



The Establishment of Executive Coaching

*2007 trends in executive expectations and
performance management*

alta mesa group 

The logo for Alta Mesa Group, featuring a stylized red 'M' with a blue and white circular graphic element behind it.

Abstract

Executive coaching offers a solution to the impending crisis in the executive suite: a lack of talent caused by the exodus of potential mentors of the boomer generation and the diverse career paths many upcoming professionals have taken. This report evaluates the opinions of both purchasers and beneficiaries of executive coaching to uncover the motivations behind the use of executive coaching, the perceived benefits of an executive coach and its importance as an initiative for firms in the U.S.

The key findings examined in this report include:

- Ninety-five percent of those who have worked with an executive coach utilized an outside consultant rather than an in-house, homegrown solution.
- Nearly all respondents who have worked with an executive coach (93 percent) would classify the experience as a success.
- The two most common reasons for bringing in an executive coach were improving performance and improving retention (chosen by 80 percent and 58 percent respectively).

This report is based on a quantitative research study sponsored by Alta Mesa Group in Q1, 2007.

Executive Coaching: An answer to the impending crisis in the executive suite

Executive coaching is coming into its own as a part of a complete talent management suite because it offers a solution to the most significant issue facing the executive suite today: a dearth of qualified talent. There are talented managers, but they often lack industry- and company-specific experience, and talented industry professionals often lack sufficient management experience to successfully navigate a corporation through the litigious global marketplace. These issues stem from the War for Talent and the impending boomer retirement—vice presidents have come up in a far different world than their predecessors and are quickly losing their potential mentors. In the past, it was common for a person to climb the ranks within one (or a few) firm, working with upper management as he or she ascended to the executive suite. Now, the average tenure for employees in the U.S. is four years, and promotions are often gained through counter-offers or moves between firms. In order to compensate for these marketplace realities that are threatening the emerging generation of executives, executive coaching is becoming more popular.

Executive coaching has the potential to increase the positive influence of an exceptional CEO and mitigate the negative effect of a controversial executive. Stories like the recent conflict at The Home Depot between shareholders and CEO Robert Nardelli brought the negative repercussions of a CEO's activities to light, while the continuing story of Andrea Jung at Avon demonstrates the positive impact a carefully selected CEO can have (see sidebar for more information). The average tenure of CEOs continues to decline, and a recent study by Booz Allen Hamilton reports that in 2005 the performance-related turnovers for CEOs showed a record 35 percent of executives leaving involuntarily. As executive tenures have continued to decrease (often for performance reasons), boards are forced to readjust their strategic plans and compensate for the loss of an executive and the cash delivered in their severance package.

Executive coaching can also promote retention, and this is becoming increasingly important to companies that realize the increased potential of insider CEOs. According to Booz Allen Hamilton, outside CEOs tend to have a maximum performance of five years and can backfire for the company. The War for Talent is impacting the pool of candidates for executives—companies are having a more difficult time finding talented leadership candidates and are turning to their own internal talent pool. However, many of these professionals may not have the experience necessary to compete on the executive level, and these companies hire an executive coach to help them transition from VP or management roles to executive positions.

Robert Nardelli, The Home Depot CEO

When Nardelli announced plans to leave the company, his \$123.7 million compensation package caused uproar among shareholders. When he met with them at a planned shareholder meeting, he did not allow general questions nor did he answer their concerns. This caused a huge media backlash and negative publicity for both Nardelli and The Home Depot. For more, read "Home Depot Shareholders Blast CEO over Pay; Nardelli Cuts Criticism Short."

Andrea Jung, Avon CEO

Avon Product Inc.'s profits continue to trend upwards under the guidance of CEO Andrea Jung. In November 2005, she announced a restructuring plan that affected every division of the company. It has provided the platform for unprecedented growth at the internally recognized company. For more, read "Avon 1Q Profits Soars."

Executive coaching is defined slightly differently by each coaching firm and executive, but the standard definition provided by the *Executive Coaching Handbook* is as follows:

Executive coaching is an experimental and individualized leader development process that builds a leader's capability to achieve short- and long-term organizational goals. Data from mutual perspectives are factors that influence the selection of executive coaching. The organization, the executive and the executive coach work in partnership to achieve maximum impact.

Executive coaching is most commonly used to groom high-performing leadership candidates for executive leadership (chosen by 82 percent of respondents). While the buyers of executive coaching (current executives and board members) are typically looking for a coach that will help the professional in their business career, some executive coaches are more focused on esoteric issues nominally related to job performance. One such example is a meditation instructor turned executive coach. He may increase the candidate's quality of life and tangentially improve his job performance, but the candidate's job performance may also decrease because he now has a better work-life balance.

In order to find a top-performing executive coach and accurately evaluate the candidate and the coach, companies must have a set criteria and an understanding of the executive coaching industry as whole. This report, "The Establishment of Executive Coaching," is intended to provide both purchasers of executive coaching and participants with a clearer understanding of the industry, the current marketplace trends and best practices to employ when searching for an executive coach to help grow top talent.

Demographics

The respondents tended to be in leadership positions in their organizations, and are from a wide range of companies in both size and industry. Of those that responded to the survey, 34 percent were executives or board members. Nearly half of employees are part of SMBs and the other half work for firms that have more than 100 employees. Geographically, most respondents were from the central U.S. The respondents were from a variety of industries, and the top four were consulting (28 percent), financial (11 percent), computer software/Internet (10 percent) and business services (10 percent).

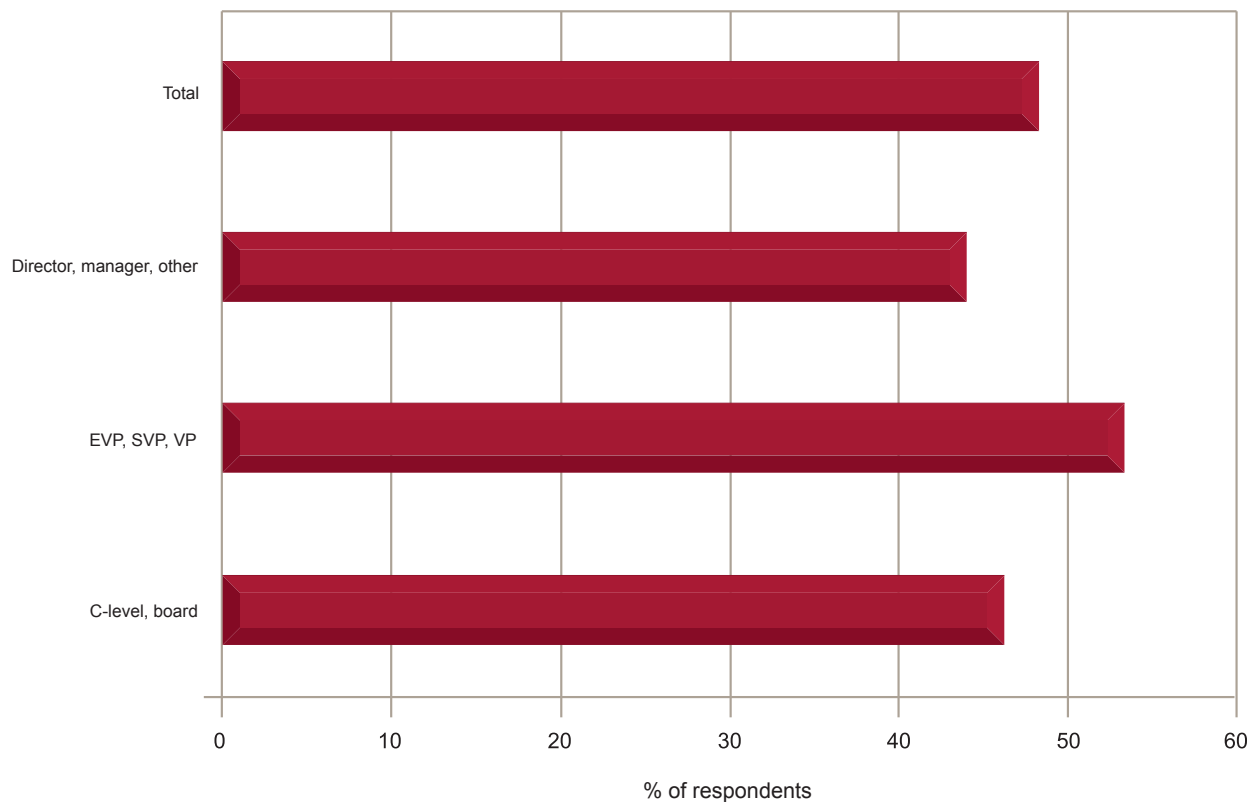
Methodology

The survey was sent via email to nearly 2,400 business leaders. The survey was live for five days, and a total of 115 respondents were considered to drive the results and conclusions of this report. Each respondent answered the questionnaire via an online survey tool and were assured of their confidentiality. Their responses will be used only in this aggregate analysis.

Utilization of Executive Coaches

The use of executive coaches has not completely permeated the executive suite yet; however, nearly half the survey respondents (48 percent) have had an executive coach help them in the past. Of those who have worked with an executive coach, the highest percentage was from the VP level in the company (53.3 percent).

Past executive coaching usage, segregated by position of respondent



Because of the relative newness of executive coaching as a discipline, this finding demonstrates the tendency to utilize executive coaches with high-performing leaders to help them succeed as executives. In addition, the industries that most commonly used executive coaches were professional services: advertising, consulting, financial and insurance (51.5 percent of respondents in these industries had worked with an executive coach).

Even though nearly half of respondents have worked with an executive coach in the past, slightly fewer respondents expect an executive coach to be provided to them in the future.

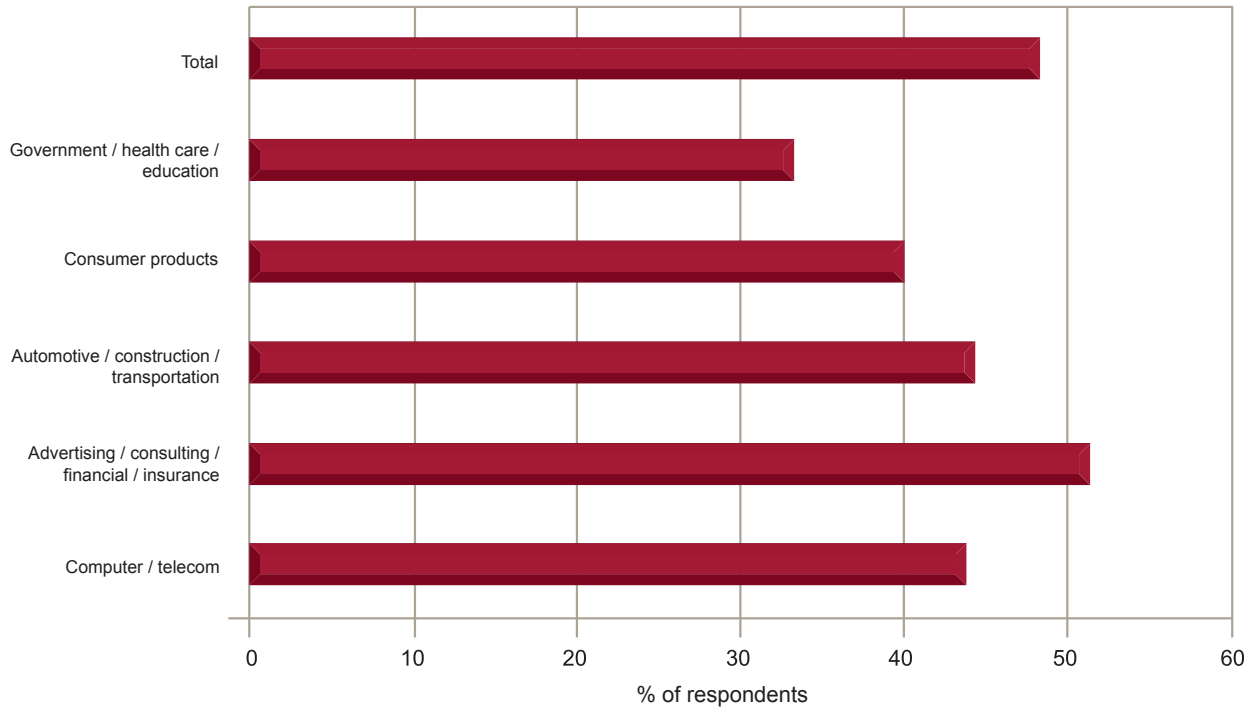
Despite the fact that executive coaching has yet to be accepted or undergo any standardization as an industry, companies recognize that this is not a task they can perform success-

Ninety-five percent of those who have worked with an executive coach utilized an outside consultant rather than an in-house, homegrown solution.

fully in house. Ninety-five percent of those who have worked with an executive coach utilized an outside consultant rather than an in-house, homegrown solution.

Until the industry develops a standard for executive coaching and the value of it is proven, it will not be universally accepted. However, those companies that have high executive turnover or are willing to invest in their emerging leaders can develop a significant advantage by partnering with an experienced executive consulting firm focused on the accomplishment of business initiatives with his or her trainee.

Past executive coaching usage, segregated by industry



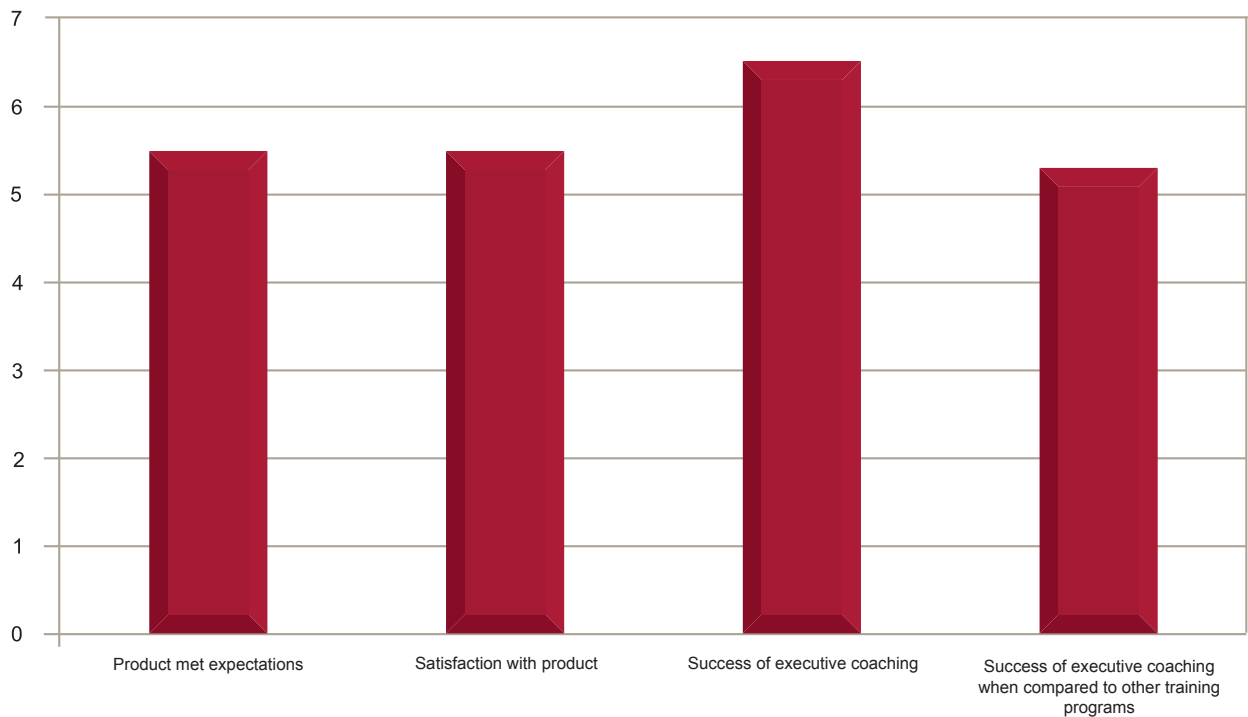
Perceptions of Executive Coaching

The perceptions of executive coaching were generally more positive than expected, especially by those who had utilized executive coaches in the past. Because of the similarities between those who have worked with an executive coach and those who have purchased the services of an executive coach, both groups' responses have been grouped as one.

For each query, respondents reported a high satisfaction rate with the product when compared to their expectations and to the success of other programs with similar objectives. The area in which respondents showed the most satisfaction was the success of the executive coach. Nearly all respondents who have worked with an executive coach (93 percent) would classify the experience as a success. More than half of respondents who were responsible for purchasing coaching (58 percent) said they were either very satisfied or extremely satisfied with the product, and 54 percent of those who worked with an executive coach were either very or extremely satisfied with the product.

Coaching programs with clear objectives and those that integrate assessments are most likely to deliver satisfactory results.

Perceptions of executive coaching (1 being very low, 7 being very high)



Assessments and Executive Coaching

Assessment of the executive before and after coaching is important and helps the executive understand the information and its implications. Assessment provides a basis to increase self-awareness as well as to identify additional development areas.

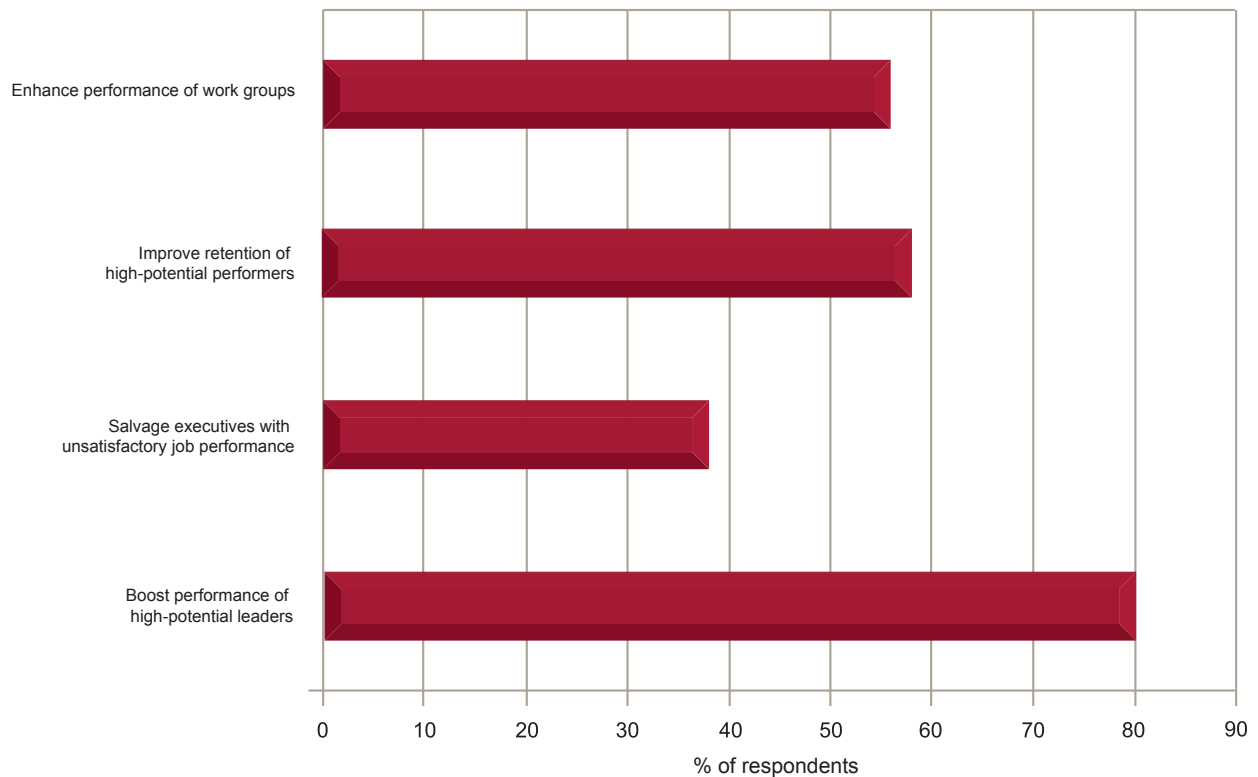
- Examples of assessment tools: direct observation, questionnaires, one-on-one interviews, focus groups, 360-degree assessments
- Assessment may focus on factors such as personality tests, leadership style indicators, team communication, organizational trust, quality, employee satisfaction, organizational culture, profitability and efficiency.

Information courtesy of the Society for Human Resource Management (SHRM).

Purposes of Executive Coaching

Executive coaches are most often hired to boost the performance of high-potential leaders, and this often affects the performance of the individual across the board. According to respondents, the two most common reasons for bringing in an executive coach were improving performance and improving retention (chosen by 80 percent and 58 percent respectively).

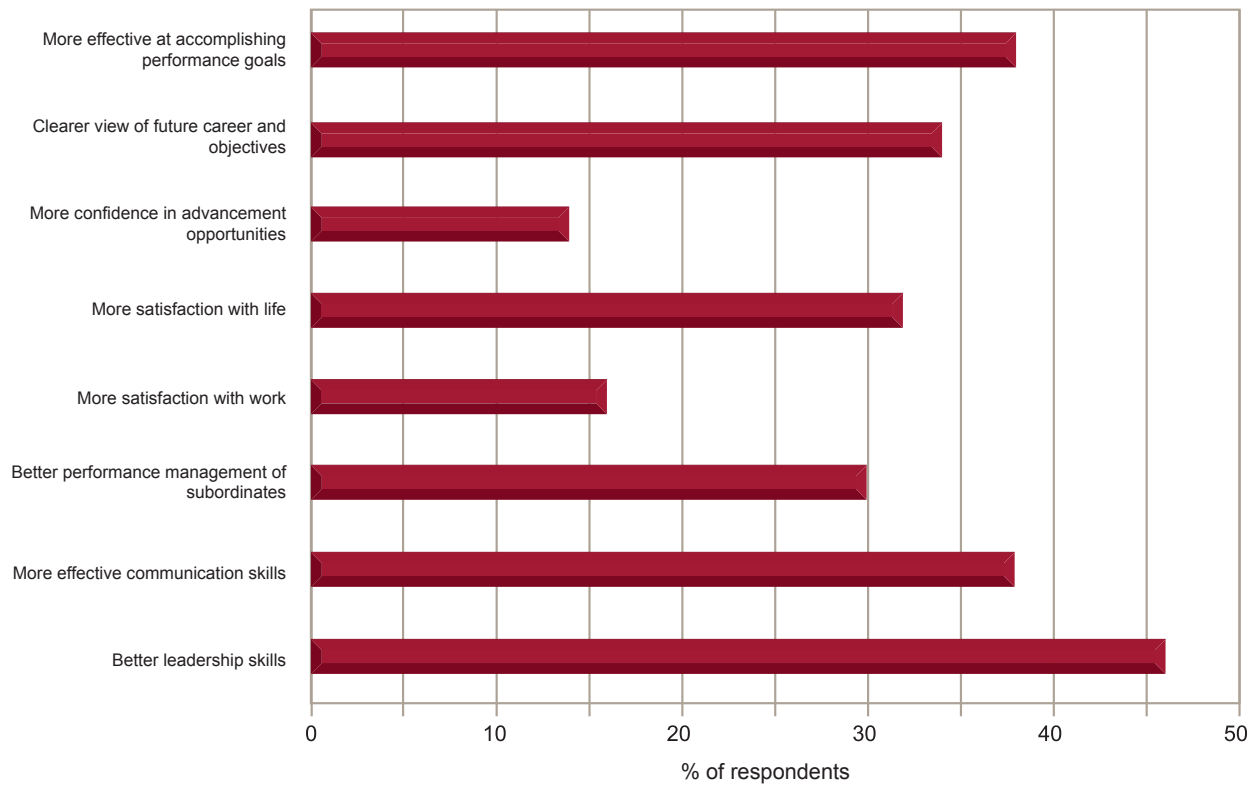
Priorities for executive coaching



Benefits of Executive Coaching

Of the respondents who have worked with an executive coach, 57 percent said that the coach helped them act more strategically. Strategic thinking is a critical skill for those responsible for the welfare of a company, but it is a talent rarely developed in the ranks of middle management. More specifically, those who worked with an executive coach identified four improvements, for which the coach was the catalyst that exemplify a more strategic perspective on both their professional career and personal work style.

Advantages gained from executive coaching

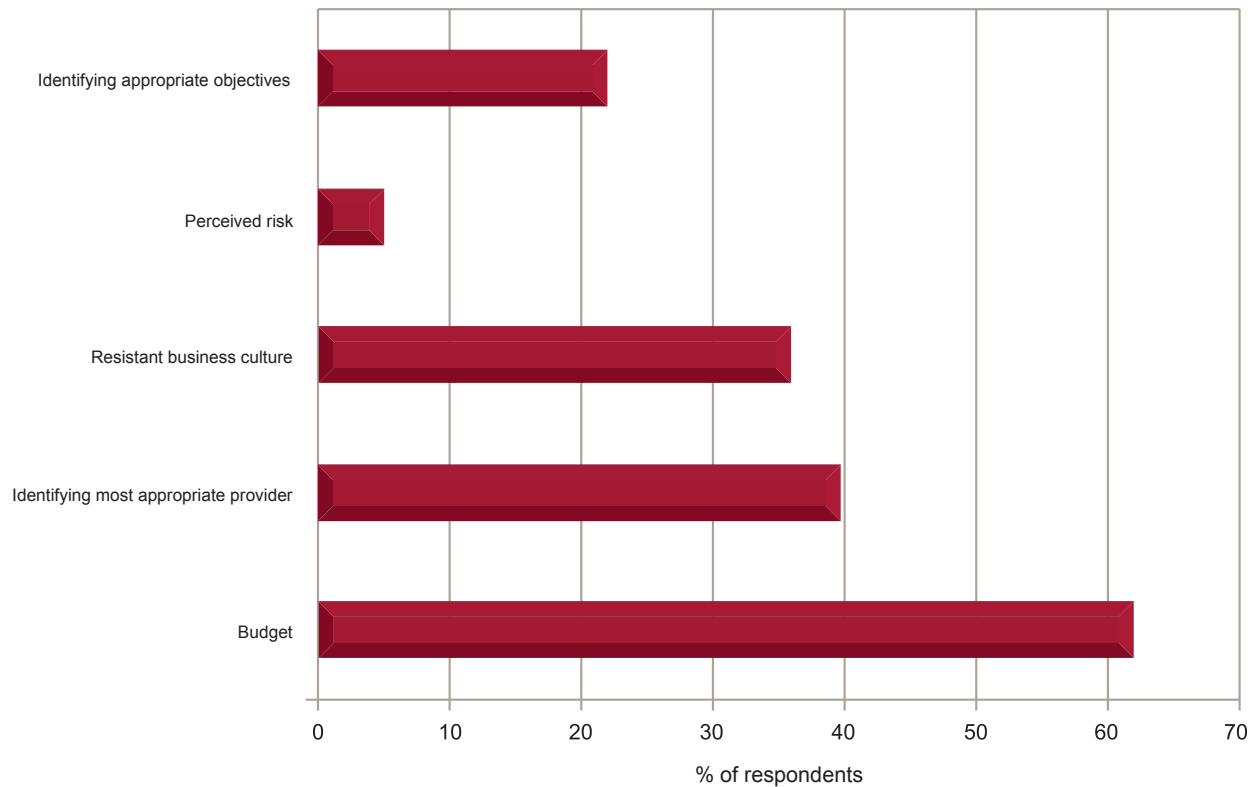


Obstacles to Executive Coaching

When choosing an executive coach, the two greatest obstacles for purchasers were the budget (chosen by 62 percent) and trouble identifying the most appropriate provider (chosen by 40 percent). Other issues, such as a resistant culture, were also concerns for those who would purchase coaching.

Once the marketplace becomes more standardized, objectives such as price and appropriate provider will become less of an issue because the experience and case studies of top executive coaches will become more common knowledge. The perceived risk (only 5 percent) is low for a purchase in an emerging industry, but it may be because of the generally positive perceptions of executive coaching in the marketplace.

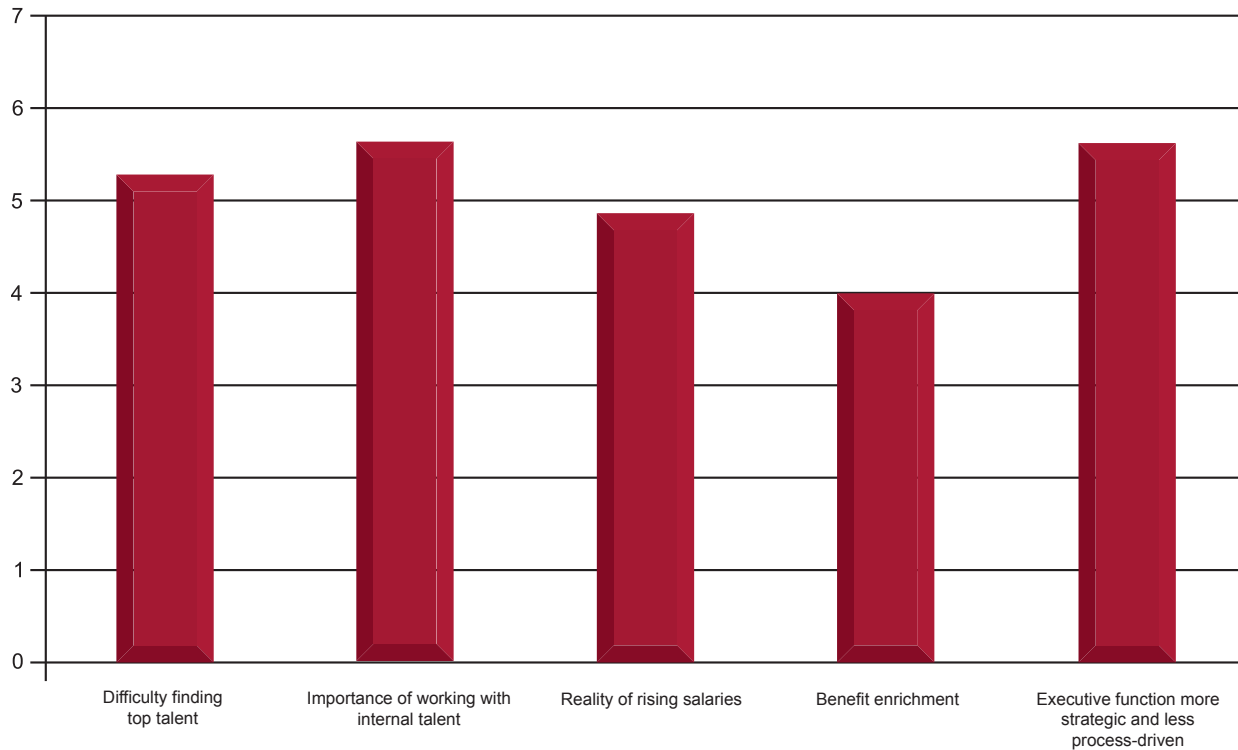
Obstacles with executive coaching



Marketplace Perceptions that Impact Executive Coaching

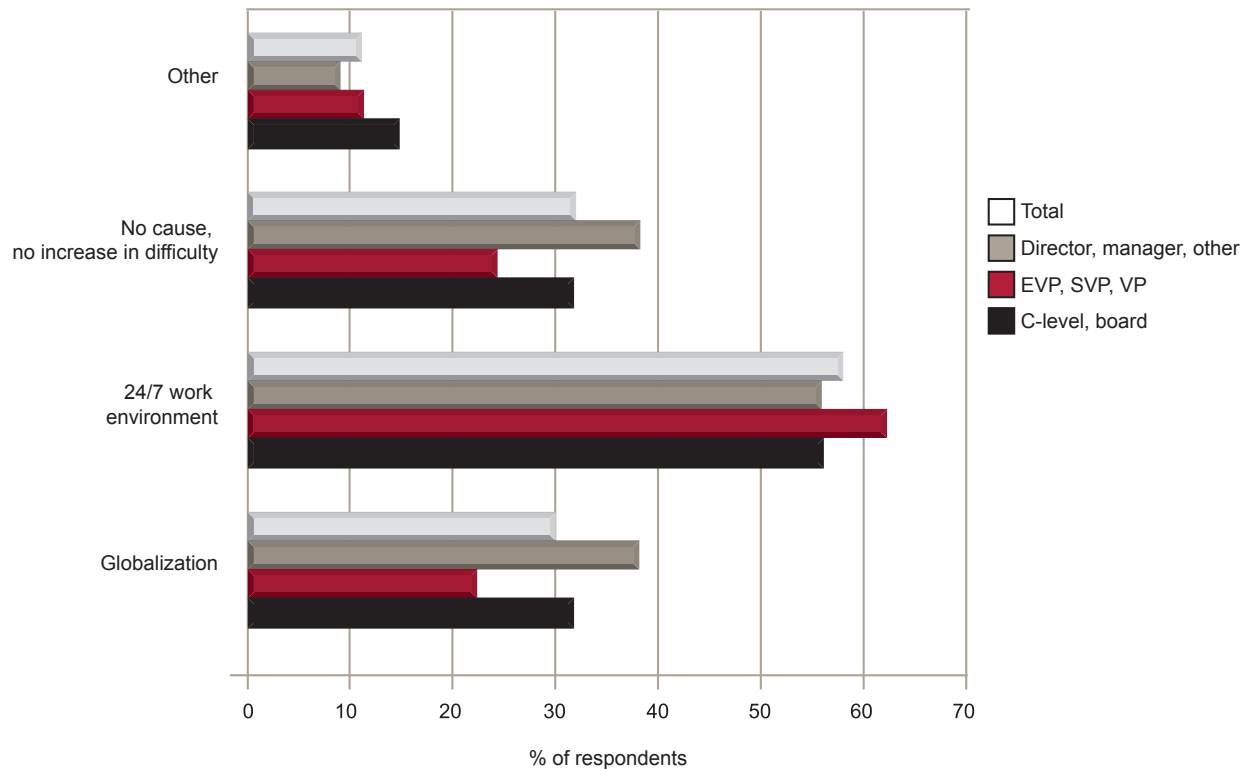
One of the greatest motivators for executive coaching is the need to retain talent. This, coupled with the complexity of the executive job function, is encouraging boards and executives to invest in their rising talent. In addition to executive coaching, many companies are encouraging assessments, mentoring and other talent management strategies. The most common reasons for investing in these techniques follow.

Marketplace perceptions



More than 60 percent of respondents agree that the executive job function is becoming more complex, and the most common reason for this is the 24/7 work environment (chosen by 58 percent). Several C-level respondents commented that a lack of ability on the part of the executive was the factor that made it most difficult for executives to do their job. Some of the specific reasons cited include: poor leadership skills/ability, lack of appropriate training and an inability to keep up with technology.

Causes of increasing executive job demands, segregated by position



Demand for Executive Coaching

While most respondents said there was no demand for executive coaching in their organization, they also said they and their peers would benefit from executive coaching.

When asked about the demand for executive coaching within their organization or their department, most respondents said that executive coaching was unimportant or a non-issue. Also, respondents admitted that their company does not do a good job of utilizing executive coaching. In addition, only 44 percent of respondents said that their organization does a good job of preparing people for managing greater organizational responsibilities.

Respondents acknowledged their own desire for an executive coach or the desire of their peers for an executive coach. Fifty-eight percent of respondents said they would like an executive coach, and 69 percent said their peers would like an executive coach.

Until the marketplace accepts executive coaching as an important initiative and a program valued by their organization, it is unlikely that all those who would benefit from a coach will receive one.

About Alta Mesa Group

Alta Mesa Group is a leading provider of executive coaching, assessment, talent management and career management services. We are committed to providing results that drive the performance of leaders, teams and organizations utilizing the best people, processes and technology.

For more about Alta Mesa Group, visit our website at www.altamesagroup.com.

