Impacts of Poor Leadership and How Executive Coaching Can Improve Organizational Outcomes

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If you were poised to take over a company that was estimated to hit a net loss of $12 billion by the end of the year, would you? Alan Mulally did, when he became the CEO of Ford in 2006, only two years before the Great Recession. Not only did he take on the challenge, but he surpassed *all* expectations, ultimately leading the company through the 2008 financial crisis and on to record-setting profitability and cultural transformation. Prior to Mulally's leadership, Ford was rife with competing priorities, scattered visions for the future, and conflict among leadership. Unfortunately, this story is not uncommon. Current research shows that, while effective leadership is incredibly important for positive organizational outcomes, most organizations' leaders are not effective. In fact, in a study of 2,000 U.S. workers across industries, 63% cited a bad boss as the most common reason for quitting a job (Morris, 2022).

Fast forward to today: Ford is one of the largest, most successful companies in the world. It is also among a group of Fortune 100 companies, such as Salesforce and Target, led by CEOs who have spoken openly about their successes with executive coaching. When asked about his experience with coaching, Salesforce CEO Marc Benioff noted "Without access to [my coach] and his teachings, Salesforce.com wouldn't exist today" ("What is Executive Coaching?", 2022).

Executive coaching produces benefits at both the individual leader and organizational levels. Individually, leaders often emerge from coaching relationships with improved resilience as well as time-management and team-building skills. At the organizational level, we observe leaders who, after working with coaches, can foster more nurturing work environments, enhancing others' feelings of being valued at work and workplace well-being overall (Athanasopoulou, 2018). From the opposite lens, we see the impact of toxic leadership. A study examining the experiences of 130 followers of ineffective leaders found that toxic cultures created by ineffective leaders can produce low levels of job satisfaction, productivity, and organizational commitment, as well as high levels of turnover, stress, anxiety, and depression (Watkins, 2021). To put these outcomes into a financial perspective: A 2007 study estimated that, based on the 140.5 million workers in the U.S., turnover, absenteeism, and lowered effectiveness resulting from poor leadership comes with a $23.8B annual cost to companies (Tepper, 2007).

To avoid these negative outcomes and capture the benefits of effective leadership, many organizations pursue interventions focused on improving the experiences that leaders create for their employees. Executive coaching is one common intervention. Organizations are increasingly focused on measuring the impact executive coaching has on organizational outcomes, more specifically on improving the experiences leaders create in their organization. The most common way of doing so has been measuring and observing behavioral change. However, though measuring change in behavior before and after coaching seems straightforward, it can be difficult to quantify and formally link coaching outcomes to organizational outcomes. It can be difficult to control for other influences, such as economic trends or other organizational initiatives that may detract from employee experiences and outweigh influence from the leaders' improved behavior. Nevertheless, there *are* ways to measure these links. This paper will share evidence of the impact of executive coaching on organizational outcomes and provide recommendations for how you can optimize the outcomes from your coaching endeavors *and* appropriately measure them.

Background

Executive coaching is a leadership development opportunity in which leaders develop a 1-1 relationship with a coaching professional, outline specific objectives for working together, and collaborate on ways to improve their performance as a leader. Some of the most common strategies coaches use include leadership and personality assessments, goal setting, skill training, and 360-degree or multi-source feedback facilitation (Bono, 2009). Working with an executive coach requires introspection into how the leader can improve certain behaviors, their relationships with employees, and overall effectiveness. Experience and research have shown that executive coaching has a positive impact on leadership effectiveness. A key challenge though is how best to measure and quantify that impact.

In an examination of decades of research, Yukl et. al outlined three categories of leadership behavior that repeatedly emerged in effectiveness evaluation: task-related, relations, and change behavior (see Table 1). While there are many ways to measure leadership effectiveness, this widely accepted framework outlines three types of behavior evaluation to consider when assessing the effectiveness of executive coaching.

TABLE 1: Framework for Leadership Effectiveness Evaluation

Behavioral Category	Definition	Behavioral Examples
Task-related behavior	Efficiency in the use of personnel and resources for task accomplishment	Clarify task objectives Provide clear expectations Facilitate effective and efficient operations
Relations behavior	Behavior directed to facilitating trust and cooperation in the unit	Consult with members when making decisions Provide recognition for achievements Encourage and support team members
Change behavior	Innovation improvement and adaptation	Identify external threats and opportunities Envision new possibilities Encourage innovative thinking by followers

Task-related behavior

Task-related behavior refers to how resourcefully a leader can accomplish tasks for their team. Given the individualized nature of executive coaching, the process can target the specific skills and behaviors the leader needs to improve to better help them perform. A 2014 study followed 30 leaders and their teams throughout a six-month coaching program. Leaders were split into two groups: those that worked with a coach and those that did not. The study examined two leadership behaviors as potential outcomes of coaching: the leader's general feeling of role mastery ("leader role efficacy") and the quality of the leader's relationships between a leader and their team members. Results showed that leaders who received coaching displayed greater leader role efficacy after participating in coaching, whereas the control group did not. Leader role efficacy was measured by a leader's feeling that they could master every aspect of their job, were aware of their strengths in their job, and could take action to resolve a problem as soon as it happened (Ladegard, 2014). These behaviors are all impactful examples of changes in task-related behavior observed in leaders after participating in executive coaching.

Relations behavior

Leaders set the tone for conflict management in an organization both by how they manage their own conflict with others and how they intervene in conflict between employees. This behavior ultimately determines how conducive a workplace is to disagreement and how disagreement is handled when it inevitably arises. Disagreements with others is a leading cause of stress at work (Richard, 2022). The APA states that 65% of Americans cite work as a main stressor in their lives (APA, 2013). Stress-induced employee strain is a major contributor to employee illness, absenteeism, and inefficient performance (Richard, 2022). Therefore, leadership behavior and, ultimately, effectiveness can be measured by monitoring these relationship-based behaviors and outcomes.

Change behavior

Change behavior is how a leader facilitates and manages through change. A 2003 study examined the impact executive coaching had on performance ratings for senior managers in a large, global corporation. In the study, 404 of 1,361 senior managers were provided executive coaches. Performance feedback from peers, supervisors, and direct reports was collected at the beginning and end of the one-year period. The study showed that managers engaged in executive coaching were more likely (than managers that were not) to set specific goals, seek out opportunities for improvement, and receive improved feedback from direct reports and supervisors (Feldman, 2005). Managers seeking opportunities for improvement is a hallmark of positive change behavior. It shows how managers recognize the value of appropriate change and actively pursue it. Seeking improvement opportunities is also a sign of a leader's cognitive flexibility. A leader that displays cognitive flexibility possesses the ability to respond to changing circumstances across levels of complexity. Cognitive flexibility is a critical skill for leaders in today's ever-changing work environment and is a common focus area of executive coaching (Ely, 2010).

This framework is just one method of evaluating leadership effectiveness. Regardless of the evaluation method selected, organizations should consider the nature of the behavioral change they desire in their leaders prior to evaluating the effectiveness of a development program like coaching. This intentionality will help ensure that the organization's executive coaching efforts are effective and help leaders better support the company's strategy.

Implications

Whether introducing a new coaching program or improving an existing one, there are several practices organizations can implement to maximize the effectiveness of participating leaders and the program itself. These practices can be considered from three perspectives: the coachee, the coach, and the organization.

Coachee: At the broadest level, organizations must understand the coachee's motivation and approach to learning new things (Athanasopoulou, 2018). In *Coaching Psychology*, Vandaveer and Frisch cite several leader attributes that can lead to less successful outcomes in a coaching engagement: lack of motivation, unrealistic expectations of the coach, lack of follow-through, deeper psychological issues, and severe interpersonal problems. On the other hand, individual characteristics that contribute to a positive coaching experience include openness to experience, conscientiousness, drive to achieve, high feedback orientation, and emotional intelligence (Feldman, 2005). Having a growth mindset, as opposed to a fixed mindset, is also a vital individual characteristic coachees should possess. Individuals with fixed mindsets may not be the best to select for executive coaching because they believe talents are innate and will be less likely to internalize the ability to grow and ultimately make any lasting changes (Dweck, 2016).

Studies evaluating the effectiveness of learning interventions have found that a trainee's level of motivation is a significant predictor of the transfer of knowledge and behaviors gained from the intervention (Avolio et al., 2010). To best set a coaching program up for success, it is vital for the organization to not only enhance levels of individuals' motivation but to also understand the individual's needs and motivations well enough to pair them with the appropriate coach. *Goal setting theory* tells us that the act of setting goals drives performance, and to the extent that these goals are specific and appropriately difficult, it will drive them even further. Research also tells us that the act of writing goals drives commitment to them (Pinder, 2008). So, to help drive levels of individual motivation in coachees prior to engaging in coaching, organizations can facilitate goal-setting sessions for coachees and their managers to collaboratively write goals for their development throughout the coaching engagement. This written development plan also then serves as another valuable data point for the coach to understand the coachee's needs and wants coming into the relationship.

Coach**:** The coach also possesses certain attributes that affect the outcome of an engagement: most importantly, the coach's experience and background. Coaches are taught across diverse backgrounds, methodologies, and tools. This diversity creates very different coaching philosophies, personalities, and approaches. Deliberately considering a coach's unique background will help drive not just *any* results, but specific *and* desired results.

Regardless of the coach's background and training, there are certain fundamental qualities in a coach that can detract or enhance the coaching relationship. Vandaveer and Frisch identified insufficient empathy, lack of expertise, and underestimating client problems as attributes that can universally lead to less successful coaching outcomes. On the other hand, coaches that possess the ability to forge a trusting partnership with their client are more likely to have successful coaching relationships. This ability often manifests as being able to establish rapport through psychological safety, build trust through effective communication skills, and facilitate perspective-taking and sense-making throughout the coaching process (Gray et al., 2011). In setting up a coaching pair for success, consider the background of the coach, the methods they use, and the structure of their process when matching them to a leader in order to optimize the outcomes.

Recent research has also begun to explore the differences between coaches that are psychologists vs those that are not. One study found only a minor difference between psychologist and non-psychologist coaches and the methods and measurements they use. However, the actionable difference between the two types of coaches were the competencies they believed to be key to success for a coach. Non-psychologists were more likely to mention building rapport, having flexible techniques, and question-asking as key competencies. Psychologists, on the other hand, were more likely to identify assessment, analysis, business knowledge, and personal characteristics (eg: humor, intuition) as key coaching competencies (Bono, 2009).

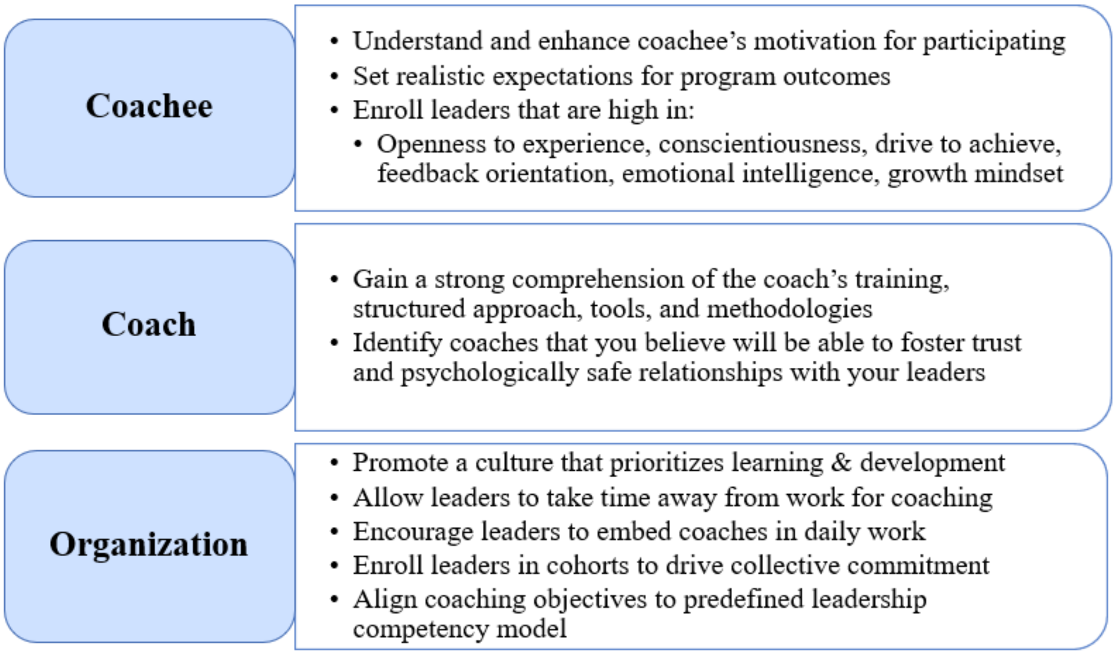
Organization**:** Several organizational attributes can affect the outcome of a coaching engagement. One example is the degree to which learning and development is prioritized within an organization. If an organization does not already prioritize taking time for self-development, leaders may not invest as much (or any) time and effort into working with a coach. The degree of support senior leadership has for coaching will also greatly impact the outcomes. Best practices to portray organizational support include allocating time for leaders to step away from their teams for coaching, encouraging integration of coaches into daily activities (team or staff meetings), ensuring participants' managers and HR are involved throughout the coaching process, and having executives participate in cohorts together. A 2001 study analyzed 100 U.S. executives that participated in executive coaching. At the end of the one-year study, only 12 of the 100 executives did not sustain behavioral changes after working with a coach. When asked what factors may have detracted from the effectiveness of the program, the representative response was that the executive had too many other organizational demands on them to truly focus on the coaching (McGovern, 2001).

Another best practice to facilitate positive long-term organizational outcomes for executive coaching programs is alignment with existing processes and models. As alluded to earlier, it is recommended that organizations have leadership models in place to evaluate leadership. Ideally, these leadership models outline specific competencies and associated behaviors that, when performed well, embody a high-performing leader at the organization. To ensure long-term adoption at the organization, these models should be supported by top leadership, communicated to all leaders, and integrated into current HR processes.

Further, the objectives of a coaching relationship should tie back to the competencies outlined in the organization's existing leadership models. If these models do not yet exist in an organization, building them prior to introducing coaching will help provide guidelines from the beginning for what behaviors you expect your leaders to perform well, as well as how the effectiveness of a coaching engagement might be evaluated. Working with an executive coach can change many behaviors in a leader, but if the engagement does not change a leader in the manner you need them to, was it really effective?

Alignment with existing models and processes also supports two laws of learning that help reinforce transfer of learning from the coaching experiences: the laws of association and readiness. The *law of association* tells us that each new idea introduced should relate to something we already know. Steve Jobs, when designing Apple's first desktop computer, he used terms that trainees were already familiar with (files, trashcans, etc.) to help the entirely new concept resonate. If a coachee can associate their learnings with behaviors and competencies they are already familiar with, they can associate newly learned behaviors with already familiar concepts. The second law, the *law of readiness,* tells us that learning is more likely to occur when the content is temporally and contextually relevant to the learner. Organizations can put this into practice by demonstrating the importance of the skills being taught and how it will benefit them to learn them (Beebe et al., 2013). If a leader knows that performance evaluations rely on a set of competencies, the importance of performing well on the competencies will be self-evident. By having an already-accepted model in place, organizations can tie learning objectives to the competencies leaders know they will be evaluated on during each performance cycle. Figure 1 summarizes the best practices to approach from each perspective.

FIGURE 1: Best practices for optimizing coaching engagement success



Measuring Success

Once an organization has established a framework of the desired leader behaviors, the next step is to determine how best to measure the success of your program and, ultimately, determine its return on investment (ROI).

One of the most common forms of measurement is through 360-degree feedback: a form of multi-source feedback that creates a holistic view of a leader's performance by gathering feedback from 360 degrees of a leader's impact in the organization (from the leader's direct reports, supervisors, and peers). Assessing changes in 360-degree feedback ratings from before and after a coaching engagement can help pinpoint specific areas of improvement. To take ROI analysis a step further, organizations can then identify how those pinpointed changes could have contributed to broader business outcomes. Several examples of these outcomes include increased productivity, quality, customer service, and profitability, as well as reduced turnover and customer complaints. For instance, observing an increase in customer service satisfaction ratings or decrease in returns due to quality are both tangible organizational outcomes that can potentially be linked to coaching outcomes if that team's leader had recently engaged with an executive coach. An example of an ROI calculation in this manner can be found in Figure 2, demonstrating a leader who, after retaining several employees and receiving a merit-based promotional raise, calculated an overall value of $111,000 (McGovern, 2001). This value gained can then be compared to an upfront investment to help calculate the ultimate return on investment.

FIGURE 2: Example of quantifying coaching engagement value

Value Gained	=	[7 employees retained * (salary * cost to replace if they left)] + promotional raise
	=	[7 * (65,000 * 20%)] + $20,000
	=	$91,000 + $20,000 = **$111,000 total value of coaching engagement for the leader**

Note: 20% of salary is a conservative estimate of the cost to replace an employee

Not all organizations have the data or scale to link coaching outcomes to business outcomes at first. However, merely having data to demonstrate effects such as higher direct report engagement or intent to stay is often enough to demonstrate impactful change and the beginnings of a positive ROI analysis. In cases where this linkage data may not yet be available, it is also important to establish coaching goals upfront so that there is an established definition of success. Ely et al. illustrates an example of this well:

> *"If a leader entered a coaching program with the goal of more effectively motivating subordinates (e.g., initiating actions to reward subordinate performance), comparing the leader's frequency of engaging in these behaviors pre and post coaching would provide evidence for coaching effectiveness."*

Executive coaching is a substantial financial investment in your people, and you want to ensure that the outcomes are the ones your organization wants and needs for long-term success. To do so, organizations should proactively define leadership competency models, tie coaching and learning objectives to the model, and follow best practices from the coachee's perspective, coach's perspective, and organizational perspective. Maintaining this holistic approach to the engagement will set all stakeholders up for success and facilitate identification and quantification of the coaching program's lasting impacts.

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