decision.

### **In the rest of this Special Report...**

Each of these six “truths” will be explored in detail in the following chapters to help you determine whether executive coaching might be the right solution for you and your company.

Impressive ROIs are not uncommon when organizations focus their attention on measuring executive coaching outcomes.

## Truth One: Executive Coaching is a Cost Effective Investment with a High Rate of Return

Coaching is relatively inexpensive, when measured from the perspective of **return on investment (ROI)**.

In fact, preeminent executive coach, Dr. Marshall Goldsmith: relates the investment in coaching to the “cost of paper clips!”

But before I show you how to easily calculate the ROI from executive coaching, let’s take a look at what happens in most organizations today.

### Measuring the Impact of Executive Coaching

The sad truth is this: **Most coaches and human resources practitioners worry more about the real impact of coaching than their own organizational leaders do!**

As a matter of fact, **most organizations don’t even measure coaching results formally** — and worse: most leaders couldn’t care less about the ROI (or any other metrics, for that matter) of executive coaching.

Why not?

Because most leaders only care about whether they were “personally satisfied with the process.” And more often than not, if the leader was satisfied, so was the coach.

**This “mutual satisfaction society” is no way to measure ROI or organizational impact!**

Unfortunately, too many organizations continue to demand less -- not more -- from the coaching process and default to a purely subjective measurement of “satisfaction” to justify the expense.

As I mentioned in the last chapter, to achieve the most impact from an executive coaching engagement, the leader must involve his or her key stakeholders... they are actually the ones who determine its success.

### How to Capture Executive Coaching’s Impact on Key Stakeholders

One simple and practical way to determine the impact of executive coaching is to conduct a mini [360 Assessment](#) with the leader’s key stakeholders -- either during the coaching engagement or at its conclusion.

The Mini 360 Assessment:

- Allows the leader to **track performance and assume personal responsibility** for development
- **Targets only one or two behaviors** the leader is working to change
- **Provides “quick” feedback** after the leader has worked his or her action plan
- Identifies the results of development efforts, and **provides a checkpoint** to take stock and re-calibrate efforts if necessary

Although the mini 360 uses a similar approach to a traditional [360 performance appraisal](#), it is much less demanding on the stakeholder's time (It can usually be completed in 10 minutes) and focuses the leader's attention on the specific behaviors he or she is working to change. Results can be aggregated for a good view of the leader's overall progress.

The benefits of this approach are many, but the most obvious is **keeping the key stakeholders involved in the coaching process.**

## Calculating the ROI from Executive Coaching

Calculating the Return on Investment (ROI) of Executive Coaching remains an elusive goal for many -- but it doesn't have to be.

Most organizations don't even measure coaching's ROI because they either don't know how or they assume it's too difficult.

Most ROI methodologies tend to be subjective, because they rely on **estimates** of coaching's impact on business or strategic metrics. While estimates don't absolutely measure actual business impact, the honest truth is that **all ROI calculations are based on estimates.**

Following a simple and practical 2-step method to calculate your ROI from executive coaching will help get you well beyond most basic metrics, and at the same time eliminate any perceived complexity.

### Step 1:

- **Engage the leader and key stakeholders at the very beginning of the coaching engagement to focus on ROI.** Developing an ROI mindset is critical.
- **Provide parameters.** For example, invite the leader and stakeholders to focus on metrics in one of four **Balanced Score Card areas: Finance, Customers, Internal Processes, and Learning/ People.**
- Ask: **“How will a change in Behavior X help us reach the business goal or complete the strategic initiative?”**

## Step 2:

- During the coaching engagement, and at its conclusion, ask the leader and key stakeholders, **“What percentage of the achieved business results do you attribute to the executive coaching process?”**
- Next ask: **“On a scale of zero to 100%, how confident are you about this contribution?”** Establishing this confidence level is critical because it affects the final ROI calculation, as I’ll show you in the following example.

### Calculating ROI – An Example:

Global Industries has identified **decision-making as a critical leadership competency** required to achieve a **target of 10% revenue growth on a base of \$10 Million in sales for the next fiscal year.**

**Margaret, who is a VP, is the leader most responsible for the initiative and most likely to benefit** from executive coaching to improve her decision-making skill.

At the end of the 9-month coaching engagement, Margaret’s division **achieved 12.5% revenue growth – a total of \$1.25 Million.**

To determine ROI, ask:

1. **What percentage of that \$1.25 million can be attributed to the coaching process?** The collective answer from Margaret and her key stakeholders was that executive coaching was **20% responsible of this goal attainment.**
2. **How confident are they that 20% of the revenue growth is a direct result of the coaching process** and her improved decision-making? Margaret and her stakeholders agree that they are **80% confident** that coaching contributed to the improvement in revenue.

In dollars, the positive impact of coaching is calculated by multiplying the level of confidence by the estimated contribution – in this example, 80% of 20%, which produces an **adjusted confidence level of 16%.**

Based on these estimates, the adjusted impact of coaching on the success of the initiative is **16% of \$1.25 Million, or \$200,000.**

The last piece of information required for calculating the ROI is the cost of the coaching. In this example, the professional fee was \$20,000. Finding the ROI becomes simple division:

$$\frac{\$200,000 \text{ (Adjusted Impact of Coaching)}}{\$20,000 \text{ (Professional Fee for Coaching)}} = 1000\% \text{ ROI}$$

Impressive ROIs of this magnitude are not uncommon **when organizations focus their attention on measuring executive coaching outcomes.**

In fact, research finds **reported ROI's from coaching tend to exceed 500%.** (For further information on the ROI of executive coaching see the [The ROI Institute](#) website).

Although measuring the impact of executive coaching will always be somewhat subjective, there is still reason to embrace the words of Dr. Marshall Goldsmith when he states that **coaching is the “cost of paper clips!” In other words, executive coaching is a very cost effective investment for your organization that can produce very high returns.**

To get the highest ROI, it's critical to focus the executive coaching process on producing measurable business results. In the next chapter, I'll show you how.

SAMPLE

**Prioritize your needs against an assessment of business-level strategic initiatives.**

## **Truth Two: Executive Coaching Must Align to Business Outcomes**

**The purpose of executive coaching is to improve business results...period.**

It sounds obvious, doesn't it? But surprisingly, the vast majority of firms and coaches make little to no effort to align coaching to practical business outcomes.

As a matter of fact, Alec Levenson in *Meeting and Maximizing the Business Impact of Executive Coaching* (University of California 2009) surveyed human resource professionals and found:

- 46% of respondents indicated they conduct **no tracking whatsoever of coaching effectiveness**
- Only **14% conduct formal “before and after” assessments**
- Of those who do track, **only about a quarter measure leader satisfaction**
- Only about **one third actually measure the effect of coaching on behavior**

To put it simply, the sad truth is this:

**It is largely “taken on faith” that coaching will enhance a leader’s abilities...and eventually (hopefully) yield business results.**

In other words, there's a gaping hole in the industry.

Here's the problem:

**Most executive coaches do not have an executive background.** They never worked for, held a strategic position in, or had P&L responsibility for a top-tier organization.

Moreover, **they quite literally do not have the knowledge or experience to even consider making coaching a business-driven process.**

Not only that, current **professional coaching literature is devoid of any advice or instruction about how to conduct business-driven coaching.**

So what do you do if you want to align the coaching process with business results?

It's quite simple.

**Prioritize your needs against an assessment of business-level strategic initiatives.**

In short, the goal is to **focus executive coaching on the key business initiatives that matter most** to the current — and future — success of your business.

Therefore, offer coaching support to the leaders (and teams) responsible for successfully delivering

those key value-creating initiatives.

Any credible coaching practice should use a focused three-step approach to successfully **implement and align executive coaching to actual business needs**.

| FOCUSED APPROACH TO EXECUTIVE COACHING |  |
|--|--|
| STEP I:                                | Identify Critical Initiatives                            |
| STEP II:                               | Determine Leadership Competencies                        |
| STEP III:                              | Identify Candidates Most Likely to Benefit from Coaching |

Now, let's explore each step in detail.

### STEP I: Identify Critical Initiatives

For a strong foundation that ensures the coaching process is properly aligned to your business outcomes, it's necessary to identify the critical initiatives that will benefit most from coaching. You'll need to answer three key questions:

1. **What initiatives are "mission-critical"** to your company, business, or function?
2. **Which initiatives would benefit most** from providing executive coaching support to its leaders?
3. **What level of leadership strength or competence is necessary** for the success of the initiative?

Once you've identified the initiatives best suited for coaching, you'll want to evaluate each of the strategic initiatives according to the following **Key Strategic Filters** (ranking them as High, Moderate, or Low):

- A. Importance to Business Success
- B. Probability of Success without Coaching Support
- C. Level of Leadership Strength and Competence Required

Typically any strategic initiatives (whether at the corporate, business, or functional levels) considered for coaching would be a **high** priority to overall business success; have a **low to moderate** probability of achievement without assistance; and require a strong or **high** level of leadership strength and competence.

In **Example 1** below, the leader has identified five strategic initiatives critical to the organization, and evaluated each one against the Key Strategic Filters.

**EXAMPLE 1: SELECTING A MISSION CRITICAL INITIATIVE FOR COACHING\***

| Initiative                                  | Importance to Business | Probability of Success Without Coaching Assistance | Leadership Strength Required |
|---|------------------------|--|------------------------------|
| Introduce a new product in the Energy Group | Moderate               | High   | Moderate                     |
| Integrate a new acquisition                 | High                   | Moderate   | Moderate                     |
| Launch business in China                    | High                   | Moderate   | Moderate                     |
| <b>Implement Six Sigma</b>                  | <b>High</b>            | <b>Moderate</b>                                    | <b>High</b>                  |
| Strengthen the leadership bench             | Moderate               | High   | High                         |

\*Source: Corporate Executive Board 2003, "*Maximizing Returns on Professional Executive Coaching*"

In this example, implementing Six Sigma is identified as “mission-critical” because it is of **high importance to the business**, has only a **moderate probability of success without executive coaching**, and requires a **high level of leader strength** to succeed in delivering business returns.

**STEP II: Determine the Necessary Leadership Competencies**

Once you have selected your strategic initiative(s) you’ll need to define the leadership skills and behaviors most important to accomplishing those initiatives and necessary for success.

Your choice needn’t be complicated or difficult. The simplest, most efficient way to define the required leadership skills and behavior is this:

- Review a published list of leadership competencies (see Example 2 on the following page).
- Select 3-6 key competencies necessary to achieve the targeted business results (see Example 3 on the following page).

**EXAMPLE 2: SAMPLE OF THREE TYPICAL LEADERSHIP COMPETENCIES**

**Decisive Judgment**  
 Makes good decisions in a timely and confident manner

- Decides in a timely manner
- Decides with conviction and does not second guess the decision without very good new information
- Confidently takes action based on his/her decisions

**Drives For Results**  
 Challenges, pushes the organization and themselves to excel and achieve

- Challenges self and the organization to set high expectations
- Sets or helps to set appropriate goals and objectives
- Exerts the personal effort and hard work to achieve results

**Integrity**  
 Upholds a high standard of fairness and ethics in everyday words and actions.

- Holds him/herself to a high standard and will do what is right in spite of the consequences for him/herself
- Does not promise that which he/she cannot deliver

Note: This is just a partial list of applicable leadership competencies and skills.

**EXAMPLE 3: ANALYSIS OF SKILLS REQUIRED FOR SIX SIGMA INITIATIVE**

|   |  |
|---|--|
| <b>Mission-Critical Strategic Initiative:</b>                                     | Implement Six Sigma  |
| <b>Targeted Business Results Desired:</b>   | Reduce service response time by 40% by third quarter   |
| <b>Leadership Competencies Required to Achieve the Targeted Business Results:</b> | <ul style="list-style-type: none"> <li>• Managing Change</li> <li>• Planning &amp; Organizing</li> <li>• Influencing &amp; Persuading</li> </ul> |

**STEP III: Identify Candidates Most Likely to Benefit from Coaching**

Once you know the key competencies necessary to achieve the targeted business results of your mission-critical strategic initiative, then you can **choose the leaders who would benefit most from coaching** to achieve these initiatives, **and determine their goals for the process.**

It's a fairly straightforward process.

First, identify all of the leaders involved in the mission-critical initiative. These people are often the **“owners” of the process.**

Be sure to **include any other key contributors who will be involved in or responsible for the initiative.** Key contributors are often other team members or people whose roles have significant influence or impact on the initiative's results.

**EXAMPLE 3: LEADERS/PROCESS OWNERS & KEY CONTRIBUTORS FOR THE SIX SIGMA STRATEGIC INITIATIVE**

| Leaders       | Team Members & Key Contributors |
|---------------|---------------------------------|
| Pat Rivers    | Jamie Boyle                     |
| Jean Beaumont | Pat Kemp                        |
| Don Fernandez | Anne Cates                      |
|               | Amala Bhalla                    |
|               | Chris Nolan                     |
|               | Clive Pitts                     |

From your list, select the leaders and key contributors who are most likely to benefit from executive coaching **based on their demonstrated strengths** (using the key leadership competencies you identified in Step II).

More than just a “gut check” or judgment call, you must base your evaluation of each leader and key contributor on either a competency development tool or a [360-degree performance appraisal](#).

Now, **evaluate each leader and key contributor** (high-moderate-low) against the competencies you identified as necessary to achieve the targeted business results for the mission-critical Six Sigma initiative.

Upon examination, you'll quickly be able to identify the candidates who would benefit most **based on an evaluation of their competencies.**