CHAPTER THREE

COACHING EXECUTIVES FOR BUSINESS RESULTS

Alyssa M. Freas

Improving Business Results

From the point of view of corporate leaders and shareholders, the ultimate reason for running an executive coaching program is to improve business results. This means increasing profits, reducing costs, or achieving both within a defined time frame. Executive coaching can yield quantifiable, positive output: improved business performance and increased competitive advantage.

Executive coaching is the fastest growing "consulting" practice, with no slowdown in sight. For example, in the United States today the estimated number of executive coaches is in the tens of thousands. This rapid growth of executive coaching may reflect its bottom-line benefits. One of the biggest of which is that it is delivered on the job in real time, so it can be tailored to the executive's individual needs.

In the past, many senior executives who were committed to personal and staff development would sink considerable resources into often haphazard training programs, only to see that investment vanish into a black hole from which neither people nor company gained much benefit.

Coaching promises to avoid the pitfalls of—and offer far more than—the traditional training approach.

What, then, makes modern executive coaching so radically different, and what are the criteria to achieve a results-driven executive coaching process?

Strategic Executive Coaching

Coaching can be approached from a number of different viewpoints. Selecting the right approach is vital to realizing the desired outcome.

Modern effective executive coaching has to be strategic and individualized. A balance has to be struck between the organization and the individuals. In order to engage and to motivate, coaching must be individually tailored to the needs and aspirations of each particular individual. To deliver business results, the approach must also be organizationally tailored to the strategy, vision, and values of the organization. The inclusion of business factors—as well as individual factors—is the key to achieving business results.

Strategic Executive Coaching (SEC) sets out to align the development of each executive with the business challenges in the total organizational context. This is accomplished through an ongoing process of learning, during which executives are given the tools for learning that will enhance their ability to achieve enduring business results. Additionally, SEC ensures that executives develop their leadership capability to deliver the business results the organization wants. To facilitate this, an integral part of the coach's work is to help the executive introduce feedback, action planning, active learning, and follow-up into their regular work life.

Benefits of Effective SEC

The benefits of SEC flow directly from its focus on achieving real business results. This is in contrast to other approaches that might concentrate on solving a specific problem with an individual or within an organization. These alternatives might involve an attempt to change personalities or merely to follow the "charm school" approach of making individuals more affable and approachable. SEC keeps the spotlight on effecting business results; other benefits are important but subordinate to achieving business benefits.

SEC has been applied in a number of contexts, and the bottom-line benefits frequently recur. Examples include improved customer loyalty; development of future leaders; retention of high-impact people; and successful management of change.

Improving Customer Loyalty

SEC helps executives become more effective; effective executives create more satisfied employees; satisfied employees create more satisfied customers; satisfied customers create higher profits. A research study conducted by Anthony J. Rucci, Steven P. Kirn, and Richard T. Quinn and published in *Harvard Business Review* (January–February, 1998) referred to an eight-hundred-store study by Sears Roebuck, and Co., in which Sears' executives concluded that:

> "Employees' attitudes about their workload, treatment by bosses, and eight other matters have a measurable effect on customer satisfaction and revenue. If employee attitudes on ten essential counts improve by 5 percent, Sears found customer satisfaction will jump 1.3 percent, driving a 0.5 percentage-point rise in revenue. If we knew nothing about a store except that employee attitude had improved 5 percent, we could predict that its revenue would rise 0.5 percent above what it otherwise would have been."

This finding links well with our experience in developing future leaders. In one Fortune 500 company, we found that leaders who effectively coach their account managers have more satisfied client accounts than those managers who do not effectively coach. SEC leads to more effective leaders and coaches, who create the employee satisfaction, competence, and customer loyalty necessary to drive profit.

Developing Future Leaders

Winning organizations of the future know that their long-term success will be built on the capability and commitment of their employees. According to Noel Tichy, author of *The Leadership Engine* (1997), "the scarcest resource in the world today is leadership talent capable of continuously transforming organizations to win in tomorrow's world."

Today's successful organizations know that hiring and retaining talented people will be even more difficult in the future. They also know that developing leadership talent will become more critical. Executive coaching can help build bench strength within the organization by providing and developing executives with such vital coaching skills as giving and receiving feedback; varying their leadership style to meet the needs of their direct reports; and demonstrating that it is acceptable to ask for help. Many executives feel uncomfortable when delivering candid feedback. The executive coaching process teaches them how to overcome this obstacle. Consequently, more people in the organization receive the quality feedback they need and want. In this way executive coaching helps to develop employees into more effective contributors.

Retaining High-Impact People

Retaining key, competent people is a competitive strategy in today's global market. Many organizations find themselves fighting the "talent war," in which highly talented and scarce people depart their current organizations for new opportunities in companies that are viewed as better places to work. Many cost factors are to be considered here. In addition to the immediate loss of the employee's work contribution and organizational knowledge, there is also an impact on the ability of the organization to produce business results.

For example, during the first three months on the job, a new hire can accomplish only sixty percent as much as an experienced worker can accomplish in the same amount of time. Additionally, a new hire who is learning the business will tend to serve customers less well. Even a five percent drop in overall employee efficiency cuts annual revenue in a large corporation by "a couple of hundred million dollars." There are also the cost and effort of advertising for and selecting candidates. Losing an exempt employee costs an organization, on average, between one and two times that person's annual salary and benefits. Not to mention the opportunity cost of using management time in interviewing and administration or the time lag before the incumbent is up to speed (Business Issues Research Group, 1999). One Fortune 500 organization has recently calculated these costs at well in excess of $500 million per annum. That figure does not even take into account the effects on projects for which "time to market" is critical. In concentrating efforts on maintaining high employee performance, an SEC initiative helps corporations avoid incurring such massive, enduring, and crushing costs.

Managing Change

Successful executive coaching is about moving individuals into behaviors that sustain the business, in both the short and long term. When individuals and teams can work effectively together, then so will the organization as a whole.

SEC is a powerful tool for managing change because it involves key decision makers. When the coordinated, consistent actions of executives combine harmoniously, an entire organization can become more in tune with itself, thus improving its market position in a changing environment. SEC is grounded in understanding where an organization wants to go and how its people must perform in order to achieve their mutual goals; it is based on the belief that in order to achieve sustained growth in revenues and profits, company leaders must take its employees "with them."

How to Realize the Benefit

The Tenet of Strategic Executive Coaching

—A Mission of Transfer, Not Dependence—
"Give a man a fish—feed him for a day;
Teach a man to fish—feed him for a lifetime."

An effective executive coaching model has to be built on a platform of independence—not dependence on the coach. The coach's prime goal must be to help each executive learn how to learn. An intended consequence of executive coaching is transferring the coaching tools to the executive and helping them learn how to learn. This chain reaction of learning must eventually shift the power of coaching from outside the organization to within. The ultimate goal must be a transfer of learning skills—not the fostering of dependence from the outside.

A well-constructed executive coaching approach will ensure that attention is paid to strategic factors as well as to the more obvious process components that deliver the executive coaching (see Figure 3.1).

FIGURE 3.1. GUIDELINES THAT ENSURE EXPECTED RESULTS

A. Strategic Components

- Understand the business context and challenges;
- Define success factors—current, transitional, and for the potential future;
- Identify whether there is a clear need and support for executive coaching;
- Clarify key stakeholder roles and responsibilities; and
- Ensure that the climate is ready for development (at the organizational and individual levels).

B. Process Design

- Select, match, and orient executive coaches;
- Establish an effective executive coaching process; and
- Plan for follow-up to engage effective behavioral change.

Strategic Components

At the onset of SEC, the organizational challenges and desired business results are identified and the key executive capabilities necessary to achieve those results are established. Once this has been done, the coach works with the executive sponsor (typically a chief learning officer or vice president of executive development) to understand the necessary leadership attributes and success factors. From this set of attributes, an effective leader profile is constructed that reflects the company's values and leadership principles.

See Figure 3.2 for questions to consider in this strategic and preparatory phase:

FIGURE 3.2. SOME QUESTIONS TO ASK IN STRATEGIC PREPARATION

- What are the key business challenges facing your organization today? In the next two to five years?
- Given those challenges, what leadership skills, knowledge, and abilities are required to succeed?
- Does your organization have an agreed-on profile of the characteristics required of the successful leader of the future?
- What core values (set of principles) best define a common framework for how business results are achieved?
- How does your organization determine whether you have the necessary bench strength to compete?
- What is your organization's strategy for developing leaders of the future?
- Does your organization have proven methods to attract, develop, and retain required talent?

Process Design

From the point of view of the executive being coached, by far the more personal component is experienced within the individual or team coaching between the coach and coachee. This aspect of SEC is presented in full in the following section.

A Framework for the Strategic Executive Coaching Process^{SM}

This section describes the process component of executive coaching by breaking it down into five key steps. The exact determination of dividing lines between the individual steps is less important than the approach to issues that arise during the process as a whole.

Step One: Careful Contracting

It takes skill to create a trusting environment in which open dialogue can occur and underlying issues can be brought to light. A great deal of honest communication and feedback will set the parameters of the executive coaching process.

In addition to information that responds to the questions above, the objectives of the "contracting dialogue" should include the following:

1. Identified success factors for a specific executive's (or team's) current and potential role;
2. Agreement on confidentiality boundaries;
3. Identification of specific expected business results (that is, what business results differentiate an adequate performer from a top performer in this particular role?); and
4. Confirmation that the "chemistry" is right to build trust and rapport.

Addressing these and other questions will help to define the organizational and individual expectations and support the business objectives.

It is imperative that a contracting meeting for the purpose of defining expectations take place before the individual coaching begins. Those attending should typically include a senior-level human resources representative, the executive coach, and the executive receiving coaching.

At the conclusion of step one, the following points must be accomplished:

1. Business context defined;
2. Strategic issues defined;
3. Leader profile and job success defined;
4. Clear roles and responsibilities determined;
5. Agreement regarding who is "the client";
6. Milestones and timelines clarified;
7. Confidentiality boundaries established;
8. Outcomes and expected results agreed on; and
9. Financial terms signed off.

Step Two: Comprehensive Assessment

The second step in the executive coaching process is an assessment of each individual executive. Through interviews and formal assessment tools, gaps between the current and expected performance of each executive are identified to measure how the coaching client stacks up against the business context, expected leadership attributes, and expected business results.

The preferred assessment is done through face-to-face interviews with key stakeholders, such as direct reports, peers, bosses, and customers, and by shadowing the executive during his or her daily life. The main advantage of the face-to-face approach is that it enables the coach to probe the client, and thus provide feedback that is both quantitative and qualitative. The ultimate value of the assessment process is that the results clearly illustrate areas of strength as well as those requiring attention. This paints a clear picture for the executive in terms of strengths and development opportunities, and thus focuses and informs the process.

The face-to-face interview method has been described by several executives as a 360° survey that comes to life—a much deeper and more meaningful picture then a written 360° report.

Step Three: Feedback Dialogue and Action Planning

Feedback Dialogue. The first order of business in an effective feedback session is to revisit the agreed-on objectives and to review the ground rules. Properly preparing executives for feedback is key to ensuring their willingness to listen, accept, open up, and move into action planning. Sessions should occur outside the normal office environment to ensure a more relaxed experience, free of interruptions or ready escape routes. A neutral site helps the executive manage feedback that may contradict his or her current self-perceptions. The coach must facilitate the feedback flow process; help the executive understand the data; and moderate any negative reactions.

During the feedback dialogue session, the coach will continue to refer to the business requirements, leader attributes, and expected business results and compare them to current performance. The aim is to work within a framework that directs feedback toward the key objectives of the business.

The feedback session typically follows these stages:

1. Reaffirm ground rules and establish rapport;
2. Review coaching objectives and business context;
3. Describe how to interpret results;
4. Give the executive opportunity to review results;
5. Discuss surprises or frustrations;
6. Highlight strengths;
7. Identify developmental needs;
8. Agree on areas for improvement; and
9. Begin developmental planning process.

Action Planning. The action plan must focus on behaviors that contribute to specific business outcomes. A typical action plan includes:

1. Strengths and why they are important in the executive's current role;
2. Developmental areas;
3. Action steps required or interventions needed in areas requiring improvement, as well as leveraging strengths;
4. The type of coaching style that will best suit the development process;
5. Active learning or experiential learning suggestions;
6. Ways in which direct reports, bosses, peers, and others can help;
7. A process for following up with key stakeholders; and
8. Key milestones.

Once the action plan is complete, key stakeholders are invited to validate it. These stakeholders typically comprise the same group involved in the initial assessment interviews. By sharing the action plan with those who were initially interviewed, the executive can be assured that the planned improvements are consistent with expectations. The other benefit of closed-loop validation is that it involves those most likely to benefit from positive change in the executive's behavior. As a result, this process fosters their commitment to help the executive develop.

Step Four: Active Learning

Once the key stakeholders agree with the action plan, a variety of development strategies are implemented. The executive coach guides and reinforces the development strategies, which can include techniques such as action learning, role play, case study, simulation, video feedback, shadowing, and journaling (in other words, writing down the work carried out by the executive). Special developmental courses and team activities are often recommended to support the executive coaching process.

The coaching process is usually supported by a series of monthly meetings between the coach, executive, and key stakeholders. These dialogues help to ensure that the milestones are being met, the ground rules are being followed, and the coaching process continues to be focused on the organization's business needs.

Step Five: Reviewing and Sustaining Success

Approximately six months after the feedback session, an abridged version of the initial assessment is conducted to determine the impact of the process on the individual and the organization. The results of the assessment give credit for progress and address areas in which changes are still required or bring attention to necessary mid-course corrections. The results of the abridged assessment are shared with key stakeholders to further the development of the executive and ensure alignment to organizational goals.

Our research shows that follow-up is a critical success indicator of the entire executive coaching process. Additionally, to ensure overall quality, assessment of the coach is essential.

The following case studies illustrate the SEC process.

EXHIBIT 3.1. ALABAMA POWER MAKES EXECUTIVE COACHING PART OF STRATEGIC CHANGE AND LEADERSHIP RETENTION PROGRAMS

Alabama Power Company (APCO), part of Southern Company, is the primary electric company for the state of Alabama. As with all such utility companies, it is facing major changes, primarily through deregulation of the power market.

Like many long-established organizations, APCO went through a long and painful period of downsizing. In less than ten years, its work force was cut from over 10,000 employees to just 6,500. Its pool of managers was dramatically reduced. From 1995 to 1998 the number of managers dropped from twelve hundred to just eight hundred, and it continues to drop. As with many other companies in a similar position, many staff people whom the company would have preferred to keep left of their own accord.

Jacki Lowe, chief information officer, says: "We had taken our eyes off the employees through eight years of rigorous downsizing, and focused on everyone else—customers especially, but also shareholders—everybody but our own employees. Managers were hired for their technical expertise rather than their leadership qualities."

Executive coaching was adopted at the most senior level to shift the culture of the whole organization. The president of the company, his senior management team, and their direct reports (about forty people) went through the developmental program.

Starting in December 1997 and ongoing, the results so far have recorded improvements in team leadership, collaboration, coaching effectiveness, and leadership skills. After going through the SEC process nearly 90 percent of all APCO officers were rated by their peers and direct reports as more effective leaders and coaches. According to Lowe, "The SEC process has been a primary contributing factor to APCO having one of its best years ever." She also states, "We understood that the change of behavior would not happen overnight, and we were not looking for a 'quick fix.'" It took from six to twelve months for results to become apparent.

An essential part of the SEC process within APCO was to institutionalize the coaching process by "training the trainers," so that the effects would cascade through the organization. Each participant was essentially coached into becoming a coach. A key focus of the executive coaching was to ensure that the executive team members were role models for other executives and for all employees of the company.

Why did APCO decide on an executive coaching program? Because the human resources group had been through an internal program, and the human resources director had seen positive changes in leadership styles.

Lowe says: "High performers always want feedback on how they are doing and how they might improve. This was not being done, and it is essential if you wish to retain those executives with the potential to become future leaders of the business." The executive coaching process was highly satisfying—the officers rated their overall satisfaction 4.7 on a maximum five-point scale. The vast majority of officers stated that coaching from an external source is a valuable part of the SEC process.

EXHIBIT 3.2. FORD LEADERSHIP DEVELOPMENT PROGRAM PRODUCES IMMEDIATE BENEFITS FOR EXECUTIVE COACHING PARTICIPANTS

Ford Motor Company has also undertaken a major leadership development program. During the 1970s and 1980s, Ford, like APCO and other companies, went through downsizing and re-engineering programs. As a consequence, many middle managers left the company.

The automobile business has changed dramatically. Product development used to take about five years. Today it takes as little as twenty-four months and will likely have to be reduced further. The pressure for continued change is very much market-driven. Previously, consumers might have been content with products lasting five or even ten years. Now they change their wants within a matter of months. This is greatly impacting the motor industry. For example, in recreational vehicles the market-leading model remains the leader for only a few months.

Ford senior management realized that the company was facing a potential shortfall of senior managers to replace those heading toward retirement. In response, they introduced a company-wide leadership development program called Capstone, plus a number of initiatives to improve the quality of management. These include an internally run 360° feedback program involving the top 10 percent of the company, as well as a company-wide attitude survey.

The Capstone Program was initially introduced in 1997 to the Human Resources Division by Harry Jones, director of human resources for Ford product development. Like the rest of the company, Jones' division was facing the prospect of too few suitable leaders in the near future. Also, the division had a secondary challenge to face in that its successful managers had, by definition, all come from highly technical backgrounds.

According to Jones, "What made these people successful earlier in their careers kept them from being successful as they moved up. At the lower levels, they needed a deep understanding of technical issues, but as they moved into more senior roles, they needed influencing skills, the ability to partner with people. We needed leadership skills, for that's how you get things done."

People who have participated in Capstone include vehicle line directors, chief product developers, and program managers. These participants also have the option to partake in executive coaching.

Nancy Gioia, Ford Motor Company's chief program engineer for the Thunderbird says, "I talked to several colleagues who had gone through the coaching with ExCN, Inc. They all agreed that it was very, very positive. While internal coaching is available at Ford, it tends to concentrate much more on specific skill building." Says Gioia, "I liked the 360° face-to-face interview approach. In any case, I prefer to have an external coach, someone from outside the company and even outside the industry. ExCN's approach was effective and personal."

The results exceeded her expectations. Much of the benefit came about through the people who were involved in her 360° interview process. The ExCN, Inc. coach personally interviewed each person, and their statements were compiled and anonymously shown to Gioia. An action plan was agreed on and discussed with everybody who took part in the interviews. Feedback to Gioia frequently included the comment that she was brave and that another person might not have gone through with the program. Such admiration for the person who has gone through the process very often becomes the basis for mutual respect and a willingness to listen better, which Gioia found was an extremely positive grounding for networking.

"It makes you into a better leader," she said. "'Manager' and 'leader' are not the same." Each executive coachee is essentially coached into becoming a coach. According to Gioia, the Thunderbird project benefited in other ways, "through getting the support of other people and being able to negotiate through tough issues with my whole management team." She believes that as a result the product has been improved, which has also improved profitability and sales forecasts, and hence yielded higher shareholder value.[1]

The Ultimate Value of Executive Coaching

The prime objective of SEC is always to improve the business results of a company. This is achieved by increasing profits or cutting costs. The business of executive coaching is neither simply intuitive nor merely the application of mechanized process. It must, at all times, be rooted in the business strategies of the individual client organization, justifying itself by delivering real and tangible business results. Executive coaches themselves must understand how businesses operate and what internal and external pressures are being faced.

Executive coaching can show improved performance in a client almost immediately and support within six months via an interim assessment.

The real advantage of a properly implemented coaching program is that it becomes self-sustaining, delivering results indefinitely. The process of coaching must not end the moment the executive coaching firm walks out the door. A strategic coaching approach offers a supporting work context that is totally in tune with delivering significant, valuable, and enduring business results.

About the Contributor

Alyssa M. Freas is one of the leading authorities on executive coaching. She is the president and CEO of Executive Coaching Network, Inc. (ExCN), a global company whose primary mission is to help organizations

[1] Case studies completed by Ron Ardell of Executive Coaching Network, Inc. 1999.

achieve results by improving the effectiveness of their executives. ExCN, Inc., specializes in Strategic Executive Coaching Process, a powerful results-oriented approach designed to align an executive's development with the strategy of the corporation, thereby helping individuals and teams deliver what is expected from them by their shareholder-business results. The company operates worldwide and has attracted a stellar group of coaches, including authorities on team building, strategic planning, e-business, change management, succession planning, crisis management, retaining talent, and the customer-employee-profit chain.

Through ExCN, Inc.'s Strategic Executive Coaching Process, Alyssa has helped executives translate their vision into action, strategically align corporate values, improve employee competence and commitment, manage transitions, improve executive's abilities to coach emerging leaders, and implement lasting improvements in executives' performance. Alyssa's coaching approach has been described by clients as "transformational," "life changing," and "pivotal to our companies best business year ever." Alyssa has delivered highly sustainable results for Fortune 100 companies around the world. Her clients include senior executives from many of the world's leading organizations, such as Andersen Consulting, Citibank, Coca-Cola, ExxonMobil, Ford Motor Company, Motorola, Nortel Networks, Oracle, Royal Bank of Canada, Southern Company, and United Airlines.

Prior to founding ExCN, Inc., Alyssa served as a Senior Consultant in Coopers & Lybrand's Change Management Practice in Washington, D.C., where she provided leadership development to the Army, Navy, and Coast Guard. She maintains a strategic business alliance with Keilty, Goldsmith & Company, where she acted as Practice Leader for eight years. She has a Ph.D. in Organizational Development.

Alyssa is an accomplished speaker and facilitator. She has authored and co-authored several articles, including "Increasing Customer Satisfaction," published in *Leader to Leader,* Winter, 1997. She partnered with Marshall Goldsmith, Frances Hesselbein, Gifford Pinchot, and Richard Leider to create a leadership development product published by Jones Internet Channel, Inc. 1997, Leadership Online™.