



## ***HDA Opinion Paper: Is there a Business Case for Executive Coaching? (Feb 2007)***

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### **A Surprising Fact**

Relentless business pressure, the continuous and ever accelerating pace of change, managers expected to do more with shrinking resources, and so on, are all part of the current reality for senior leaders.

It's a picture we know all too well. Today's executive has to deal with all of these factors and, if that's not enough, they are also expected to lead, innovate and develop their people.

And to put the cap on it, the pressures increase even more in a downturn, even if it's only a temporary one. So what is being done to help?

Notwithstanding the fact that much business/executive coaching on offer in the marketplace remains sub-standard in terms of its expected business outcomes; coaching at all levels in organisations is becoming more prevalent, because, more and more, it is starting to deliver measurable results for both the person being coached and also for the company. The surprising fact is that executive coaching is on the increase, despite its relatively high cost to organisations, even in these tricky, increasingly dislocated times. But why?

### **The Rise of Executive Coaching**

Case Studies of successful companies investing in executive coaching programmes are growing every day – Ford, 3M, IBM, Motorola, Unilever, to name but a few. The Hay Group estimated a few years ago that between 25% and 40% of all Fortune 500 companies already used executive coaches. And here in the UK, more and more companies are taking the idea of executive coaching on board.

**But not surprisingly many are demanding to see a full business justification before they will be convinced. Astute businesses should only invest in executive coaching if a compelling business case can be presented.**

## Building a Business Case

So what are the benefits of executive coaching?

During our research, many people who have been coached say that they enjoyed the experience, found it positive and motivating and that they got something personal from it – somewhat similar to the less than satisfactory responses found on training happy sheets. When asked how the company benefited, the answers are often less clear. Very clearly responses on the lines of these are not likely to win over commercially astute leadership development decision makers.

For it to be successful, executive coaching must primarily focus on delivering better results for the business, otherwise the business case falls.

**A properly tailored executive coaching programme will include looking at business skills, interpersonal skills and behaviours. It will also consider the business environment and culture within which the executive is expected to perform. Finally, it should *seek to deliver a sustainable improvement in personal and business performance that can be measured.***

But isn't that the same case that has been argued for Training and Development, year after year, and never quite convinced anyone?

## A Slight Diversion

As head of a Learning and Development function for many years myself, I always struggled with making a cast iron business case for L&D. Many of the programmes we put in place were successful at a personal level at least for the period of time immediately following the course or activity. What was less clear was how much the business gained as a direct result of the L&D programmes.

Only more recently did I become convinced that what the business is looking for is sustainable improvement in performance and that cannot easily be delivered by Training and Development programmes in isolation.

In fact, *commercial outcomes-focused coaching is the key.*

The Xerox Corporation carried out several studies, one of which showed that in the absence of follow-up coaching, 87% of the skills change brought about by training or development programme was lost. However good your skills training in the classroom, unless it's followed up on the job, most of its effectiveness is lost.

And with executives, even if they can spare the time to attend a traditional training programme – and many can't or don't – the cost of not sustaining any skills improvement is magnified.

**Executive coaching can certainly bridge this gap following attendance on a training programme but more interestingly, it can replace the need, in many cases, for the programmes themselves.**

A useful option when time is a precious commodity to stretched executives.

So far so good, but the business needs *'killer facts'* to support a watertight business case. And for something like executive coaching, *the facts need to be knockout.*

### **Executive Coaching Yields a ROI of Almost Six Times its Cost**

In one of the first major studies to quantify the business impact of executive coaching - published a few years ago - it was concluded that **coaching programmes deliver an average return on investment 5.7 times the initial investment in a typical coaching assignment**, according to executives who estimated the monetary value of the results achieved through coaching.

Among the measurable benefits to the business were: improved productivity; quality; customer service; cost reductions; retention of executives who received coaching; bottom-line productivity.

Among the benefits to the executives who received coaching were: improved working relationships with direct reports and immediate boss; job satisfaction; conflict handling; commitment.

Since these findings, there is an overwhelming and growing amount of evidence that commercially outcomes-focused executive coaching delivers tangible commercial outcomes, where the following combination of 'success' input elements are purposely brought together:

- the right senior candidate is selected for coaching support
- the right coach is selected to match the senior coachee
- personal goals are closely linked to hard business outcomes

### **A Compelling Business Case**

So, there is a business case for executive coaching and it is one that more and more successful companies are recognising. The key outputs of successful executive coaching are:

- Sustainable improvement in performance
- Ability to maximise talent and potential
- New, innovative business solutions

- A healthy return on investment
- Positive effect on the bottom line

### **And if that's not enough**

Even with a compelling business case presented to them, some companies are still reluctant to take the plunge and invest in executive coaching. Often the HR executive will see it as their responsibility to 'sell in' the idea to the business managers and Board.

Three ideas that might help:

- the first is to recognise that coaching is not necessarily an HR purchase – more likely a business purchase;
- the second is to say to purchasers of coaching, (eg. business leadership or HR executives), 'try coaching for yourself'. There is nothing better than a personal recommendation when selling the value of a new service.
- the third is to take advantage of HDA's offer of a free 'taster' coaching session for potential coachees, before taking the plunge and buying coaching support on their behalf.

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For more information on any of the above please contact Sweta Patel, Campaign Manager – HDA, at: ++44(0) 207 820 9199 or alternatively [sxp@hda.co.uk](mailto:sxp@hda.co.uk). Also see: <http://www.hda.co.uk/>

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### **More on HDA**

HDA's range of consultancy services support organisations in all sectors (ranging from FTSE/Fortune 100 companies, to SME's, to public sector organisations), to manage the human aspects of business capability and organisational change.

Our work ranges from closely partnering with client organisations to manage large scale organisational change and restructuring processes, to facilitating behavioural change and development within teams and individuals; both in established and early-stage organisations.

HDA provides consultancy solutions in: organisational change consultancy, group facilitation, career management and outplacement, leadership development and executive coaching, employer branding and talent development, performance and productivity management, employee retention and motivation, stress management and employee counselling.

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## More on Dennis Preston



Dennis Preston is Senior Consultant with HDA, with a focus on developing HDA's business coaching and organisational change capabilities - and a special emphasis on thought-leadership - and the development of new consultancy solutions in these areas.

Preston has been involved in business for more than 30 years and most of his roles have included some responsibility for change, including accountability for both the commercial/strategic and people elements of change. He has worked at director-level for a range of large multinationals, in roles ranging from Head of Training and Development, to Director of Strategy and Planning, and Director of Management Services. He has held key roles in the London Stock Exchange, Bank of England, Abbey National, Orn Capital, Stiell plc, FT Knowledge Ltd, William M Mercer, Dresdner Kleinwort Benson and Marsh Insurance Services - and has delivered human capital projects in the UK, Japan, Hong Kong and the USA.

He is a member of MENSA and is non-executive director on a number of Boards.

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