



The Business Case for:

Coaching — FOR — Engagement



ORGANIZATIONAL EFFECTIVENESS INC.

**The chief responsibility of a manager:
To turn one person's talent into performance.
- Marcus Buckingham**

Coaching For Engagement™ is a product of:



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Executive Summary

Tekara Organizational Effectiveness

In the past decade, the survey methodology on employee engagement has been refined by major research firms such as, Gallup, Towers Perrin, Hewitt Associates, Melcrum, DDI, Hay Group, Price Waterhouse Coopers, Right Management, Ipsos, and the Corporate Leadership Council. Based on employee surveys in firms that volunteer to participate, the firms publish lists of “Best Employers” and “Best Companies” with the highest levels of employee engagement.

The evidence from research and surveys was overwhelming; the higher the level of engagement, the higher the performance of the business. Emerging from the research were common themes on the **drivers of employee engagement:**

- Senior leader behaviour
- Role clarity and support from the organization
- Immediate supervisor’s behaviour.
- Teamwork and collaboration
- Opportunities for challenge, growth and development.
- Organizational culture and reputation.

We concluded that leaders’ conversations influenced engagement, although some more directly than others. Those most directly affected include the last four: immediate supervisor’s behaviour; teamwork and collaboration, opportunities for challenge, growth and development; and organizational culture.

The Tekara Results Peak™ (see page 6) was developed to better illustrate and interpret the connection and links between employee engagement and conversations. Our success in executive coaching and leadership development proved that coaching is a requisite managerial skill, essential for personal and business growth.

Coaching For Engagement™ became the product delivery that proved most beneficial for our clients.

Why Coaching For Engagement™?

Conversation engages people. When managers learn coaching skills, they begin to create conversations that strengthen working relationships with employees and colleagues.

A key outcome for the manager with coaching skills was the recognition of the value of coaching as a leadership skill. Coaching For Engagement generates respect, trust, and the willingness to work with the manager. For the organization, stronger working and interpersonal relationships lead to employee engagement and, ultimately, to improved business results and higher performance.

Leadership

Research by Goleman and Bossidy & Charan make the business case for the importance of emotional competence. Emotional competence includes both personal and social capabilities:

- How we manage ourselves – through self-awareness and self –management
- How we manage relationships - through social awareness and relationship management

Goleman, Boyatis & McKee¹³ took the research further to find out how leadership styles affect an organization and its emotional climate. They identified four styles of leadership that create the kind of resonance that has a positive emotional impact and boosts performance:

- **Visionary**
- **Coaching**
- **Affiliative**
- **Democratic**

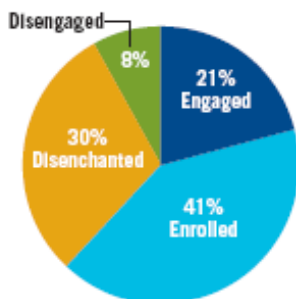
The leadership styles reveal that coaching exemplifies the emotional competence of developing others. In Coaching For Engagement™ the leadership styles enrich the managers’ perspective and their practice in integrating emotional competence and coaching.

The Business Case for Coaching For Engagement™

The Engagement Gap

Organizations have a vast reserve of untapped potential in their people, but are failing to create the workplace conditions needed to capture that potential.

A recent study¹ of the global workforce by Towers Perrin – the largest recent study of its kind – found that only 21% of close to 90,000 respondents worldwide are engaged in their work, meaning they are willing to go the extra mile to help their companies succeed. More troubling, 38% are partly or very disengaged. The result is an “engagement gap” between the discretionary effort companies need (and people actually want to invest), and companies’ effectiveness in channeling this effort to enhance performance.



Engaged = providing full discretionary effort (they know what to do, they get the work done, and they are emotionally invested).

Enrolled = partly engaged (they know what to do and tend to get the work done, but they are not fully connected emotionally, which is why they're not truly going the “extra mile” with discretionary effort).

Disenchanted = partly disengaged (they may know what to do, but are not getting as much work done and they are emotionally disconnected).

Disengaged = their productivity is low and they actively seek to have others join them in their emotional disconnection from their work and from the organization.

These latest findings are consistent with the Gallup Organization's (2001) earlier study of over 1.5 million employees in the United States.

Engagement & Business Performance

The same Towers Perrin study also establishes a definitive link between levels of engagement and financial performance and, for the first time, begins to quantify that link. The most striking data showed that firms with the highest percentage of engaged employees collectively increased operating income 19% and earnings per share 28% year to year. Those companies with the lowest percentage of engaged employees showed year-to-year declines of 33% in operating income and 11% in earnings per share.

Reporting on the results of a global survey of coaching, *Coaching: A Global Study of Successful Practices*, the American Management Association² concluded that:

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.(p. vii)

Cost of the Engagement Gap

At last count, it was estimated that **disengaged employees** are costing the United States economy between \$292 and \$355 billion annually in lost productivity³ and UK businesses £44 billion.² And these estimates do not reflect the undermining ripple effect of their disengagement on others' productivity in the workplace.

¹ 2007-2008 Towers Perrin Global Workforce Study. Overview of key findings accessed online at http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200802/GWS_handout_web.pdf on June 26, 2008.

² American Management Association.. *Coaching: A Global Study of Successful Practices*. 2008.

³ Gallup Organization. 2003. Cited in Melcrum, “Employee Engagement: How to Build a High Performance Workforce”, 2005.

Beyond lost productivity, there can also be the cost of turnover: losing skilled employees and leaders is enormously expensive.⁴ Recent estimates of the cost of replacing a professional range from:

- 50 to 130% of an employee's annual salary, with leadership positions at the high end of the range.³
- 150% of the departing person's yearly salary⁴
- 200% to 250% of annual compensation for client-facing and sales positions.⁵
- 300% of the job's annual salary for a high-level executive.⁶

If two thirds of the global workforce are partially disengaged and up to another quarter are actively disengaged, how does this translate to the people in your organization?

How much of an impact is this having on your bottom line factoring in lost productivity and turnover?

Consider the costs of losing and replacing skilled. There are the direct costs of finding a replacement:

- advertising and recruitment expenses and/or headhunting fees
- the "opportunity cost" of the time spent selecting and interviewing candidates.

There are also significant indirect costs:

- the former employee's lost leads and contacts,
- the new hire's depressed productivity while getting up to speed,
- the time co-workers spend guiding and training the new employee.

⁴ Douglas M. McCracken. "Winning the Talent War for Women: Sometimes It Takes a Revolution." Harvard Business Review, Nov-Dec 2000.

⁵ American Bar Association Commission on Women in the Profession, "Balanced Lives: Changing the Culture of Legal Practice." Retrieved on April 22, 2007 from <http://womenlaw.stanford.edu/balanced.lives.pdf>.

Effectiveness depends on the availability of skill levels with the rule of thumb being - the more senior the person - the higher the cost of replacing the individual.

Analysis of research across 200 organizations in the UK shows that moving a workforce of 10,000 employees from low to high engagement can have a £21 million impact on the bottom line.⁷

What drives engagement?

So how then can we start to tackle the challenge of heightening employee engagement? First, we need to understand what fosters greater engagement.

In the past decade, the survey methodology on employee engagement has been refined by major research firms such as, Gallup, Towers Perrin, Hewitt Associates, Melcrum, DDI, Hay Group, Price Waterhouse Coopers, Right Management, Ipsos, and the Corporate Leadership Council. Based on employee surveys in firms that volunteer to participate, the firms publish lists of "Best Employers" and "Best Companies" with the highest levels of employee engagement.

⁶ Bliss & Associates, Inc. "Employee Turnover." Retrieved April 22, 2007 at www.blissassociates.com/html/articles/employee_turnover01.html. Also see "Costs of Turnover", retrieved April 22, 2007 at www.blissassociates.com/html/articles/cost_of_turnover15.html.

⁷ Anne Ruddy, Executive Director of WorldatWork. Cited in "Creating a Life: Professional Women and the Quest for Children" by Sylvia Ann Hewlett. (New York: Hyperion, 2002), 274.

The evidence from research and surveys is overwhelming; the higher the level of engagement, the higher the performance of the business.

Among the research firms, the definition of employee engagement varies. However, emerging from the research are common themes on the drivers of employee engagement:

- Senior leader behaviour
- Role clarity and support from the organization
- Immediate supervisor's behaviour.
- Teamwork and collaboration
- Opportunities for challenge, growth and development.
- Organizational culture and reputation.

At Tekara, we concluded that the leaders' conversations influenced engagement, although some more directly than others. Those most directly affected include the last four: immediate supervisor's behaviour; teamwork and collaboration, opportunities for challenge, growth and development; and organizational culture.

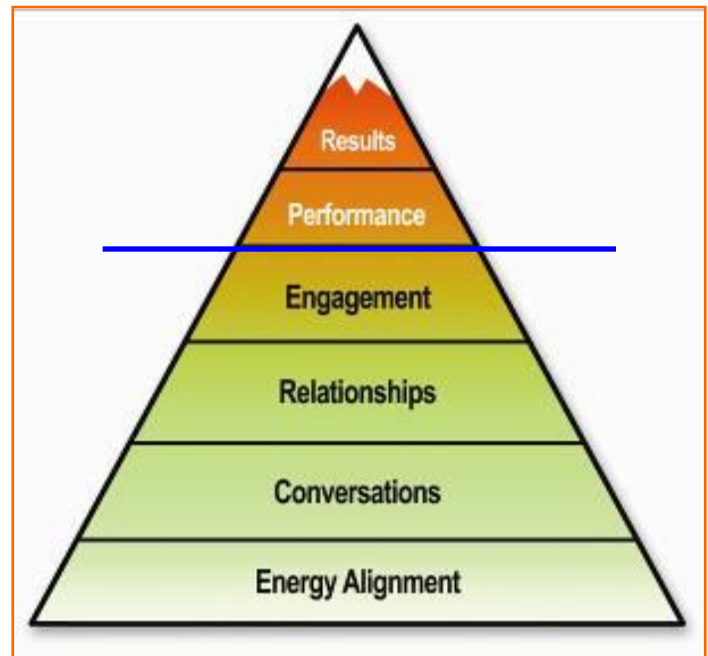
The Tekara Results Peak™

We developed **The Tekara Results Peak™** to better illustrate and interpret the connection and links between employee engagement and conversations.

The **The Tekara Results Peak™** provides a roadmap for tackling the "engagement gap". As Managers develop coaching skills, the quality and impact of conversation changes their interpersonal and working relationships.

Coaching may occur in formal and informal settings, in meetings and on the spot.

Coaching enables the manager to model conversations that influence employees through both direct and indirect ways.



Aligning with Results

Working our way down from the top of the peak:

- Achieving **results** depends on building and sustaining high levels of individual and team **performance**.
- High **performance** requires individuals and teams to be fully **engaged**.
- One of the key factors supporting full **engagement** is effective working **relationships**.
- Effective working **relationships** develop when people have sustained and productive **conversations**. Leaders develop strong teams through the openness, honesty, and civility of those conversations.
- Great **conversations** can happen when individuals bring their best energy to the table. Individual **self management and energy alignment** means becoming physically energized, emotionally connected, mentally focused, and fully aligned with the mission of the organization.

Much like engagement, coaching conversations are a fairly new topic. In recent years, executive and professional coaches have significantly changed the way that leaders' learn and develop in organizations. The evidence in favour of one-on-one professional coaching (using either an

internal or external coach) is compelling. Research by the International Personnel Management Association⁸, the Manchester Review⁹ and MetrixGlobal¹⁰ all generated estimates on the return on investment of coaching being in the order of 500% (or a similar order of magnitude).

For the manager, coaching involves a new process of managing that allows for their own personal growth and development, as well as the skill enhancement and development of their employees. Tekara proposes that managers use coaching skills in their workplace conversations with direct reports, teams and colleagues across the organization. For engaged employees who seek self-development, self-responsibility and accountability, they want to be coached rather than managed in the traditional, top-down leadership style.

What kind of conversations can create better relationships between supervisors and direct reports, enhance the team environment, generate learning and development, foster a performance oriented culture – and heighten engagement in the process?

We suggest that the answer is having coaching conversations on an ongoing basis.

We believe that the primary tool for closing the engagement gap is conducting coaching conversations.

⁸ Cited in "La Repubblica", 25 November 2003.

⁹ McGovern, J., M. Lindmann et al. "Maximizing the impact of executive coaching: behavior change, organizational outcomes and return on investment." The Manchester Review, 6(1), pages 4-25. 2001. <http://www.manchesterus.com>

¹⁰ Anderson, Merrill C. "Executive Briefing: Case Study on the Return on Investment of Executive Coaching". Cylent (formerly MetrixGlobal LLC). 2001. Accessed online at http://www.cylent.com/images/pdfs/metrixglobal_coaching_roi_briefing.pdf on June 26, 2008.

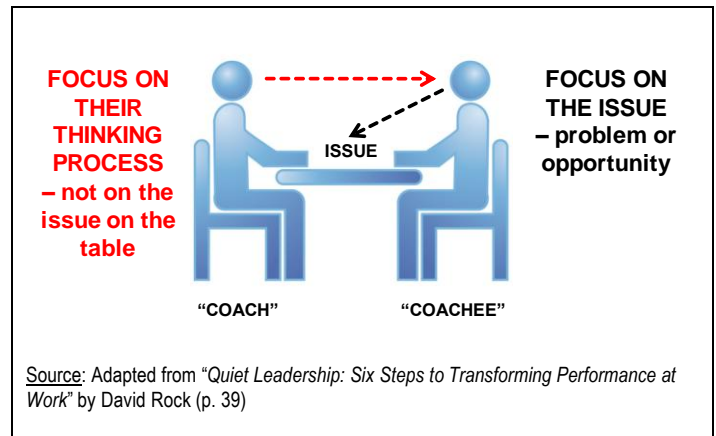
¹¹ CIPD: *Coaching and buying coaching services*. 2004

¹² "Primal Leadership: Realizing the Power of Emotional Intelligence", by Daniel Goleman, Richard Boyatzis, and Annie McKee. 2002. Harvard Business School Press.

¹³ "Execution: The Discipline of Getting Things Done" by Bossidy, L., & Charan, R. 2002. New York: Crown Business

What is a coaching conversation?

During a workplace coaching conversation, the focus of the "coach" is on the thinking process of the "coachee", while the focus of the "coachee" is on the issue (problem or opportunity) they bring to the table, as illustrated in the diagram below.



Below is a story that further illustrates what distinguishes a coaching conversation from other conversations:

"I once watched one of my shift managers coach an operator who came to report a fault on his machine. When the operator explained the problem, the shift manager asked 'What have you done so far?'

The operator said that he had just noticed the problem. The manager asked what he thought he should do next as the operator said, 'I will find the maintenance guy and see if we can fix it; if not, I will call out the control engineer from the other site.'

The manager asked, 'And what can you be doing in the meantime until the maintenance guy arrives?' The operator suggested he could help on another production line. The operator proposed all of the actions and the ownership was clear throughout.

A few days later, I watched a different shift manager dealing with a similar issue. When the operator reported the problem, the shift manager suggested 'Have you checked the optical sensors?'

The operator went away and soon returned to say, 'It's not the sensors.' At this, the shift manager went out to look for himself.

A few minutes after this, I saw the shift manager working on the machine – the operator had gone for a coffee! The shift manager had taken responsibility for the problem rather than helping the operator think it through for himself.

The difference? The first shift manager had discovered coaching."

Source: "Speed Lead: Faster, Simpler ways to Manage People, Projects and Teams in Complex Companies", by Kevan Hall. 2007.

Coaching For Engagement™ Results

The team at Tekara Organizational Effectiveness, Inc. developed a key part of the solution:

Coaching For Engagement™. We solicited client comments the benefits of Coaching For Engagement™ Their comments are categorized by each level the **Tekara Results Peak™**:

Feedback on Coaching For Engagement™

Greater results :

“ . . . people I have coached have becoming unblocked and are moving forward to solve multi-million dollar problems.

Improved Performance –

“ . . . help others to higher performance or higher understanding to take greater action than before.”

“ . . . avoid taking ownership of problems that aren't mine, but still get the problem solved through indirect means.”

Heightened Engagement -

“ . . . increased engagement, since it helps people work through their own problems and arrive at their own solutions.”

“ . . . [me being] more effective as a leader to enable change and make a bigger difference . . . personally I feel more engaged.”

“ . . . me asking [more] questions, talking less, not providing solutions = less stress [for me as a leader].”

Enhanced Relationships -

“ . . . believe for the first time that I can better express my appreciation for others' work without sounding fake.”

“ . . . [create] Improved communication and ownership of issues with other parts of the organization.”

“ . . . [build] a better relationship with my direct reports.

Better Conversations -

“ . . . feel more comfortable “making people squirm” when it is in their own best interests to confront a difficult issue. I can see myself acting in a needed role, acting as a tool, rather than just empathizing with their discomfort.”

“ . . . be a better listener.”

“ . . . be more comfortable in the gap/conversation between problem and solution, and that coaching is not about knowing the solution but instead helping [others] find [their own] solution.”

“ . . . to ask questions that really help my colleagues understand and solve their problems for themselves.”

“ . . . [see that our] culture is very much weighted towards “telling”. Everyone seems to only know how to tell others what to do and debate. I'm thinking Coaching For Engagement truly cements the notion that having proper Coaching For Engagement is a very valuable skill that is much more effective (and powerful) than just “telling”.

More Benefits

In the UK, surveys report that coaching improved working relationships; a 2004 CIPD¹¹ survey asked: “Is coaching worth the time and investment?”

- Two thirds of the respondents felt that their activities were ‘effective’ (61%) or ‘very effective’ (6%);
- 99% felt that ‘coaching can deliver tangible benefits both in individuals and organizations; and
- 92% agreed that ‘when coaching is managed effectively it can have a positive impact on the bottom line’.

Workplace trends also emphasize the importance of managers and employees creating and participating in Coaching For Engagement:

- **With the increasing speed of business, each conversation needs to count.** Most managers are so busy focusing on their own work and what's urgent that they have no time left over to focus on their people. Instead, they "manage by exception," only dealing with problems, mistakes, and complaints about their employees and employees don't want to speak with their manager since the focus is on negative feedback. The less time employees have with their manager, the more positive and meaningful that time needs to be – the more each conversation needs to count.
- **The role of managers has changed.** As the surveys indicated; employees respond to more supportive and coach-like styles of management – and less to coercive and authoritarian styles. This is particularly true of Generation X and Y employees. Managers need to use more indirect approaches to obtain the desired behaviour and outcomes, with recognition being an effective example.
- **Coaching encourages employees to take more initiative.** Helping employees adapt to change and take initiative are key benefits of coaching. When managers systematically encourage employee initiative and reinforce it through coaching conversations, they create a work environment in which people are excited about digging in and making a difference on a daily basis.

Leadership Styles

Emotional intelligence (EI) specialist, Daniel Goleman, introduced EI domains and associated competencies. Goleman, Boyatis & McKee¹² took the research further to find out how leadership styles affect an organization and its emotional climate.

How could improving your leaders' ability to have powerful conversation make a difference to your bottom line?

The answer was found in the integration of emotional intelligence and leadership styles that produced two competences:

- 1) Personal Competence**
- 2) Social Competence.**

Bossidy & Charan¹³ makes the business case for the importance of "emotional competence"; which includes personal competence and social competence:

- **Personal competence** - How we manage ourselves through self-awareness and self-management
- **Social competence** - How we manage relationships through social awareness and relationship management

Goleman, Boyatis & McKee¹³ identified **four styles of leadership** that use a coaching approach that has a positive emotional impact and boosts performance:

- **Visionary**
- **Coaching**
- **Affiliative**
- **Democratic**

Two other styles of leadership provided useful in more limited situations:

- **Commanding**
- **Pacesetting**

According to authors, the most effective leaders are adept at four or more of the six styles. Leaders who used the first four styles had better financial results than those who did not.

Leaders with the best performance results also used more than one style of leadership, applying the leadership style that matched the business situation. The authors¹² used the metaphor of the golf pro to reinforce the value of multiple leadership styles:

Imagine the styles, then, as the array of clubs in the golf pro's bag. Over the course of a match, the pro picks and chooses from his bag to the demands of the shot....the pro sense the challenge ahead, swiftly pulls out the right tool, and elegantly puts it to work. That's how high-impact leaders operate too (54).

The leadership styles reveal that coaching exemplifies the emotional competence of developing others.

In Coaching For Engagement™ the leadership styles enrich the managers' perspective, integrating emotional competence into their practice and coaching.

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