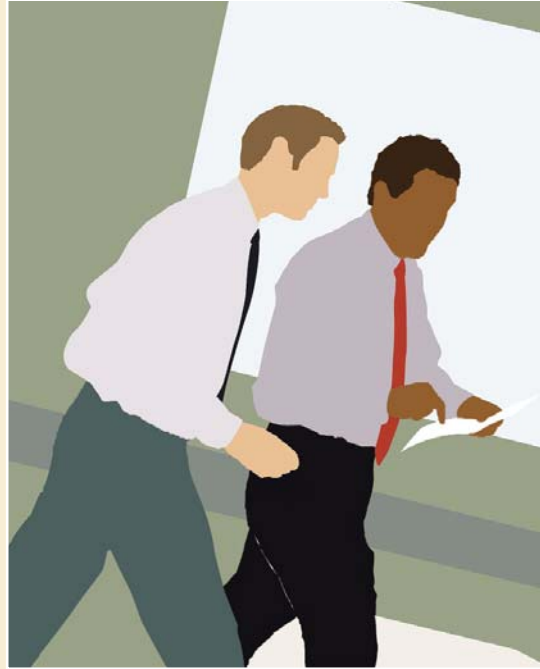


American Management Association



COACHING

A Global Study of Successful Practices

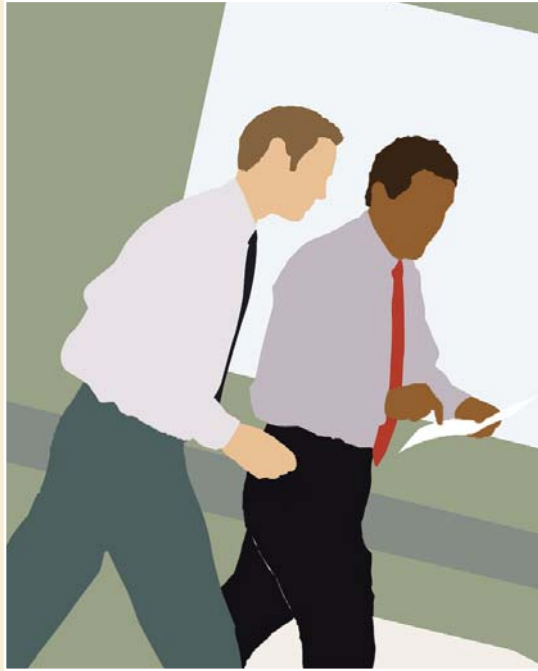
Current Trends and Future Possibilities
2008-2018

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COACHING

A Global Study of Successful Practices

**Current Trends and Future Possibilities
2008-2018**

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Foreword

Everyone is familiar with coaching. Over the centuries, the value of coaching has been established in sports in the skills and attitude of athletes. In the twentieth century, it became a practice in companies—specifically, a responsibility of managers to address the work performance of staff. Increasingly, however, companies are utilizing it to address the career and job needs of their senior executives, and they reach outside for coaches. Because coaching is now recognized as an integral element in leadership development, there is increasing interest in its best practices.

American Management Association commissioned a global examination of the state of the art of coaching by the Institute for Corporate Productivity not only to review the ever-increasing use of the discipline today but also to see in what direction it will take in the future. Over 1,000 executives and managers were questioned about their use of coaching to determine its popularity, its association with higher performance, the correlation between executive performance via coaching and corporate performance, the methodology used to choose coaches, the international outlook for coaching, and even the role of peer coaching.

This study confirms that external and internal coaches have a role in executive leadership development that improves organizations' productivity and profitability. This study also confirmed that the more frequently respondents used a formal process to measure results, the more likely they were to be successful in their coaching programs.

AMA hopes to play a role in the development of the discipline with the result that it makes a greater contribution to the success of executives and their companies. This study provides a roadmap to that end.

Edward T. Reilly
President and Chief Executive Officer
American Management Association

Introduction

Many organizations are chronically concerned that they don't have the right talent to succeed, and this is especially true in the area of leadership. They view leadership as among the top issues affecting their organizations both today and in the future, yet they're often dissatisfied with everything from succession planning systems to leadership development programs.

Amid these concerns, coaching has come onto the scene more prominently in recent years. Executive coaching is often viewed with a combination of hope and skepticism. On the one hand, assigning individual employees a coach seems like an excellent way to provide custom-delivered development opportunities to both current and aspiring leaders. On the other hand, coaching is often viewed as a kind of "cottage industry" where credentials are questionable, services are expensive, and success is hard to measure.

To gain a better understanding of both the promise and perils of coaching, American Management Association (AMA) commissioned the Institute for Corporate Productivity to conduct a global survey of coaching practices in today's organizations. In essence, two survey samples were analyzed: a larger sample made up primarily of North American organizations and a somewhat smaller one made up primarily of organizations located in Europe and the Middle East.

The AMA/Institute for Corporate Productivity team defined coaching in a relatively conventional way as "a short- to medium-term relationship between a manager or senior leader and a consultant (internal or external) with the purpose of improving work performance" (Douglas & McCauley, 1999). We also asked several questions about peer coaching, in which each participant acts as both coach and coachee to a partner. Below are some of the key findings from the study:

Finding One: *Coaching is used by only about half of today's companies.* In the North American sample, 52% report having such programs in place, and, in the international sample, the proportion is 55%.

Finding Two: *Coaching continues to gain in popularity.* Among respondents who say their organizations don't yet have coaching programs, a sizable proportion (37% in the North American sample and 56% in the international sample) say such programs will be implemented in the future.

Finding Three: *Coaching is associated with higher performance.* Correlations do not necessarily imply causation, but respondents from organizations that use coaching more than in the past are also more likely to report two kinds of advantages:

1. They're more likely to report that their organizations have higher levels of success in the area of coaching.
2. They're more likely to say that their organizations are performing well in the market, as determined by self-reports in the combined areas of revenue growth, market share, profitability, and customer satisfaction.

Finding Four: *Coaching is primarily aimed at boosting individual performance.* The desire to improve individual "performance/productivity" is the most widely cited purpose of coaching.

Finding Five: *Clarity of purpose counts.* The more a company has a clear reason for using a coach, the more likely that its coaching process will be viewed as successful.

Finding Six: *Evaluating coaching's performance may help boost success rates.* The more frequently respondents reported using a measurement method, the more likely they were to report success in their coaching programs.

Finding Seven: *It pays to interview.* Having an interview with the prospective coach has the strongest relationship with reporting a successful coaching program.

Finding Eight: *It pays to match the right coach with the right client.* Matching people according to expertise and personality seems to be the best strategies.

Finding Nine: *External training seems to work best.* Externally based methods of providing training on coaching are most strongly correlated with overall coaching success, though they are less often used.

Finding Ten: *Coaching's international future looks bright.* Compared with the North American sample, organizations in the international group have not had coaching programs in place for as long, but more in this group plan to implement coaching programs in the future.

Finding Eleven: *Peer coaching needs to become more effective.* Although a little over half of responding organizations use peer coaching, only about a third of respondents who use it consider it to be very effective or extremely effective.

This study contains many other insights, of course, as well as information about the most effective coaching practices that companies are using. It also analyzes current trends and projects them into the future in order to forecast what the state of coaching may look like in another decade.

Generally speaking, our team believes that coaching will continue to expand and mature as an important leadership development practice. We expect that coaching will become one of the keys to developing and retaining scarce talent in the future, and we think companies that learn to leverage it well will have a significant competitive advantage in the global marketplace.

A Review of the Coaching Literature

A Brief History of Coaching

Coaching has its roots in the area of sports, of course, and, as such, dates back at least as far as ancient Greece where well-paid coaches trained many of the athletes competing in the original Olympic games (Carpenter, 2004).

As it applies to the workplace, however, coaching is a much more recent development. There has been individualized training in the form of apprenticeships for hundreds of years, but the earliest form of such coaching as we know it today was called “developmental counseling” (Flory, 1965). Kampa-Kokesch and Anderson (2001) report that from 1940 to 1979, coaching tended to be performed by organization consultants.

During this initial period, coaches were primarily psychologists and organization development (OD) professionals who were focused on OD issues. There was often an informal aspect to it. For example, an executive coach who remembers this period recalls a CEO stopping her in a hallway and asking if she could stop by and chat for an hour or two.

From 1980 to 1994, the field of coaching experienced rapid growth, quickly expanding into many new areas of service (life coaching, outplacement, career coaching, etc.). According to Hudson (1999), the field was accelerated by complexities associated with increased downsizing, mergers, acquisitions, and outplacement. The leader’s role evolved to deal with rising levels of ambiguity and pressures to perform in an increasingly global context. Top managers were asked to be both strategic decision makers and masters of the “soft” skills required to effectively manage people (Sherman & Freas, 2004).

From 1995 to the present, the amount of executive and workforce coaching has continued to grow. There has been an increase in the number of publications devoted to coaching, in organizations that offer training to coaches, in the establishment of coaching organizations, and in the focus placed on coaching research by academia. Today, the number of coaches is estimated at 30,000 (International Coach Federation [ICF], 2007). However, because the field is wide open to anyone who wants to enter, it is difficult to know the exact number of people performing coaching services.

Today’s coaches come from myriad backgrounds and professions, including business, law, teaching, human resources, and sports (Harris, 1999; Kilburg, 2000), and they don’t necessarily join coaching organizations.

The Purposes of Coaching

According to the literature, leadership development is often viewed as the purpose of most coaching assignments (Underhill et al., 2007). Organizations also employ coaches to help with leader transitions (such as promotions, lateral moves, or international assignments), to retain high potentials, to improve performance that is off track, and to help individuals assess where their career is now and where it may go next.

Some coaching focuses on honing specific business skills. For example, one company helps leaders learn to be more productive by giving them coaching on improving their organizational skills. Coaching is tied to training programs in some companies. For example, a manager attends training for some specified number of hours and then gets individual coaching to reinforce and apply things learned in the workshop.

There is also “life coaching,” which helps clients set and achieve goals in aspects of their lives other than just business. Life coaching is usually funded by the individual.

Recent Areas of Focus in the Literature

There are several major areas of focus in the recent literature on coaching. First, experts have become interested in best practices in the field of coaching. Because the area is so open and relatively unregulated, organizations want to know which practices result in the best organizational outcomes.

In a related matter, employers and other interested parties wish to know how best to evaluate and calculate the return on investment (ROI) of coaching programs. They also wish to know how best to select coaches. This matter includes whether to select coaches from outside or inside the organization.

Evaluating Coaching

One study suggests that only a minority of organizations assess the impact of their coaching interventions (McDermott et al., 2007), and another finds that a scant 9% of survey respondents said they formally assess coaching's return on investment (Sherpa, 2007).

There doesn't appear to be a universal methodology for evaluating coaching benefits (Leedham, 2005). Of the existing coaching evaluation methods, some are based purely on the perception of the recipient, which can be an unreliable gauge. Yet, the most prevalent method used to evaluate coaching is soliciting the coachee's reaction to the service through a self-report. Sometimes a second level of evaluation is added through ratings completed by others during and after coaching.

What are usually missing, however, are measures of behavioral changes brought on by coaching. These can be determined by obtaining ratings by team or peers over a one- to three-month period of time. An even higher level of evaluation can be attained by measuring the impact of coaching on the organization or business. Data such as sales increases, retention, satisfaction, promotion, and so forth, are generally required to do this and must be done over a much longer time frame such as one to two years (MacKie, 2007).

A number of other evaluation methodologies are discussed in the literature. Many experts agree that, in order to evaluate coaching well, business people need to increase their skills in evaluating coaching, but there are some who question whether trying to determine ROI is really necessary, given the difficulties in measuring it (Underhill et al., 2007).

Selecting Coaches

Some experts believe that selecting coaches is difficult because there's a lack of standardization or credentialing in the coaching industry. This complicates the determination of coaching qualifications. Others argue that coaching has not met the criteria for a profession (Brooks & Wright, 2007) because it lacks barriers to entry, formal university-level qualifications, regulatory bodies, an enforceable body of ethics, and state-sanctioned licensing. There isn't even a shared common body of knowledge.

Some professional standards do seem to be emerging, though in a somewhat haphazard fashion. The American Psychological Association (APA), which is the professional organization representing psychologists, offers postgraduate training in executive coaching (Dingfelder, 2006). The APA has stressed to current psychologists that entering the coaching field requires that they understand business and psychological know-how (Foxhall, 2002). In one set of guidelines, the APA (2007) notes that consulting psychologists in the area of coaching “learn how to provide competent, assessment-anchored coaching and other individual-level interventions” (p. 986).

The International Coach Federation—which is one of the largest global coaching organizations serving all coaches (life, career, executive, etc.)—has developed a code of ethics and competencies for coaches, and it certifies training programs. However, this organization takes the stand that the field is best served when it “reinforce[s] professional coaching as a distinct and self-regulating profession” (ICF, 2008).

The World Association of Business Coaches (WABC)—whose mission is to “develop, advance, and promote the emerging profession of business coaching worldwide”—offers help to prospective clients by providing information on selection and the business coaching field in general. Membership in WABC requires five references from coaching clients.

Generally speaking, more and more credentialing is available to coaches, but certification requirements vary widely. What’s more, in research done by Underhill et al. (2007), certification was not viewed as an important factor for choosing a coach. In the Underhill research, leaders selected business experience and ability to establish rapport as their top criteria in coach selection. Advanced degree and certification were seen as minimally important, while cost came in last place. In interviews, leaders also identified “soft” traits in coaches, such as having a sincere desire and commitment to help, having adaptability and the right chemistry, being a good listener, becoming a trusted advisor, and having the ability to challenge.

So, it appears that successful coaches are a highly diverse lot, making the perfect background hard to describe or regulate. The most likely background of a coach includes an advanced education degree in a people-related field such as industrial, organizational, or clinical psychology; human resources; or leadership development. But there is not one particular advanced degree for coaching. Some coaches have a master’s degree or Ph.D. in business, sociology, or other field (Underhill et al., 2007).

Leedham (2005) discusses the perceived importance of selection criteria in the order of perceived importance to the purchaser. Six main themes or factors are said to influence the selection of external coaches:

1. Evidence of having done similar coaching work previously;
2. Personal capability and relevant organizational experience;
3. The flexibility of the coach (in terms of techniques and willingness to work with others);
4. A focus on delivering or improving business results;
5. Cost effectiveness;
6. Qualifications (including membership of professional bodies).

The number of organizations using internal coaches is expected to grow as organizations learn how to select and utilize such coaches.

In practice, according to Banning (1997) and Smith (1993), a company's human resources department, a supervisor, or a friend are among the most common ways of finding a coach. Banning (1997) lists three important criteria in selecting a coach: trustworthiness, compatible chemistry, and solid reputation.

Choosing Between External and Internal Coaches

Until recently, executive coaches were virtually always external to the organization (Tyler, 2000). As coaching has matured and leadership development has been more widely embraced, the number of managers receiving coaching has increased. According to one recent survey, 16% of organizations rely on internal coaches (Institute of Executive Development [IED], 2006). Significant price constraints and an awareness of capability have raised the profile of internal coaches.

Internal coaching is defined as “a one-on-one developmental intervention supported by the organization and provided by a colleague of those coached who is trusted to shape and deliver a program yielding individual professional growth” (Frisch, 2001). Team builders, organization effectiveness consultants (internal), and trainers may engage in activities similar to those of internal coaches. However, because they work with groups and define goals organizationally, those professionals do not fit the definition of an internal coach.

Internal coaches have established themselves and proven their value in providing coaching services in a variety of organizations in the past, including Teletech, IBM, Intel, Scudder Kemper, Layne Christensen, Lehman Brothers, TIAA/CREF, State Street Bank, and US Tobacco (Frisch, 2001).

The number of organizations using internal coaches is expected to grow as organizations learn how to select and utilize such coaches. For example, 57% of respondents in a recent survey indicated that they see the use of internal coaches increasing, and another 40% plan to continue their current usage. However, most of coaching provided to C-level executives still tends to come from external coaches (Underhill et al., 2007).

So, how do companies choose between internal and external coaches? Of course, internal coaches often provide lower cost of services, exhibit more consistency in methods, and understand the organizational culture. They tend to offer more flexibility and see leaders in action. However, they may also be perceived as less credible.

In one study, for example, 59% of leaders indicated a preference for an external coach, while only 12% preferred an internal coach (29% had no preference) (Underhill et al., 2007). Leaders may consider internal coaches to be less confidential. External coaches, on the other hand, can bring greater objectivity, fresher perspectives,

higher levels of confidentiality, and experience in many different organizations, industries, and business environments. External coaches may also have more specialized skills or expertise in specific fields of practice (Underhill et al., 2007).

The Future of Coaching

There are conflicting views as to whether the market for coaching will continue to increase. Maher and Pomerantz (2003) suggest that coaching has entered the maturity phase in the U.S. They believe that the market is almost saturated, price competition is increasing, and buyers of the service are becoming more discerning. In their review of the history of coaching, Grant and Cavanaugh (2004) agree that the coaching industry has reached a key point in its maturation. A Novations Group (2007) survey found that more employers were decreasing their reliance on coaching rather than extending their reliance on coaching.

Others believe the field will continue to grow. A recent *Sherpa Global Coaching Survey*, co-sponsored by the Penn State Executive and Texas Christian University, shows an expanding interest in coaching (Sherpa Coaching LLC, 2007). Experts such as Marshall Goldsmith expect formal executive coaching to become “aggressively” embedded in business environments of the future (IED, 2006). It may be that alternative models such as internal coaching will lead to the expansion that Goldsmith and others foresee.

The Factors That Influence Coaching

There are a variety of factors, both internal and external to the organization, that influence coaching.

The *AMA/Institute for Corporate Productivity Coaching Survey 2008* and a review of the literature provide a look at these factors in terms that facilitate coaching and which tend to hold it back. It should be noted that the data in this section refer to the large survey sample made up primarily of North American respondents. Data on the international sample are discussed in the “Coaching from an International Perspective” section.

The State of Coaching

What Does Coaching Mean?

As noted in the literature review section of this report, the concept and purposes of coaching have been evolving for several decades. In order to discuss the current state of coaching and what drives it, however, we must first define it. For the purposes of

MAJOR FINDING
Coaching continues to gain in popularity. Among respondents who say their organizations don't yet have coaching programs, over a third such programs will be implemented in the future. And 57% of those with coaching programs say they use it more than they did in the past.

developing a survey, the AMA/Institute for Corporate Productivity team defined coaching in a relatively conventional way as “a short- to medium-term relationship between a manager or senior leader and a consultant (internal or external) with the purpose of improving work performance” (Douglas & McCauley, 1999). This definition excludes coaching that is designed to improve quality of life outside of the work arena. It also excludes peer coaching, although the survey did ask two questions that specifically dealt with such coaching, as will be seen later in this section.

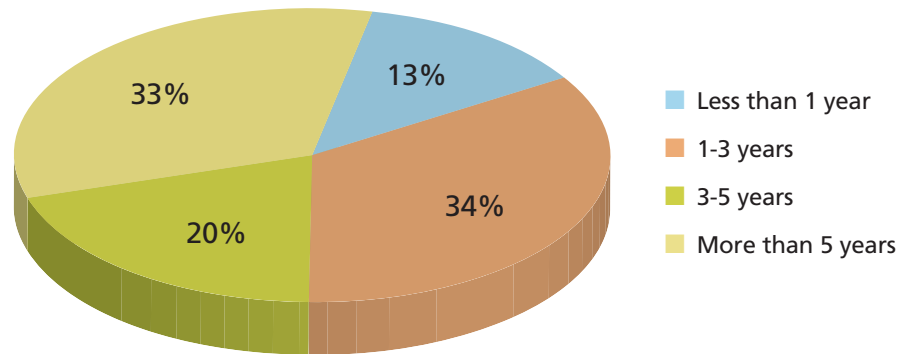
Another distinction that is important for understanding the results of this study is the difference between coaching and mentoring. In recent years, there has been no shortage of debate over the differences, real or imagined, between coaching and mentoring. Mentoring generally refers to the relationship between a senior, more experienced employee who helps a younger, less experienced employee navigate his or her way to success in the organization (Kram, 1985). Very often, mentor and protégé work in the same organization. Mentoring tends to be informal—centering on career development, social support, and role modeling—and is most intense at the early stages of one’s career (Donaldson et al., 2000). Coaching, however, is typically for a shorter and more prescribed time period. It is contracted formally and is more likely to occur mid career (Feldman & Lankau, 2005).

Is It Increasing or Decreasing?

Just over half (52%) of the respondents to the *AMA/Institute for Corporate Productivity Coaching Survey 2008* reported that they currently have coaching programs in place in their organizations. What’s more, of the 48% that don’t offer coaching at this time, 37% plan to implement a coaching program in the future.

Figure One

How long have your coaching programs existed?



Of those that currently offer coaching, 87% have coaching programs that have been operating more than one year, and 33% have programs that have existed for over five years. These numbers suggest that the coaching field is still growing.

It's quite possible, however, that the coaching industry is maturing. After all, the large majority of organizations with coaching programs have had them for over a year, suggesting that they have made coaching a permanent part of their organization's activity and budget.

Other evidence comes from *The 2008 Sherpa Executive Coaching Survey*. That report indicates growth in the number of coaches who say they are five-year veterans in the field, while the number of new entrants to the coaching field is slowing.

Nonetheless, the *AMA/Institute for Corporate Productivity Coaching Survey 2008* indicates that coaching is used more than in the past. Fully 57% of organizations with coaching say they use it more than in the past, while just 11% say they use it less.

Figure Two

Which of the following statements best describes your organization's use of coaching?

