

The Future of Executive Coaching: Analysis From a Market Life Cycle Approach

Where are we, where are we going, and how do we prepare for what's next?

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In launching this journal the editorial board envisioned that the journal would provide a forum for "reflection and analysis...by those leaders of this emerging field who recognize coaching to be a fixture rather than a fad..."¹ This article explores the market life cycle of executive coaching, considering its history and growth, and estimating its current position. We discuss the four stages of the market life cycle: product introduction, market growth, market maturity, and sales decline, exploring the implications for our profession of each stage. Understanding where coaching is in the market cycle allows us to consider strategies to stimulate the continued growth of the profession. In this article we present our thesis that "this emerging field" is actually already in the mature stage of its lifecycle and we make recommendations for moving the profession forward.

It is clear that coaching is not a fad and it is not new. Coaching is rooted in a range of philosophies and practices that can be traced back to Aristotle, Buddhist thought, Gestalt theory, and various gurus of ontology and business. It predates Anthony Robbins, Stephen Covey, Tom Peters, Thomas Leonard and Ken Blanchard. The taxonomy of executive coaching includes an array of ancient and modern wisdom woven together in a unique tapestry designed to produce real results in real time for busy executives and leaders.

The coaching profession has grown enormously over the last ten years. To keep the profession dynamic and relevant it will be critical to address current and future challenges with an understanding of "where coaching stands in the lineage of business and other interventions".² Coaching is a service industry. Like any other product or service it is subject to a product/market life cycle which occurs in four stages: product introduction, market growth, market maturity and sales decline (Figure 1).³ The product or market life cycle is a well-documented concept in business literature. "Product life cycle is the postulate that if a new product is successful at the introductory stage (and many fail) then repeat purchase gradually grows and spreads and the rate of sales growth increases. At this stage, competitors often enter the market, and their additional promotion expenditures further expand the market. But no market is infinitely expandable, and eventually the *rate* of growth slows as the product moves into its maturity stage."⁴

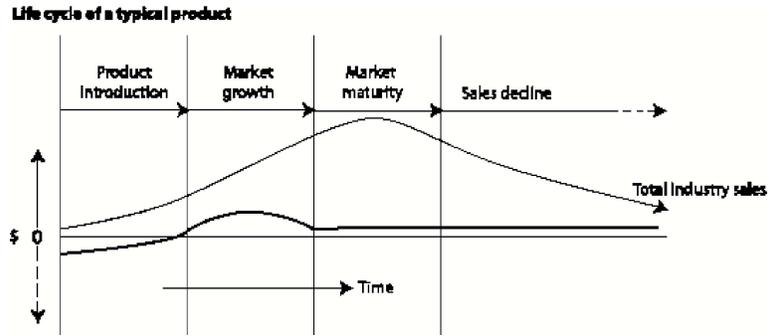
The product/market life cycle construct is useful in analyzing the profession of executive coaching because it provides a framework for considering market interventions designed to maximize the growth and maturity stages of the cycle, when the market is most profitable. It also allows for the design of interventions that will forestall decline, such as refining and re-launching the product to better meet the changing needs of the market. Applying the market life cycle construct allows us to use our knowledge of where executive coaching has been and where it is now in the cycle in order to predict and offset a future decline. We can use this analysis to bring a new awareness and conscious action to the intentional design of the future of executive coaching—not unlike how we as coaches guide our clients in their businesses.

¹ Editorial board. "The International Journal of Coaching in Organizations: A New Forum for an Emerging Field." *International Journal of Coaching in Organizations*, Winter, 2003. 1(1). Winter, p.7

² *ibid.*

³ E. Jerome Me Carthy, *Basic Marketing*, 6th ed., Homewood, Illinois. Richard Irwin, 1978. p. 241

⁴: M. McDonald and W. Keegan. *Marketing Plans that Work*, New York, NY. Butterworth-Heinemann, 1997, p. 50



INTRODUCTION STAGE

The focus in the introduction stage of any new product or service is on building consumer awareness as the product is launched into the market. This stage requires substantial promotion to raise consumer awareness, since consumers do not know about the existence, benefits, or uses of the product. During the introduction of a new product, consumers first become aware of the product or service as a result of promotional efforts in launching the product. Consumers read or hear about it, gain minimal knowledge, and may be motivated to try it. If they like it, they will stimulate others to try the product through word of mouth.

As with all products, the launch of executive coaching involved a high degree of educating the public and prospective clients about the nature and benefits of the product. Executive coaching enjoyed a thirty-year introduction stage, from the late 1950's through the late 1980's. The introduction of executive coaching can be traced back as early as 1958 with seminal articles about coaching as a management function including, "On the Job Coaching" by Myles L. Mace and W.R. Mahler in *Developing Executive Skills* (American Management Association)⁵ and Mace's *The Growth and Development of Executives* published in 1959 by Harvard Business School⁶.

In spite of these early articles, executive coaching did not begin to gain public attention until the 1970's, particularly with Ferdinand Fournies' book *Coaching for Improved Work Performance*.⁷ Attention increased in the 1980's with noteworthy articles in 1983 and 1984 in which coaching was hailed as a management tool for improving effective work performance and building effective teams.⁸ In the early to mid-80's several coach training programs were born. The Hudson Institute trained coaches starting in 1986, the Success Unlimited Network program started in London in 1981 and was launched in the US in 1987. New Ventures West began its coaching programs in 1988 as did the Newfield Network (at that time called Newfield Associates). Then, in 1989, Roger Evered and James Selman published an influential article called "Coaching and the Art of Management" in the AMA publication *Organizational Dynamics*.⁹ All of these influences fostered the growth of executive coaching.

GROWTH STAGE

⁵M. Mace and W.R Mahler. "On the Job Coaching" In *Developing Executive Skills*. American Management Association; 1958.

⁶ *The Growth and Development of Executives* . Cambridge. MA; Harvard Business School, 1959.

⁷ *Coaching for Improved Work Performance* . F. Fournies & Assoc., Inc.; 1978

⁸ Allenbaugh, G.E., "Coaching – A Management Tool for More Effective Work Performance" *Management Review*, May 1983 and G.K. Himes, "Coaching: Turning a Group into an Effective Team" *Supervision*, January. 1984.

⁹ Evered and Selman, op cit.

In the growth stage, consumer awareness grows, and increasing numbers of consumers try the product. Satisfied consumers become committed to the product and tell others about their experience, thus building the market for the product. As more consumers successfully try the product they create a “buzz” in the marketplace encouraging more mainstream consumers to try the product and become committed to using the product. (Obviously, there is a negative impact and damage to the market if consumers do not have a positive experience when they try the product.) At this stage new entrants providing the product come into the market, and the product begins a rapid and dynamic growth. This stage is characterized by market expansion, substantial profits, increased competition and the subsequent need for product differentiation.

Executive coaching entered the growth phase in the early 1990s. Both The Coaches Training Institute (CTI) and CoachU were founded in 1992 and began to promote the concept of coaching. The profession experienced a marked increase in the number of coaches entering the field as coach training schools became established and grew. The Personal and Professional Coaches Association (PPCA) was formed in 1994, and the Professional Coaches and Mentors Association (PCMA) began in 1996. In the same year that PCMA was established, PPCA was transformed into the International Coach Federation (ICF).

The field of executive coaching was introduced in mainstream business publications in 1993 with the article “The Executive’s New Coach” in *Fortune* magazine¹⁰. In a 1996 *Newsweek* article,¹¹ Thomas Leonard, considered to be one of the fathers of coaching, estimated there to be 1000 coaches nationwide. By 2002, the Wall Street Journal estimated the number to exceed 25,000 worldwide¹². One indication that executive coaching was becoming mainstream was that major universities began offering executive coaching degree programs. Coach programs began in 1998 at George Mason University and in 1999 at George Washington University. George Washington University was the first to offer graduate credit for coaching courses. The growth stage for executive coaching has only covered about ten years. Certainly, the economic downturn exacerbated by the effects of 9/11 contributed to slowing the expansion of the market and truncated the growth of executive coaching.

MATURITY STAGE

In the market maturity stage, the *rate of growth* of the product or service declines. Market share stabilizes and there begins to be a consolidation of the products in the market. Price competition becomes more aggressive, and profits decline as the rate of growth slows. With so many products in the market, the market becomes saturated, leading to price competition, and product quality begins to decline. Consumers begin to demand more for less, and put downward pressure on prices. Profits decline because competition requires increased expenditures on promotion as well as price-cutting to attract new clients. In order to forestall the decline and demise of mature products, it is critical to redefine the product, re-launch or innovate the product—essentially restarting its life cycle.

By the early 2000’s, the rate of growth of executive coaching began to slow, hastened by the declining economy. We have seen a decline in attendance at coaching conferences. The number of new coaches entering training has also declined. For example, in 2001, the ICF conference attracted about 1500 coaches. In 2002, only 850 coaches attended the ICF conference and fewer potential new executive coaches entered coach training at CoachU and other major training programs.

As executive coaching enters the maturity stage, coaching is increasingly becoming a commodity, with price being a key differentiating factor. Clients are becoming increasingly price conscious and the increased availability of executive coaches has allowed clients to put a downward pressure on prices. Large users of coaching services are negotiating fixed rates for coaches in their programs (e.g., World Bank, Fannie Mae, Freddie Mac). In addition, large providers of executive coaches are offering clients the services of a wide range of coaches at a set rate. In 2002 we began to see coaching companies such as Coaching.com offer coaches to clients based on one price for any coach. We also began to see large

¹⁰ Fortune. (vol. 128, no. 16, Dec. 27 1993, p.126

¹¹ Newsweek. Feb. 5, 1996, p.48

¹² Wall Street Journal , CCXL(90) Nov.5, 2002.

organizations, such as 3Com, World Bank, IMF, and various U.S. Government agencies, dictate a below-market ceiling for coaching fees, while also requiring a high standard of experience and skill for coaches wishing to provide services to their executives. These trends increasingly treat executive coaching as a commodity that increases price competition. Thus, our professional community will need to be vigilant about the quality of services that are being offered under the banner of executive coaching.

Executive coaches are responding to the commoditization of coaching by differentiating their services. Many are defining more specific niches by client type (e.g., lawyers, entrepreneurs), by client size (e.g., small business, Fortune 100), by service emphasis (e.g., emotional intelligence, spiritual coaching, leadership development, group coaching, presentation skills coaching, etc.), by client industry, and by geographical regions. Others are seeking to bundle services and/or move into a more products-focused sales approach by selling workshops, books, and videos as a way to open new doors for selling executive coaching services.

The challenge for our profession is to respond to this maturing of our market in a way that will forestall entry into the next and final stage of product decline. It is critical at this point for us faced with a maturing product to consider how to refine or re-launch the service—adding additional value to make executive coaching responsive to changing client needs, thus restarting the life cycle and holding off the decline stage.

SALES DECLINE STAGE

In the decline stage, the final stage of the market life cycle, new products are introduced into the market and challenge the declining product. Price competition is more vigorous, but those products that have been successfully differentiated will still make profits. Old products will still retain a few loyal customers and some conservative consumers; who may not accept new ideas as easily as others—preferring the old product rather than discovering the new.

For executive coaching, this means that if we fail to intervene as our service matures, we are headed for an inevitable decline in sales, where coaches may still retain some loyal customers, yet the number of new clients will decline. As the market shrinks, coaches will increasingly find it difficult to sustain themselves with the decreased level of activity and many may be forced to leave the profession. Ultimately, a new product or service could replace executive coaching.

FUTURE DESIGN AND RECOMMENDATIONS

Stewardship for the profession of executive coaching dictates that we pay attention to the product cycle and act accordingly. As stewards of the profession we must do everything we can to ensure that clients have a very positive experience of executive coaching. Clients should not only become committed, loyal users of our product, but become advocates and “raving fans.”¹³ thus further building the market. As our service matures, we need to determine how to respond as a professional community to keep our service relevant, strong, and agile. We offer the following recommendations to meet the current challenges of our profession. We hope that these recommendations will initiate an urgent dialogue and result in actions that will maintain and sustain the health of our profession.

¹³ Ken Blanchard

1. Provide leadership

In a maturing market it is essential to meet the increasing demands of clients. As a profession we must assure the quality of services, support innovation, document successes and impact, and communicate the results of these efforts in a unified voice. To accomplish these ends, the executive coaching community needs leadership. Our community currently lacks a common vision compelling us to act in alignment.

Executive Coaching Summits starting in 1998 have provided a forum for the advancement of the profession of coaching in its earlier stages. These summits will increasingly need to strategically address executive coaching as a mature product. We applaud the birth of this journal as an essential step offering a wider forum for this dialogue.

We, as executive coaches and as an executive coaching community, can't be everything to everyone. As a community, we need to differentiate executive coaching from other types of coaching so that our clients understand that not all coaching meets the standards of executive coaching. This focus is required by the market maturity phase to differentiate our service from the myriad of other coaching disciplines that exist in the market.

Executive coaching needs dedicated leadership, distinct from the leadership provided by ICF, PCMA and other organizations that serve a broader coaching community. Executive coaching as a profession needs a common purpose and standards around which we can align and move forward. Is the urgency of an inevitable market decline a compelling enough focus to unite our profession? Who will lead us to take the necessary actions to forestall such a decline?

2. Create specific credentials for executive coaches

As a profession, we need to take the necessary steps to ensure the quality of executive coaching services. It is critical that consumers uniformly have a successful experience of these services so that their word-of-mouth will support the continued expansion of the market, even if the rate of growth is reduced.

Many new schools of coaching are emerging and the existing ones are striving to differentiate themselves. Some coaching programs promote the idea that anyone with a coaching credential can effectively coach senior executives—whether or not they have experience in the business world or a background of working with executives. Unfortunately, the lack of standards specific to executive coaching means that some executives' experience with coaching may not be positive and, thus, may harm the image of our profession. To ensure a consistently high level of service to our executive clients, there is a need for a credentialing process specifically for executive coaches. Credentialing can help ensure that when executives hire an “executive coach” they can be assured of skills and experience either working in business or working with senior executives, and a thorough understanding of business and the boardroom.

The International Coach Federation credentials of MCC (Master Certified Coach) and PCC (Professional Certified Coach) make no distinction between personal and business coaching. The credentials for personal/life coaching should differ from those granted for executive coaching. Not all coaching is about personal transformation, although executive coaching often incorporates personal transformation elements. The difference is that any coach working with executives and leaders must understand how to navigate the business environment, and operate in a boardroom to attain and sustain critical credibility with the client. Coaches lacking critical business skills who seek to work with executives can do a disservice to the executive coaching profession.

We propose that executive coach credentials be comparable with the existing ICF coaching credentials and credentialing processes. Professional Executive Coach (PEC) and Master Executive Coach (MEC) designations would correspond to the existing Professional Certified Coach (PCC) and Master Certified Coach (MCC). However, the executive coaching credentials would require specific experience in business as an executive, or working as a coach or consultant with executive clients. Likewise, an executive wishing to become an executive coach must demonstrate defined levels of coach-specific training to qualify for an executive coaching credential. We recommend a grandfathering of current executive coaches with substantial executive coaching experience and a proven track record as a contributor to the field—as was done previously with the ICF credentials.

3. Demonstrate a return on investment (ROI) and business impact.

There is an increasing need to document the specific and quantifiable benefits of our service as we enter the market maturity stage. Manchester, Inc. contributed to this process in a study published in January 2001.¹⁴ Their study revealed that executive coaching services provide a return on investment of six times the cost of the services. A study published in an online newsletter of the ASTD (American Society for Training and Development) cites an ROI of 529% for executive coaching. A November 2002 article¹⁵ favorably highlights recent studies indicating high ROIs for executive coaching. Much more research needs to be done, and on a global scale. We must be able to speak definitively about bottom line benefits for worldwide organizations as well as individual executive clients. For example, do organizations that provide executive coaching to their executives experience higher retention rates for those executives and possibly for their staff as a whole (the premise being that the whole staff would benefit from increased effectiveness of the executive team)? Do executives who have received coaching have a higher job satisfaction and increased management effectiveness ratings?

4. Develop partnerships with mental health professionals and other collateral professionals.

Though executive coaching is focused on helping clients navigate the demands of being an executive, our clients are whole human beings who have a range of needs outside our expertise (financial planning, estate planning, medical, psychological) that require us to refer our clients to other professionals. Because we are working with the whole human being it is imperative that executive coaches stay vigilant about the line where coaching ends and the expertise of other disciplines is required. In order to best serve clients, we, as executive coaches, need to have a ready referral network of highly skilled experts in a variety of disciplines with whom we work over time in order to assure the highest level of service to our clients. The availability of these networks might be an element of the credentialing process for executive coaches.

In the June, 2002 *Harvard Business Review* article “The Very Real Dangers of Executive Coaching”, Steven Berglas¹⁶ raised concerns about the overlap of coaching with therapy. We, as a profession, need to have standard procedures for referrals to mental health professionals who are qualified to handle issues that we as coaches are not. We must develop clear lines of distinction between coaching and therapy, especially since increasing numbers of therapists are entering the coaching pool. Licensed therapists who become coaches will have to carefully distinguish for themselves and their clients when

¹⁴ Manchester, Inc. (www.manchesterus.com). Jan. 2001

¹⁵ Talk, Voss and Wise. www.heidrick.com/publications/pdfs/TalkVossWise-execcoach.pdf

¹⁶ Berglas Steven, “The Very Real Dangers of Executive Coaching”, Cambridge, MA. *Harvard Business Review*. June, 2002

they are practicing coaching and when they are providing therapy in order to avoid ethical violations and potential lawsuits. We must maintain ethical integrity so that executive coaches without mental health licenses are not harming clients with issues better served by therapy than coaching.

We believe that it is important for executive coaches to develop partnerships and strategic alliances with licensed clinical psychologists or psychiatrists to ensure that clients needing therapeutic treatment have access to the appropriate course of action. Such partnerships will allow us to have clear paths for referring our clients for evaluation and treatment when suspected and warranted.

5. Internationalize executive coaching.

We recommend that as a profession we actively support the internationalization of coaching. The very fact that coaching is growing internationally will reflect back positively into the US market -- providing vitality to our whole profession. This journal can be a forum for sharing strategies and evidence to build the executive coaching profession internationally.

We also recommend that our international colleagues learn from the product lifecycle of the US market for executive coaching. Growth and expansion of executive coaching in Europe and Australia will likely follow a similar product/market life cycle as the United States—though executive coaching in these countries might experience quicker passage through the preliminary introduction stage as a result of the experiences in the US. Our European and Australian colleagues will be able to leverage and expand upon the market created in the US by more readily showing the benefits of executive coaching. Thus, our international colleagues can benefit from this analysis at earlier stages of their respective market life cycles. They can apply the market lifecycle analysis earlier given the unique dynamics of their specific market.

CONCLUSION

The role of this professional journal, IJCO, can be pivotal throughout the market maturity stage. We can use it as a forum to share best practices and evaluative studies to improve executive coaching services so that they continue to meet the changing needs of executives and the market place. It can provide a forum for the discussion of the leadership issues of our profession. It can disseminate the results of research on the impact of executive coaching and ROI for clients. It can facilitate the dialogue and development of executive coaching credentials either in alignment with the existing coaching credentials of MCC/PCC, or as a separate process.

Through this journal we can encourage and support the international growth of our product. We offer our recommendations in this article to initiate discussion about strategic actions for our profession as it progresses through the mature stage of its lifecycle. We believe these actions will increase demand for executive coaching services and ensure a dynamic future for our profession. We challenge each of you to take action that will forward at least one of these recommended actions—or another of your own design. We invite you to take this action before the end of the year in order to maintain the vitality of our profession.

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