

Executive Coaching: State of the Art

For release on or after February 1, 2007

The Sherpa Global Coaching Survey

Emerging industries operate in a state of flux: new players and new processes surface, respected veterans leave the field. That's certainly the case in executive coaching.

There's not even universal agreement yet on the definition of coaching. Mentors, counselors, trainers and business consultants have all adopted the coaching label without changing the work they do.

It can be very hard to sort all this out, but demographics make leadership development a major concern for every organization. Solid information about a new industry devoted to creating great leaders is essential for business, government and education.

The second annual Sherpa Global Coaching Survey was created by a desire among educators and business media to collect that important data.

Two major universities' executive education programs also sponsored the survey this year and sent invitations to top-level executives: Penn State Executive Programs and the Tandy Center for Executive Leadership at Texas Christian University. Both have also worked with survey originator Sherpa Coaching LLC to offer executive coach training and certification in partnership with the firm's author / educators.

Again this year, Cincinnati's Business Courier, a major weekly paper, sponsored the survey and invited readers to participate.



Response to the Survey

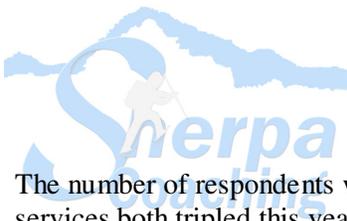
The response to this year's survey indicates a growing interest in coaching. There were more participants overall (800 vs. 575, up 38%) and more practicing executive coaches who responded (480 vs. 335 last year, up 43%).

At least 100 of last year's respondents also participated in this year's study, based on a choice to provide their email address for a second year in a row.

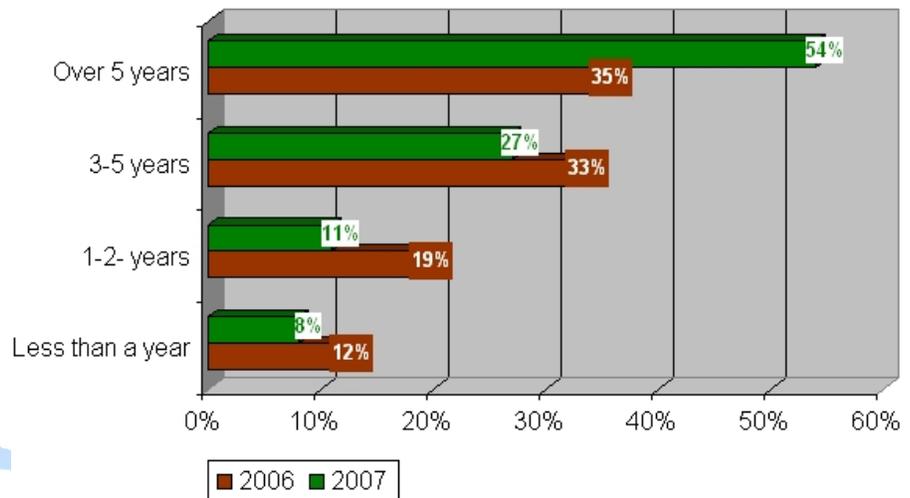
Survival of the fittest does create turnover among coaches. The survey's sample looks to be highly representative of established, successful coaches, for several reasons. Less than 10% of last year's HR professionals who left an email address are no longer receiving mail at that address, but only 6% of those who identified themselves as coaches last year were unreachable this time around.



A larger percentage of participating coaches were veterans this time around:



Tenure of Surveyed Coaches



The number of respondents who have used an executive coach and those who purchase coaching services both tripled this year, allowing us to start drawing some conclusions from the numbers.

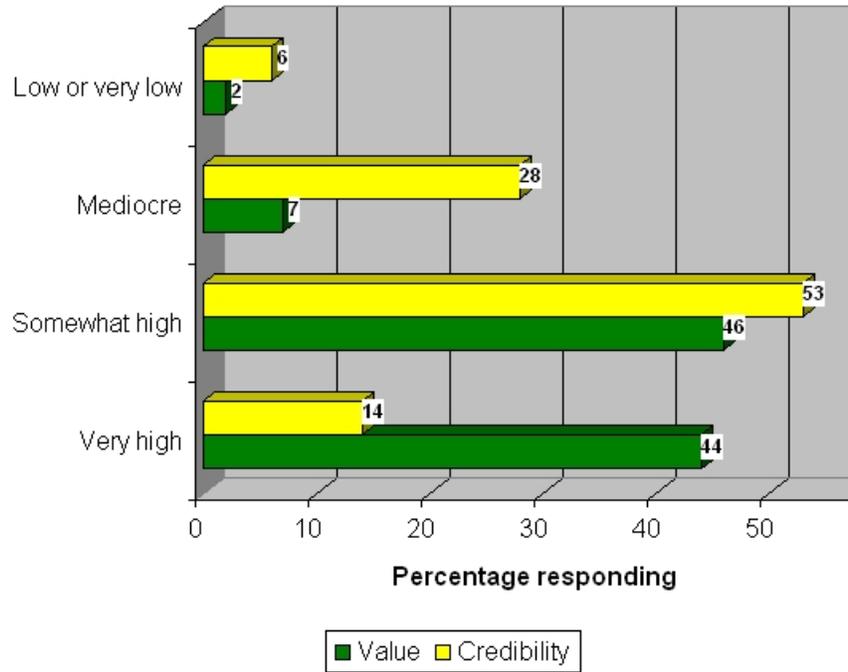
Value and credibility

In the 2006 survey, we asked respondents to rate the “value and credibility of coaching”. To eliminate self-serving answers, only non-coaches were asked this question. The overall perception of coaching is almost exactly where it was at this time last year.

For 2007, we split that single question: “Rate the value and credibility of coaching” into two separate queries. There is a significant difference between the two sub-questions. 34% see the credibility of coaching as mediocre, or even worse, while only 9% rate the value of coaching unfavorably.

HR Professionals' View of Coaching:

Credibility in yellow, Value in green.

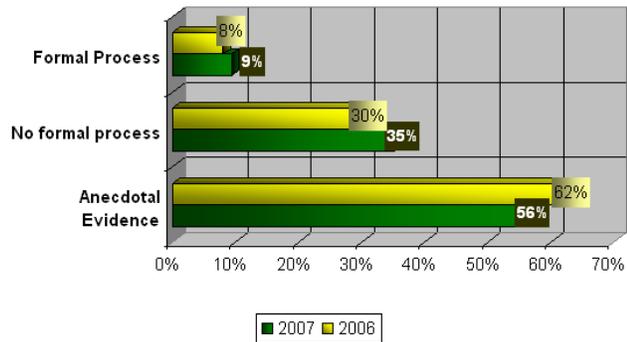


Value and Return on Investment (ROI)

The coaching industry knows that an ability to demonstrate strong ROI will improve the case for coaching. The International Consortium for Coaching in Organizations (ICCO) commissioned a series of studies and interviews in 2006, working toward this goal, and released an audio CD based on this research.

Even though there's new information available, purchasers of coaching services haven't made any progress in figuring out a business case to justify coaching. In fact, they may be giving up. This year, just 9% of respondents say that "HR has a formal process to evaluate effectiveness and return on investment", virtually unchanged from last year's 8% score. Gathering anecdotal evidence about the results of coaching happens 56% of the time, down 6 percentage points from last year's rate. The number of situations with 'no formal monitoring' went up by 5%, to 35% this year.

How is the Value of Coaching Monitored?



Coaching costs and the lengths of engagement are usually left open, as well. In this year's Sherpa survey, 58% of HR professionals, purchasers and users of coaching services cap costs on a case-by-case basis, with no explicit limits. Only 38% make sure a coach has a process that includes specific time limits, or set a length of engagement on a case-by-case basis.

Who Wants to Know?

Survey participants who wanted to receive the survey's results on the day of release left their name and an email address as they completed the survey.

Those email addresses represent Internet domains in 21 countries:

Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Iceland, Italy, Japan, Korea, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, USA / American Samoa / Puerto Rico.

Even with global participation and the availability of the survey in four languages: English, French, Spanish and German, over 98 percent completed the survey in English.

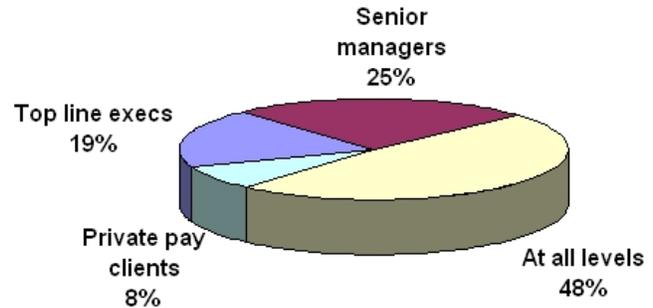
Who Gets a Coach?

There's meaningful movement toward providing executive coaching as a pro-active move. More of coaching is now devoted to developing leaders, and a smaller share of coaching tackles specific problems.

In every reporting group, most said coaches are engaged for people who need leadership development. This accounts for 49% of all coaching, against 43% last year. Coaching is applied for an individual with a specific problem or challenge 32% of the time, down from 37% last year. People in transition, such as a new job or promotion, received around 20% of coaching, both this year and last. Compared to last year's numbers, about 6% of coaching has moved from problem-solving to leadership development. In a billion-dollar industry, that represents re-allocation of at least \$60 million dollars since last year.

So, who gets an executive or a personal coach? There's no significant difference from last year: In 48% of our reported situations, coaching is used at "all levels in the organization". 'Senior managers only' accounts for 25% of coaching environments. In 19% of our cases, it's top-line managers only. Private individuals, paying on their own account, make up the remaining 8% of demand for coaching.

Executive Coaches Work With:



Service Delivery: Live vs. Phone

There appears to be a trend toward in-person coaching. It accounts for 44% of our executive coaching, up from 39% last year. Phone coaching is second in frequency, at 37%. Email, internet chat and webcam work making up the remaining 20%. Email as a delivery system lost a big piece of its market share over the last year, dropping from 26% of coaching situations down to 15%.

What's most effective? It depends on who is answering the question.

Personal and life coaches actually report a higher rate of phone coaching than in-person meetings, at 41% to 39%. They also believe that phone coaching is more effective than in-person communication, by a 54% to 46% margin.

In-person coaching is judged most effective by 70% of executive coaches, against just 30% who selected phone coaching as most effective. That's a slight change compared to last year's 67 / 33 ratio. Among veteran coaches who participated in both this year's survey and last, 7% moved away from the phone and towards in-person delivery, boosting their approval rate of in-person delivery to 81%.

The most effective coaching is delivered in person



Coaching customers and HR experts see things differently, however:
82% of those who purchase coaching see in-person as the most effective.
89% of self-described HR and training professionals agree.
96% of those who had worked with an executive coach say in-person coaching is best.

How Long (Has This Been Going On?)

How long should a coaching engagement last? The trend is running towards shorter, limited engagements. Overall, 60% of executive coaches say a coaching engagement should either begin with a limited scope, or last 6 months or less. Among coaches we surveyed both this year and last, the percentage favoring these limited runs increased, from 47% to 60%. Personal and life coaches agree, with a matching 60% score.

26% of HR and training professionals, and an equal 26% of those who purchase coaching service specifically say coaching should begin with a limited scope. 35% of those who have actually used an executive coach opt for a limited run. Only 23% of this group, overall, favor open-ended engagements, compared with a rate last year of 40%.

Our survey shows a move toward limited engagements. On the whole, 18% of executive coaches say an engagement should last 6 months or more, down from 22% last year. Less than 10% of HR professionals and people who have used a coach want an engagement to run 6 months or longer.

Coaches are getting together with their clients less often, it would seem. Last year, 35% of all coaching ran on a weekly basis. This year, that's down to 29%, with a corresponding gain in twice-a-month coaching.



What qualifies someone to be a coach?

Formal training and certification carry a lot of weight, as do business and consulting experience. Among executive coaches, 56% opt for business and consulting experience, while 38% see training and certification as the most appropriate background for a coach. Among HR professionals and coaching clients, training and certification matches business and consulting experience, with both weighing in at around 44%.

Counselors and therapists are making a move into the coaching game. There are coach training schools designed for psychologists, and privately run coach training programs designed for counselors and psychiatrists. 3% of coaches, and only 2% of HR and training professionals, however, view a counselor or therapist's background as the most appropriate for an executive coach,

Who is training coaches?

How do people learn to be a coach? Coaches, on the whole, place value on formal coach training and certification programs. Among executive coaches, 35% said their development as a coach came primarily through a certification program, and 34% reported training as their primary development tool. The trend toward certification looks very strong. Among coaches participating in both this year's survey and last, 15% more listed certification as their primary development tool, taking certification from 39% to 54% as the preferred background for these veteran coaches.

Personal and life coaches also see a need for coach-specific education, and report training and certification as their primary development tool 82% of the time.

Is certification for coaches important? 65 % HR professionals, purchasers of coaching services and coaching clients see formal certification for executive coaches as absolutely essential or very important. 60 % of executive coaches agree. Only 10% of respondents say that certification is not necessary. All these results are comparable to last year's data.

There are a number of ways coaches can receive training. Peer Resources, a clearing house for information about coaching and mentoring, lists over 200 coach training programs. The executive education programs at a half-dozen universities offer one-off programs for executive coaches, often conducted remotely. One curriculum has been adopted by multiple universities. Using "The Sherpa Guide: Process-Driven Executive Coaching" as a text, and the book's authors as instructors, six universities, most recently Penn State and Texas Christian, have agreed on a standard course for certification, with 80 hours of classroom instruction. In just over a year, the Sherpa Coaching Certification has made significant progress toward becoming the most widely accepted professional certification.

There's no consensus as to who should certify coach training programs. Among HR professionals, purchasers of coaching and coaching clients, 15% favor the ICF to accredit coach training programs, versus 12% for the International Consortium for Coaching in Organizations, and 10% favoring colleges and universities. Among executive coaches, the ICF's approval rating fell below 50% in this year's survey, down from 54% to 47%. Support among executive coaches for other certifying authorities did not increase, though. Instead, the number of those offering 'no opinion' jumped from 29% to 36%.

This lack of consensus may have started in the early days of training and accreditation, when the same people who operated coaching schools started the International Coach Federation (ICF) which accredits schools. The ICF accredits training programs and also certifies their graduates. Peer Resources' COO, Rey Carr, states in a 2005 position paper: "Although there are . . . experts and authorities in accreditation, the ICF has neither consulted with them nor joined with any of them to add legitimacy to their conflicting practice of both certifying and accrediting; a practice . . . typically recommended against by any other professional association."

A dozen years back, the business of financial planning was in need of standards, which emerged as the Certified Financial Planner designation. Do coaches and business executives feel a need for common practices in this currently fragmented arena? We asked that question for the first time this year. 50 % of coaches and 65% of HR professionals, purchasers and coaching clients say that "having a recognized and standard process for coaching, similar to the accounting or financial planning professions", is either "absolutely essential" or "very important". 63% of coaches in business for 1-2 years agree, and 83% of new coaches, those working for a year or less, say the business needs standards for practice.

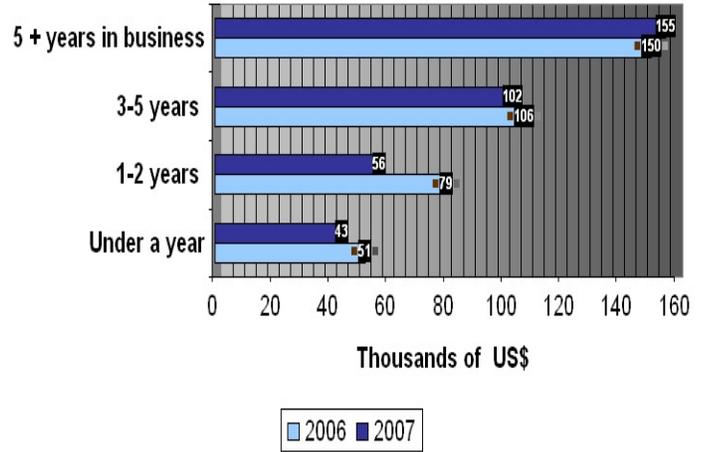


The Rewards of Coaching

The field of executive coaching appears to be getting less lucrative. Compared with last year's sample, reported billing rates actually dropped for coaches practicing 2 years or less, and the average number of clients dropped for coaches at all tenures up to 5 years.

With billing rates and client counts down, average earnings per year for coaches in business a year or less dropped from \$51,600 last year to \$43,500 this year. Second year coaches saw a significant drop in earnings, from \$79,000 to \$56,000. Coaches in business 3-5 years maintained earnings of about \$105,00 per year, while veterans, those in business 5 years or more, took their earnings from \$150,000 up to \$155,000 per year.

Average Annual Income, Executive Coaches



took their earnings from \$150,000 up to \$155,000 per year.

A trend toward twice a month meetings rather than weekly ones does not affect reported earnings, since we base calculations on the average number of clients seen in a week's time.

For life and personal coaches, the ceiling on earnings was higher this year. Those in business 5 years or more reported earnings going from \$68,000 up to \$88,000 per annum, with earnings per hour breaking the \$200 mark. Those in business 3-5 years stood pat at \$63,000, while entry level coaches, in business 2 years or less, reported annual earning of \$39,000, up from last year's \$30,000 mark.

The corporate money goes to executive coaches. 66% of executive coaches report that most of their clients' bills are paid by an employer, while 34% work mostly with private pay clients. On the other hand, life and personal coaches rely on clients who pay their own bill. Only 17% report that most of their clients are employer-paid, with 83% of life and personal coaches reporting private pay clientele.

The longer a coach stays in the business, the higher their client counts. The percentage of coaches who see more than 10 clients a week goes up, from 10% for coaches in the game a year or two, to 18% for coaches in the business three to five years, and 33% for those with 5 or more year's experience.

The Rates People Pay

HR and training professionals, including those who purchase coaching service, reported that they pay an average hourly rate of \$215. Those who have worked personally with an executive coach report paying \$160 an hour, reflecting a lower hourly rate for clients who pay their own bill.

The majority of executive coaches surveyed said they have been in business 5 years or more. They state that their rates are 40% higher than less-tenured coaches, and report working with 40% more clients. 41% of this group state that they charge \$300 or more an hour, compared to 25 % of coaches with less seniority. So, our largest group of coaches, 5-year veterans, working with more clients at higher rates, averages better than \$335 per hour.

Overall, our executive coaches state an hourly rate of \$308, because our sample is top-heavy in veteran coaches. If we factor the rates reported by all coaches, placing even weight on new and veteran coaches, we come up with a rate of \$262. In contrast, our pool of purchasers and HR pros reports they pay only \$215 per hour for executive coaching.

Maybe coaches are claiming 'list prices' as opposed to actual billing rates. Perhaps there is a pool of employers paying \$400 an hour or higher who are not included in our sample. We feel that the HR professionals we surveyed are a representative group, coming from invitations issued by a large business weekly, two universities' executive education departments, a coaching trade association and a major supplier of coaching services and coach training.

Conclusions:

As the coaching business matures, there will be a standard definition for coaching, something along the lines of this, from the authors of *The Sherpa Guide: Process-Driven Executive Coaching*: "Personal and frequent one-on-one meetings between a business leader and a trained facilitator, designed to produce specific, positive changes in business behavior in a limited time frame."

With a clear and widely understood definition in place, a service called coaching would mean the same thing to every buyer and seller. When everyone agrees what coaching is, standards for practice will follow.

Coaching is an art, and every coach brings a unique style and life experience to the table. That doesn't preclude a set of standards. Public accountants and financial planners follow detailed guidelines, but each one still brings their own unique personality and wisdom into every client relationship. A standard for practices will increase the credibility of coaching.

As coaches and those who hire them agree on generally accepted coaching practices, a standard training regimen will emerge. University executive education is showing the first signs of consensus, with the Sherpa Certification, adopted by a half-dozen universities to date.

We will see the continuation of our trends in the way coaching is used, as well. When coaching is clearly defined, and becomes predictably successful, even more emerging leaders will be coached, and less problem-solving will be necessary.

96% of the coaching clients in this year's survey said in-person coaching is the most effective method. Since most of our communication comes from body language, it's encouraging to see that more coaching is taking place in person.

Over time, the credibility of coaching will catch up with the value it offers. Every year, the Sherpa Global Coaching Survey will track the trends.

Author Karl Corbett is Business Manager for Sherpa Coaching, LLC, a Cincinnati-based coaching, training and certification organization. He can be reached at (513) 232-0002 in the US, or by email at info@sherpacoaching.com.



Addendum: The 2007 Sherpa Global Coaching Survey's Methodology

The Sherpa Global Coaching Survey is designed to gather information about the state of executive coaching, from coaches and those who hire them.

Invitations were sent to a worldwide list of practicing coaches, including business and personal coaches. The survey was offered in English, French, German and Spanish.

The survey sponsor, Sherpa Coaching LLC in Cincinnati, also invited HR professionals likely to hire coaches. A co-sponsor, the Cincinnati Business Courier, sent a survey invitation to their readership, adding business people not directly involved in coaching. Penn State Executive Programs and the Tandy Center for Executive Leadership at Texas Christian University are also survey sponsors, and sent survey invitations to selected business professionals.

The survey was designed to differentiate between groups of respondents, and even asked different questions of coaches and non-coaches. When questions involved a subjective multiple choice, respondents were shown the choices in random order.

Research indicates that last year's Sherpa Global Coaching Survey was the largest published survey on executive coaching. The 2007 survey contains many of the same questions reported in 2006. Year to year comparison produces new information about trends in the ways coaching is practiced and perceived.

IQS Research of Louisville, Kentucky (USA) again hosted the survey and validated results. Respondents could take the survey more than once, but technology behind the scenes at IQS Research flagged duplicate responses. Once the data was collected, survey sponsor Sherpa Coaching LLC verified, analyzed and reported results using a Microsoft Access database developed for this project.

The survey is offered annually in early December, with publication of results on January 15th of the following year. Those who respond to the survey receive the results directly by email, the day they are released.

Media contact:

Karl A. Corbett, Business Manager
Sherpa Coaching LLC, MBE
P O Box 417240
Cincinnati, Ohio USA 45241
(513) 232-0002
info@sherpacoaching.com

Technical contact:

Shawn Herbig
IQS Research
308 North Evergreen Road, #140
Louisville, KY USA 40243
(502) 244-6600
sherbig@iqsresearch.com

