Get Higher Returns
from Executive Coaching

Leadership coaching that focuses on the entire executive team is more effective and yields a higher return on investment.

By Chris Morgan

Executive Summary

Since it became part of the management development toolkit in the late 1970s, executive coaching has become a standard approach for corporations to build leadership talent. But the performance of any company is more a reflection of how well the top management team works together than how any individual leader performs. Today, when development budgets are more limited at many companies, this article explains why executive team coaching—in conjunction with individual coaching—is more effective in terms of business results and overall return on investment.

A few years ago one of Apple's most successful and respected leaders told me, "I would much rather have a team made up of B or C+ performers who work effectively together than a dysfunctional group of star players."

As he observed, a well functioning team has a far greater impact on an organization's success than any one individual. In fact, individual "greatness" can often be disruptive and undermine long-term performance.

Executive coaching, as it has risen over the past several decades, almost always focuses on the advancement of individual leaders. But there are a number of fundamental reasons why coaching leadership teams, rather than individuals, ultimately yields better results.

1. The leadership team has greater collective influence over organizational results
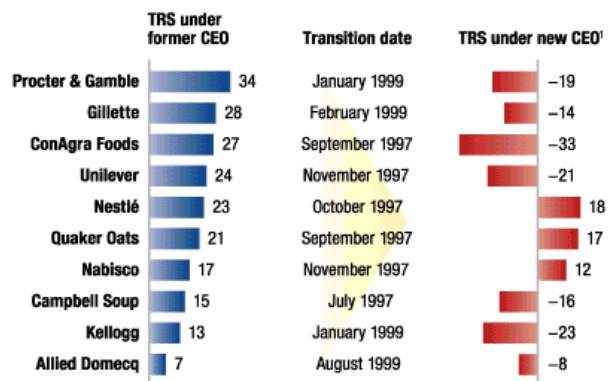
American culture is known for its emphasis on rugged individualism. Likewise, Western business culture often lionizes the go-it-alone approach to leadership. The business

press adds to the mystique, turning CEOs into minor celebrities. Even financial analysts, when evaluating top management's contribution to corporate success, tend to overemphasize CEO and CFO roles and overlook the fact that it is the management team that drives results.

A leadership team unified by a compelling mission and effective execution generates focus and an energetic response from employees and investors alike. A team that works to resolve cross-division or cross-functional conflicts sets an infectious example for collaboration and problem solving throughout a company. The failures of a dysfunctional top-level team can multiply into huge and costly inefficiencies throughout the organization.

"Heroic leadership is not enough," proclaims a landmark *McKinsey Quarterly* article. "Long-term success depends on the whole leadership team, for it has a broader and deeper reach into the organization than the CEO does."

Effect of hiring new CEO on total returns to shareholders (TRS), percent

	TRS under former CEO	Transition date	TRS under new CEO[1]
Procter & Gamble	34	January 1999	−19
Gillette	28	February 1999	−14
ConAgra Foods	27	September 1997	−33
Unilever	24	November 1997	−21
Nestlé	23	October 1997	18
Quaker Oats	21	September 1997	17
Nabisco	17	November 1997	12
Campbell Soup	15	July 1997	−16
Kellogg	13	January 1999	−23
Allied Domecq	7	August 1999	−8

[1]As of August 2000.

Source: The McKinsey Quarterly, May 2002.

McKinsey & Company research questions the benefits to shareholders when boards replace CEOs in order to re-shape an organization. Comparing consumer goods companies, they all performed worse (as measured by total returns to shareholders) under new CEOs.

2. A team is more coachable than an individual

The coach, whether boss, mentor or an external person, can do a number of things to help individual leaders improve. They can set clear expectations and align incentives with the objectives that need to be accomplished, as well as the expected values and behaviors that should be demonstrated. They can provide ongoing and friendly counsel and advice, and they might conduct 360-feedback exercises that provide candid and supportive feedback. Ultimately, they may lead an individual to a heartfelt commitment to improve and to let go of any self-limiting beliefs. Yet, over time it becomes clear to the experienced and honest coach that there are limits to how malleable any person is.

Psychologists can demonstrate that personality traits don't change over time. Similar, though more contentious, claims can be made about individual thinking styles, preferences, interests, cultural orientation and intelligence. Further, a typical candidate for executive coaching is already a seasoned professional with a career's worth of experience to validate their personal management style that has already made them very successful by most measures, which makes them resistant to changing what they do and how they do it.

In contrast, there are many things coaches *can* do with teams that are not limited by the hard-coded aspects of individual personality traits and conditioning. There

are three primary dimensions of management teams that can be coached.

First, coaches can work on the team's **direction**. Getting a team aligned and committed to shared goals is something that can be coached in a pragmatic rather than psychological way.

Second, coaches can work on team **organization**, reviewing the team's structure, clarifying who is responsible for what, and making sure team meetings are a good use of time and that the decision-making process is effective.

Third, coaches can work on the **people** factors by setting expectations for the kind of team that's desired and managing to those expectations. Even though this is a 'softer' area, the coach *can* make a significant contribution without getting too caught up in personalities.

A few years ago, Morgan Alexander conducted some research to determine whether there was a correlation between successful teams (measured by ROI relative to industry peers) and these three dimensions of Direction, Organization and People. Using a standard questionnaire we asked 70 senior managers on the top leadership teams of 38 publicly traded companies to evaluate their performance. While the research methodology was mostly exploratory, our sample reported a clear correlation (see chart on the next page) between effectiveness in these three dimensions and shareholder returns.
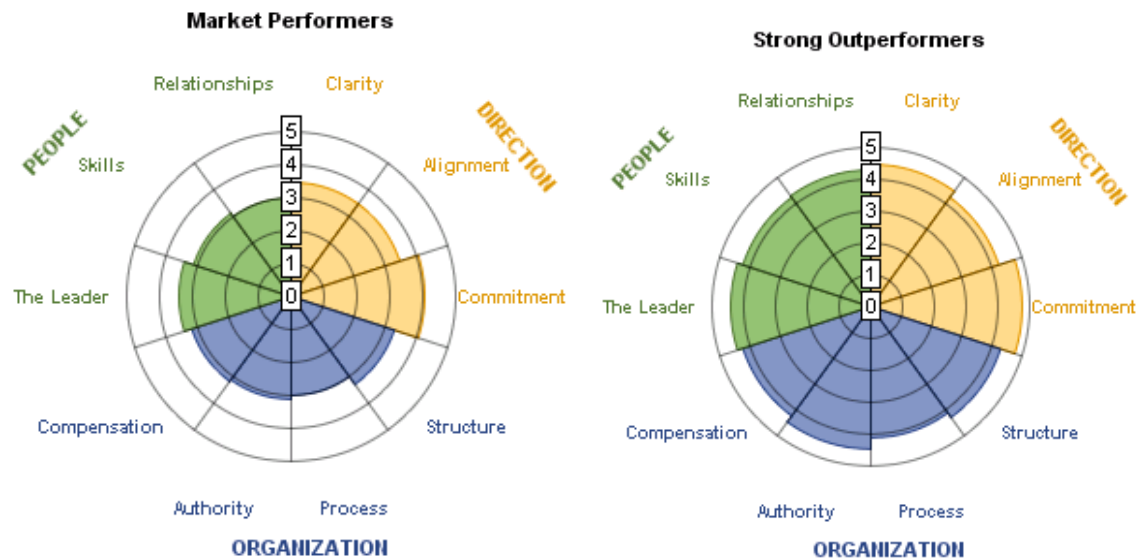
Top leadership teams of companies that outperform their market rate themselves higher in three dimensions.

Strong Outperformers – Total Return to Shareholders (TRS) outperforms the market index by at least 20% per annum
Market Performers – Total Return to Shareholders (TRS) is in line with their market (plus or minus 5%)

Of course the ultimate way a coach might affect team effectiveness in terms of structure would be to influence a change in its composition; instead of coaching any individuals, they would be replaced. There is no doubt that a management team's composition is fundamental to performance, but this is not typically part of the executive coach's role. Indeed, making assessments of clients with the possible outcome of replacing them conflicts with the executive coach's developmental role. Of course, the coach in most other situations, in sports especially, is constantly evaluating changes in the team's composition as a fundamental strategy for winning.

3. Individual development needs are informed by the team context

Even if the coach is working with an executive team, the need to coach individuals doesn't go away. It is informed, however, by the shared work to be done and a host of other team expectations. An executive's personal development needs are always as much a reflection of their circumstances as their personal shortcomings.

For an individual to perform successfully as part of a senior management team, the coach must consider cultural norms, positioning, organizational history, loyalties, politics, power, personality types and chemistry with the leader. Much of this comes down to building trusting relationships and a sense of shared identity, which is easier said than done.

We all know of someone who is well-qualified in their technical field but who has failed miserably in their position due to an inability to gel with the team. I have a client who has been immensely successful in the dot.com world and who now struggles to be as effective working as the CIO of a top U.S. bank. He is as smart as you could hope for in his position. Technically, he's a leading light in the industry. He's tremendously business savvy, and great at managing his

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own team and delivering results. What more could you want, right?

Well, strangely enough, it is his inability (and disinterest) in coming to terms with the bank's culture that blocks his advancement. While he won't say it publicly, privately he thinks that top management and his peers are all inadequate. He thinks the idea of taking the time to build trusting relationships is a waste of time, even offensive in a Dilbert kind of way. Perhaps this attitude is not surprising for a dot.com rock star. The individualized, anti-corporate culture in that sector judges people by **what** they deliver, not **how** they deliver it—at least that's what they want to believe. To help the executive succeed, the coach needs to focus his client on understanding and adapting to the team's unwritten expectations.

Building an effective management team is not just about 'soft' 'things like relationships and trust. Sometimes it is about whether individuals have been put in a winning situation. If the situation itself is untenable, a coach working with the entire leadership team may be able to help rectify the issues much faster than a coach who is only working with one individual.

Another client of mine went to California to run his company's healthcare operations. Unfortunately, the person running operations in the southern half of the state received a different message. In fact, he had been told that there would be no changes and the new boss was a peer on the same level. As a result their relationship became more and more strained, and the possibilities for statewide collaboration evaporated.

These are some of the complexities a leadership team coach encounters, complexities that derive from a team context and team issues more than the needs of any one manager.

4. Individuals learn better in the team context

While executive coaching offers the benefits of a one-to-one student to coach ratio, it suffers from this very isolation. The most well-known and reliable programs for effecting personal change are group-based. Think Alcoholics Anonymous, Weight Watchers, Smoke Enders, Team in Training, t-groups and Outward Bound. The same is true for helping executives become more effective in the workplace.

Some forward-thinking executive coaches are already using the power of the team context in their standard coaching process. Marshall Goldsmith, a pioneer and guru in this field, is well known for requiring his clients to present the conclusions of their 360-feedback exercises back to their work teams. These 'confession sessions' have the triple effect of a delivering a bigger whack on the side of the head, increasing their personal commitment to change by going public, and allowing the team to reconsider the way they see their colleague.

> *"Any research on behavioral change will show that feedback and reinforcement for new behavior needs to occur more frequently than yearly or bi-yearly."*
>
> *—Marshall Goldsmith*

And it doesn't end there. Goldsmith requires clients to repeat the initial 360-feedback exercise after several months to determine if any progress has been made. If the team feels he or she has made insufficient progress, the cycle repeats.

The six-step executive coaching process applied to coaching a leadership team

Set Team Expectations → Conduct Assessment → Provide Feedback → Set Coaching Goals → Regular Coaching Sessions → Review Progress

The same process for coaching individuals can be used when coaching the team.

The candid team feedback really adds the pressure needed to prioritize a meaningful change in behavior. It's not just about social pressure though. The individual benefits from a clearer set of expectations, extremely relevant feedback, and a supportive learning environment, when coaching occurs in a team context.

The Team Coaching Process

In much the same way that an executive coach works with an individual, a team coach will start the process by having the team articulate their collective expectations (see flow chart above). They need to answer such questions as, "What kind of a team do you want and need to be?" Investing the time to align team members

to these shared expectations before coaching them, collectively and individually, is a powerful intervention in its own right.

Once expectations are set, background assessments and feedback sessions can begin, which is followed by setting coaching goals and progress measurement. There's no question that personalities, proclivities, styles and power all come into play when coaching an executive team. But for all the reasons noted above, the opportunity to align development with organizational needs and improve performance are much higher.