

The business case for creating a coaching culture

WHAT THIS BOOK SETS OUT TO DO

In this first chapter we develop the business case for creating such a culture, and end with a proposal to the board, which might come from human resources (HR) or developers or a consultant, making the case for coaching culture. In Chapter 2 we define the terms that we use – both coaching and culture, and also the synthetic term ‘coaching culture’. We then outline the background of why coaching culture is an issue. Chapter 3 develops the modest number of models for coaching culture that we have found in the literature and presents our own model and a brief account of how we developed it, using a case study methodology. The next four chapters spell out the components of the model in some detail, giving checklists, case examples and frameworks relevant to the various strands in the fabric of a coaching culture. As such, they are not designed to be picked at, but are woven together to create something that stands as a whole. Chapter 8 offers approaches to measuring coaching culture, and elaborates our model at four levels of richness. Chapter 9 brings together all the cases that we have used in developing this book. Chapter 10 focuses specifically on the role of HR in developing a coaching culture; and the final chapter draws together reactions to our framework, our own conclusions, and offers a framework that a chief executive might use when launching a coaching culture in an organisation.

INTRODUCTION

This chapter is not about the business case for coaching. There are reams of text to cover that topic (good examples include Caplan 2003; Hunt and Weintraub 2002; Lee 2003; McLeod 2003; Rosinski 2003). This chapter is about the business case for investment in *creating a coaching culture*. The difference is critical. The investment of time, money and energy in installing a coaching process or initiative can be relatively clearly bounded. It is basic project management to estimate and control these factors. Budgets are simple, constrained and easy to administer; and it is reasonably straightforward to measure whether coaching is happening and whether it is having an impact (although few companies do measure these things).

Achieving a coaching culture, however, is an on-going commitment far more difficult to budget for. The financial cost is complicated by the need to change attitudes and practices that relate to just about every aspect of the business. The time and energy commitment demanded of senior management in particular is unbounded – like leadership, you can't switch it off or tick the box to say, 'done that!' And measuring the impact of the investment is much more difficult, because like investment in customer care, or employee welfare, the organisational benefits are often indirect.

With a simple coaching initiative, it is possible to do the sums that link coaching behaviours with specific performance improvements, such as achievement of sales or productivity targets. With investment in coaching culture, we are looking at factors that relate more closely, for example, to the organisation's ability to compete, to implement strategy and to respond to external change. The authors of a recent *Harvard Business Review* article (Sherman and Freas 2004) say that the outcomes of creating a coaching culture are not easily separable out in financial terms. However:

we have yet to find a company that can't benefit from more candor, less denial, richer communication, conscious development of talent, and disciplined leaders, who show compassion for people. (Sherman and Freas 2004, p90)

Acknowledging the difficulties of measurement, nonetheless it is possible to make a strong case for developing a coaching culture – one that recognises both the costs of taking this route and the costs of not doing so, and demonstrates that the investment is a valuable contribution to corporate survival.

HOW MUCH OF A COACHING CULTURE DO YOU WANT?

This may sound a strange question, but it addresses one of the fundamental dilemmas for the modern corporation. It is one thing to aspire to values such as openness, transparency of information and constructive challenge. But, in the words of one of the most powerful of our portfolio of coaching questions: *What are the risks of succeeding?* Like King Midas, getting what you want is no guarantee of happiness. To illustrate the point, one of us recently suggested to a large, UK-based commercial high-technology organisation, which had openness as a core value, that it should appoint a team of young middle managers to develop a 'strategy in opposition' – ie to develop their own strategic thinking skills by analysing the business strategy and coming up with constructive alternative scenarios. The reaction of the CEO was 'Not likely! Everybody here thinks they could run the business, anyway. We've only just finally got agreement on the long-term strategy, and I'm not opening that up for discussion again under any circumstances!' Was he being hypocritical or pragmatic? Almost certainly the latter. In effect, he was

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saying, 'Yes, we want an open culture, but only up to a point,' and he invested considerable effort in explaining to people where that point lay.

In Chapter 8, we outline four layers of evolution towards a coaching culture. Where an organisation eventually wants to be on these layers – where it wants to stop its evolution in this direction – will depend on a variety of factors, not least where it is starting from. An analogy with the total quality movement is apposite here. Not all organisations aspired to become quality-driven. Some aspired to it, but soon realised they lacked the commitment necessary, and compromised by adopting many of the principles, but eschewing radical culture change. Eventually, where organisations sit on the spectrum of total quality cultures is heavily influenced by how important they perceive the quality processes to be in the management of their cost base and their customer loyalty.

For companies aspiring to create coaching cultures, the same logic almost certainly applies – they are just at an earlier stage in addressing the issues. If creating a coaching culture means simply having a lot of coaching taking place in a reasonably effective fashion, then that is a much more limited ambition – and much easier to achieve – than bringing about a radical shift in the way people view their roles and responsibilities, how they treat each other and how they manage their systems and processes.

A second difficult but essential coaching question that applies is, *What are you going to give up?* If people in the organisation are going to spend a lot more time in reflective space – in coaching and being coached, in applying coaching principles to business issues wherever they occur – they will have to find the time and energy somewhere. That can only come from a drastic shift in personal and organisational priorities, from being busy to being effective. Part of the problem, as the work of Bruch and Ghoshal (2002), Stephen Covey (1989) and others has shown, is that people *like* being busy and not having to think too deeply about what they are doing and why. If creating a coaching culture is demanding, *living* in a coaching culture is potentially even more so. One of the costs of creating a coaching culture may well be that it becomes increasingly difficult to find people with the mental resilience and good will to populate it – although, to be fair, there is only case study evidence to suggest whether or not this is indeed the case.

THE CASE FOR COACHING CULTURE

The case for coaching culture starts with the basic question: *What kind of culture does a company in our business need to have to survive and thrive in the next 10 years?*

Other questions include:

- How different do we want our business to be from its current and potential competitors?
- What should be the source of that differentiation? Do we believe we can maintain long-term competitive advantage (or, in the case of not-for-profit

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organisations, continue to meet the needs of our clients) through the exceptional performance of our people?

- How much change in culture are we capable of undertaking? (Have we got the resilience to follow this path, wherever it takes us?)

It would be very easy, and glib, at this point to present a panoply of pundits making the point that all businesses in the future will depend increasingly on the quality of people they attract and retain. But that does not necessarily mean that a coaching culture is the answer. It is quite feasible that an organisation – for example, a call centre that expects high turnover of staff – might decide that short-term incentivisation, work–life balance and highly effective recruitment processes comprise a more rational and more viable strategy, and that coaching, while part of the picture, will never be a critical priority.

The case for a coaching culture is therefore not generic, but very much one that is rooted firmly in the circumstances of the individual organisation and the willingness of its leadership to commit to a long-haul change programme.

So how can a coaching culture contribute, preferably in a measurable fashion, to the achievement of organisational goals and reinforcing the foundations of the business? Some of the principal ways that it impacts on strategy, performance and enablers of performance are explored below.

INFLUENCES ON STRATEGY

In this section we outline how a coaching culture can contribute to effective strategy formation and implementation by developing strategic robustness and strategic alignment.

Strategic robustness

Strategies that work are very clear, relatively simple and pragmatic in the sense that they allow people to adapt the method of implementation while maintaining a high adherence to the principles behind the strategy. They are also able to withstand constant interrogation about the *meaning* of the strategy in different contexts and circumstances. In other words, strategies are as robust as the thinking that goes into them and the capacity of the organisation to make them happen.

The quality of thinking that goes into the making of a strategy depends to a substantial extent on the quality of the questions that are asked. In the several studies one of us has undertaken comparing the characteristics of successful companies and their leaders, one of the outstanding qualities many of these leaders display is the ability to force the top teams of subsidiary companies to *think*. Other writers on leadership (for example, Warren Bennis 1989) have observed similar behaviours – successful leaders develop and review strategy using a coaching style.

The people responsible for crafting a strategy are often simply too close to it to ask the really difficult questions. That role is frequently played by some-

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one with an interest in ensuring positive outcomes, but with few or no preconceptions about how those outcomes should be achieved. Charismatic leaders (literally, leaders who care) develop with others in their organisation a relationship in which the crafting and consideration of massively difficult questions (MDQs) is a core process. We list a range of such questions in Megginson and Clutterbuck 2005, pp168–171.

At every point in the organisation, where strategy has to be created (and this can in many cases be right through to individual departments), there needs to be a process of constructive challenge. This process focuses people clearly on:

- What are we trying to achieve?
- What's the reality of our situation?
- What could we do that would achieve our objectives?
- Are we genuinely up for it?

If that sounds reminiscent of coaching's GROW (Goals, Reality, Options, When?) model (Downey 2003; Whitmore 2002), it is hardly surprising – the core of effective coaching at work is the stimulation of rigorous thinking.

Putting constructive challenge of strategy into a coaching context has several benefits. First, it takes a lot of the sting out of conversations that review past performance, so people are less likely to be defensive. Second, it requires a commitment by all involved to consider the difficult questions openly and honestly. Third, it helps to build relationships, because the process of dialogue properly managed stimulates self-disclosure and understanding of each other. Fourth, strategy development carried out in a coaching style facilitates individual and team learning – especially where learning is a clearly defined parallel objective for the strategy setting process. Good coaching practice also involves assessment and review of what has been learned (something that can be missed from the GROW model), and top teams that build this reflection into their strategic planning process are likely to see significant benefits in terms of their strategic competence, both severally and jointly.

Strategic alignment

For those people in an organisation who are outside the strategy crafting process – and this is typically the majority of employees – a critical problem is how to make the strategy relevant and meaningful for them. No matter how brilliantly conceived a strategy may be, it can become badly unravelled if people who are not involved in its formation are constantly making small decisions that go against it. These small decisions accumulate very rapidly.

The scale of the challenge is illustrated by a multinational company which took the strategic decision to focus on high value-added products, even in divisions that were operating in low-technology markets. To gain and retain customers in this new environment, the top team recognised that a radical shift would be needed, from competing on cost to competing on innovation and

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customer relationship management. To achieve the latter, it had to develop both global and local competencies in key account management.

An investment in education for the top 200 and for customer-facing people in the organisation created awareness of the strategy and what was needed from these individuals. But making the strategy work required tackling several other cultural barriers. In particular:

- how to help the key account managers put theory into practice
- how to change the mindsets of people in other departments (such as manufacturing) to give wholehearted support to the key account managers, when they had their own objectives to achieve.

To tackle the first issue, a global mentoring programme linked some of the most senior people in the organisation to the largest account managers, with a view to exchanging experience and helping them think through how they applied customer relationship principles to both external customers and internal colleagues. These mentees will, in turn, become mentors to more junior account managers.

The organisation is still considering how to approach the second issue of changing mindsets. One option is to invest in developing a coaching culture in which:

- individuals could be coached in how they can support the broader strategic objectives, while still delivering on their departmental objectives
- cross-disciplinary teams (including key account managers, production people and finance people) could be coached both individually and together on how to manage the challenges of changing their culture.

Research into strategic alignment indicates strongly that dialogue achieves far more than instruction or discussion (Yankelovich 2001). Putting the muscle of coaching behind the implementation of strategy ensures that dialogue takes place when and where it is needed. Problems with implementing the strategy are revealed more swiftly and more easily; resolving them also typically takes place earlier and at a lower level. We turn a cult into a culture by what Reg Revans (1998) memorably described as 'the upward communication of doubt'.

The process of strategic alignment ultimately leads to the alignment of individual and organisational ambitions and drives to succeed. Coaching and mentoring are the two most powerful ways of helping people undertake the inner dialogue that brings these potentially conflicting dynamics together. And they require openness to insight from leaders as well as followers.

INFLUENCES ON PERFORMANCE

We look here at the impact of a coaching culture at the individual, team and organisation level.

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At the individual level

Every organisation has issues about performance. One of the spectacular legislative and management failures in recent years has been the attempt to arrest the creeping paralysis of the long hours culture. People are coerced or seduced into working long hours because, they say, 'the nature of the work demands it'. Like painting the Forth Bridge, the tasks of a knowledge worker stretch on forever – there is always more to do. Computer technology, while it enables us to do more in less time, also tends to encourage us to do less productive things, such as dealing with all our own e-mail correspondence, rather than the items that are really important. The structure and pace of work allows less and less time to think about what we are doing and why. It is said that the computer has destroyed more knowledge than any other invention (with the possible exception of the hand gun and tequila).

The antidote to this destructive cycle is the creation of reflective space. Coaching is an opportunity to call a halt to the frenetic pace of *doing* and to refocus on *being*. It enables people to challenge their routines, to take a critical look at what they are doing and why, to identify and commit to new performance goals and to work out how to overcome the barriers that prevent them being more effective in their work roles. It allows behaviours to be discussed, priorities to be established and mere busy-work to be laid down. Most of all, however, it brings performance to the fore.

It could be argued that sales cultures, for example, have always been performance focused. After all, there are usually clear individual and/or team sales targets and it is very apparent whether or not they have been reached. The problem is that this creates a very one-dimensional view of performance. In most job roles – and arguably in sales, too – performance is multidimensional. Although people may have one or two primary performance goals, these can typically only be achieved by addressing a number of contributory or influencing factors, such as financial literacy, negotiation skills or leadership capability. There is some evidence (*Life Association News* 2002) that salespeople who are in a formal one-to-one developmental relationship with a more experienced colleague or manager outperform those without such support by 20 per cent in their first year and are 13.5 per cent more likely to survive the first year.

A high-performance culture invests considerable effort in helping people identify and overcome the barriers to continuous personal improvement in the priority aspects of their job roles. Rather than reward people solely on whether or not they reach their targets, it also takes into account the progress the individual makes towards overcoming factors that prevent performance. Performance improvements in the primary targets are almost always the result of a number of improvements in subsidiary behaviours and/or skills.

At the team level

One of the questions we often ask managers in coaching workshops is to consider what the impact of an average 10 per cent improvement in performance by their team of direct reports would look like, and what it would mean

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for the team's ability to contribute to organisational goals. In most cases, managers declare that the cumulative impact would be greater than the sum of the individual improvements. We then ask them to work out the cost–benefit equation: would the amount of time and energy they would have to put in be worthwhile, in terms of the outputs? Whenever there is time to analyse the issues properly – and to be coached in thinking them through – almost everyone concludes that they cannot afford not to invest the time. One of the most important factors is what even such a small improvement in performance would do to release their time from fire-fighting (sorting out yesterday's and today's problems) and put it into more future-oriented activities.

An important element here is having a team development plan, which links performance goals for the team with individual learning and performance improvement. This creates a transparency of learning need that allows team members to coach each other.

At the organisational level

The modern corporation is measured on a much wider range of performance factors than its predecessors, by a much wider range of stakeholders. Although financial performance is still dominant as the yardstick for investors, the quality of corporate governance, for example, is now a major influence on company ratings too. Other stakeholders rate companies as employers, or as corporate citizens. What the company stands for and how it does things is becoming as important as what it does.

Managing corporate performance demands vigilance and the ability to integrate both business and social objectives. It is not easy, but coaching processes can play a valuable role in ensuring that actual organisational behaviour is frequently assessed against espoused behaviour. One of the most important roles for the external coach can be to help the top team define wider performance goals, test the commitment to those goals and ensure that it gives sufficient quality of thinking to how it will achieve each performance element, and how it will measure performance against softer corporate targets.

INFLUENCES ON THE KEY ENABLERS OF ORGANISATIONAL PERFORMANCE

Communication, staff attitudes, knowledge management and financial awareness are seen as the key influences on performance that can be impacted by a coaching culture.

Communication

It is only in recent years that a clear link has been established between employee communication and business performance. The research that identified this link (Clutterbuck and Hirst 2002) found that what communication functions did was of little importance, unless it was in support of critical cultural factors – in particular, the credibility of the leadership, the quality of

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trust between people and departments, the quality and scope of knowledge exchange and clarity of purpose.

Coaching has a substantial role to play in each of these contexts. Top management credibility is consistently low in most organisations. Opinion poll data show us that it is rare for more than two out of three employees to believe that top management both knows and cares about what it is doing. Communication coaching extends well beyond the basic skills of listening and presenting. It tackles, for example, the leader's role as chief communication strategist and role model, how to create and stimulate organisational dialogue, and building personal credibility.

Building trust takes time and mutual goodwill. One of the best ways to do so is through bringing people together in intimate learning environments. The need for honesty to make progress stimulates self-disclosure, which in turn promotes rapport and confidence in each other. The use of mentoring and coaching between people from merging organisations can be particularly effective.

Staff attitudes (great place to work)

Several of the case companies cited in this book (see the HBOS and Kellogg's cases in Chapter 9, for example) use various proprietary measures of staff attitude, of which the most popular is called 'great place to work'. Leaders in these companies view this as crucial to measure staff satisfaction, as it predicts what the company will be capable of in the future. If staff attitudes are hostile or in disarray, the chances of obtaining concerted effort to achieve stretching objectives are low.

Coaching hits a great many of the dimensions within these measurement frameworks. Coaching gives palpable evidence and experience to staff that their manager is concerned about results, that they support the achievement of these results, that they take an interest in staff development, and that they make themselves available.

Knowledge management

The quality of knowledge sharing is clearly coaching territory. A number of multinational companies we have studied see coaching as fundamental to their knowledge management strategy. Coaching supports both the 'hard' side of knowledge management (the skills and the explicit, prescriptive learning) and the 'soft' (the tacit and intuitive learning). Knowledge has been described as pragmatic, partial, tentative and always open to revision – a collective interpretation and reinterpretation.

Coaching creates the dialogue that allows this constant reinterpretation to take place, but additionally ensures that it does so against a background of current business and personal priorities.

Knowledge is developed within communities of practice, and coaching companies are good at creating these communities, both among coaching champions (see master coach development in Kellogg's in Chapter 9) and more

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widely in the firm (for example KPMG in Chapter 9). Knowledge sharing is discussed further in Chapter 6.

Commercial and financial awareness

When was the last time you, or anyone in your team, was coached by a customer? Yet what better resource for learning commercial realities? Customer listening sessions are one thing – useful but limited. Customer coaching brings a whole new dimension and quality to the learning process.

The modern organisation cannot function effectively unless the vast majority – if not all – of its employees are commercially and financially aware. If it recognises opportunities to manage costs, or build customer loyalty and the implications of missed opportunities, there is high potential for positive impact on business performance. But such awareness does not come naturally for many people. Coaching, with its use of anecdote and story, brings these issues alive. The more creative the coaching approach – for example, by using customers as one of the resources – the more vivid the learning experience.

THE CONSEQUENCES OF *NOT* CREATING A COACHING CULTURE – A PROPOSAL TO THE BOARD

The following is the text of an imaginary presentation to the board by an HR director. In reality, this is a composite of several stories and individuals, plus a certain amount of imaginative invention.

The strategy for this business involves securing our market share by doubling the value of sales and trebling revenues over the next five years. The technology is the easy bit – we know we can achieve higher productivity through new manufacturing equipment and we know that we can improve our customer relations management and delivery logistics through the planned new software. The market issues are more difficult – we face increased competition, and although new markets are opening in Eastern Europe, in our core countries overall demand is likely to be static. But we have very strong brands and the ability to build on them. I don't think any of us doubts that we can at least maintain our ground and that the investments we are making in new products will play a major role in our overall competitiveness.

The weak link is the people element. It's not that our people are less motivated, or less competent than the staff of our competitors. If anything they are more committed. It's not that they are less productive, less customer friendly or less hardworking. They are not paid substantially better or worse. In fact, you'd be hard put to find any significant differences.

So the real challenge for us as a top team in delivering the strategy is not how we will manage the radical improvements in technology, the

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marketing, the product development or production. These are all areas of project management, with which we are familiar, even if they require us to raise our sights in terms of the scale and speed of the changes we have to introduce. The real challenge is: how on earth do we ensure that the people in the organisation can cope with the changes, can commit to making things happen and develop the competencies needed?

We've reached the limits – or close to it – of how we get people to do more work, or to work harder. They can't work longer hours without reducing efficiency. We will also encounter increasing problems with our most talented individuals resisting further inroads into their non-work lives. To double sales without acquiring, we have in effect to double the 'smarts' of our people – how we manage them and how they manage themselves. Technology improvements will give us a maximum of half the productivity improvements we need. For the rest, we have to look to people solutions.

So what can we do? We need to make sure that our people:

- are ceaselessly identifying better ways of doing things
- are able to change roles rapidly as business needs change – slipping into new roles and becoming competent in them very rapidly
- share both new knowledge and old knowledge whenever it is needed (just-in-time)
- are totally committed to developing themselves and other people
- understand the importance of continuous personal improvement and know how to go about it
- have access to learning from others whenever they need it
- are completely clear about how they can make a difference and what that means in terms of their current and future performance
- will challenge their colleagues, us and themselves to live up to the best we can become
- feel confident they can take the time to think through what they are doing and how
- feel that they have a long-term future with us.

We are not going to do this with business as usual. We won't do it by tinkering at the edges – tossing people into a sheep-dip of coaching training and expecting the culture to change overnight. We have to create a different kind of business, where coaching behaviours are valued because they are role modelled at the top, recognised and rewarded at all levels, and sustained throughout all the traumas and crises we'll encounter over the next five years.

It will cost. Not so much in the training and support budget, though that will be substantial, because we have to equip everyone in the organisation with the skills to coach and be coached, but in the energy and time everyone will have to put in. To find that time and energy, we'll have to

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stop doing a lot of things we're accustomed to – we have to make the time by abandoning activities we are attached to and which we may enjoy.

Will it be worth it? All I can say is, look at the costs of not going down this route. Right now, our best competitor for our biggest division outscores us in three out of four customer surveys and has 20 per cent fewer people delivering a third higher sales. It is also seen as a better place to work. We can try to emulate it, cutting numbers and putting in more benefits – and maybe we should be doing those things anyway. But we won't overtake it unless we find ways to release the power of the intellect of our people. Put it another way, if we don't develop a coaching culture, we are basically saying that we will continue to be a follower. And we will always be at risk from new market entrants, who don't come with the historical baggage that we do. We know that there is at least one company from a different sector eyeing up our market and thinking it could do better.

So the price of not creating a coaching culture is:

- The risk of not reacting fast enough to keep up with market and competitive change.
- The risk that changes we do make don't get embedded – we've already seen several examples of changes, which we thought had been implemented successfully, where people at the coal face have simply done just enough to tick the boxes.
- The risk that the key talent, who we are relying on to support our strategic goals, will be poached away. Already at least six people this year, who we could ill afford to lose, have gone to employers who offered them a better mix of challenge and support. Our exit interviews tell us that only one of these went for more money. We know that coaching cultures are better than average at retaining talent, because people are always being positively stretched – can we afford to remain less good than average?
- The risk that we won't challenge ourselves enough to see the icebergs in our path. We still spend too much time looking backward and not enough looking forward.
- The risk that our capability and that of other people in the business doesn't grow fast enough to keep up with the growth of the business. Even here at the top, there are signs that the pace of developing ourselves isn't keeping up with our current plans for the business – let alone those we are aspiring to.

In short, the case for this investment is essentially the case for staying in business long term. If I were coaching us, there's one question I'd have to ask in conclusion: 'Have we got the bottle for it?'

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THE BOTTOM LINE

The case for investing in a coaching culture is not the same for every organisation. It is strongest in those organisations that rely on the efficacy, loyalty and ingenuity of their people; those organisations that expect continuous, often disruptive change; and those which have leadership capable of and committed to performance improvement, starting with themselves. If at least two of these criteria don't apply to your organisation, don't bother – you are unlikely to carry it through. You may be better to stick instead to piecemeal coaching interventions, where there is a specific, defined need and outcomes. On the other hand, there are many organisations for which all three criteria apply. To these we say, can you afford not to move as far as you can towards a coaching culture?

Having explored the case for creating a coaching culture, in the next chapter we go on to clarify the terms used, then in Chapter 3 we develop our model for coaching culture grounded on the experience of many organisations that have taken substantial steps down this road.

A free sample chapter from *Making Coaching Work* by **David Clutterbuck and David Megginson**. Published by the CIPD.

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