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The *Journal of Practical Consulting (JPC)* is a technical-refereed publication designed to provide an online forum for dialogue, dissemination, exploration, and examination of innovative insights, practical applications, and emerging trends, tools, and techniques in the world of consulting. The multidisciplinary nature of JPC empowers consulting practitioners, leaders, educators, and other professionals to network across disciplines and gain a well-rounded perspective that promotes success in the consulting environments of today and of the future.

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## From the Editor

Diane M. Wiater, Ph.D.  
*Regent University*

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Welcome to Volume 4, Issue 1, of the *Journal of Practical Consulting*. I'm excited to present the first articles in the revitalized journal. This issue presents two refereed articles, the first is directed to organizations exploring the question of how businesses and organizations can define and attain value and ROI from leadership coaching. The second presents an argument and recommendations for the consultant's role in private equity firms and their management.

The special section features articles from the recent Leadership Roundtable focused on Coaching. Those accepted as presenters were invited to prepare articles for this Issue of the JPC. These articles cover ground from the description of coaching and why coaching, to its application through the use of organizational cultural assessment tools. Please note: a few presenters are not participating.

I suppose you are asking yourself something like “coaching, I thought this journal was about consulting?” Yes, articles about coaching in the *Journal of Practical Consulting*. There is an emergent partnership rising between those who consult and advise with those who coach others to optimize their performance. There is evidence that both are needed for organizational success. I hope you find these articles stimulating and practical.

## Article Abstracts

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### *Leadership Coaching: Does It Really Provide Value?*

Kay M. Bower, DSL, PMP

In my role as an internal consultant for organization development, I explored leadership coaching. After studying the benefits and analyzing our organization's challenges, I became convinced that leadership coaching would provide significant development potential for our leaders. However, initial conversations with my boss did not yield authorization to proceed with coaching. It was these discussions that prompted the process and findings presented in this article. For any consultant, internal or external, working to demonstrate the value of leadership coaching, I offer my experience as a guide for demonstrating the value of coaching in leadership development.

### *Leadership and Organizational Theory Dynamics Between Middle Market Private Equity Firms and the Portfolio Companies They Control*

John A. Lanier

Private equity firms manage funds on behalf of limited partner investors. Private equity funds invest directly into middle market businesses. Satisfactory investment results affect private equity firms' ability to raise successive funds. Successive funds dictate business continuity for private equity firms. Several variables impact expected investment results, variables too numerous for the scope of this essay. This article will explore leadership and organizational variables between private equity firms and the portfolio companies that they control. The relevance to consultants is averting miscues that threaten private equity firms' investment theses for their portfolio companies, as well as the relationships across diverse stakeholders.

### *The Leader Coach: A Model of Multi-Style Leadership*

Shanta Harper

Organization decision makers are now choosing to add value to their companies by enhancing the quality of their leaders with the adoption of leadership coaching as a strategy for human capital development and organizational enhancement. Theoretical examinations of successful leadership practices that have influenced the world have revealed leadership style as an indicator of organizational success as it relates to follower influence. The most influential approach will include the use of multiple leadership styles. This article identifies leadership coaching for executives as the ultimate model for the usage of multiple

leadership styles. Charismatic, Laissez-faire, transformational, transactional, and servant leadership are the leadership style characteristics identified in an examination of several articles and other publications that define or describe the process of leadership coaching. The author defines each leadership theory and how it is associated with the function of the leadership coaching progress.

*Introducing Strategic Thinking into a Non-profit Organization to Develop Alternative Income Streams*

William Clark, MLD

Non-profit organizations are sobering to the reality that traditional streams of incomes, like grants and government contracts, are drying up due to the tenuous American economy and the over-crowding of other non-profits in similar niche markets. These factors influence non-profit leader, as they determine to discontinue or maintain vital social programs. Non-profit organizations do not have to experience the stress of fighting for a scintilla of awarded funds if they develop businesses that can earn them income. For many years, non-profits have been balancing the regulations of a 501c3 label while earning income through creative business structures and agreements. Organizations that do it correctly find financial success and sustain their organizations independent of grants. Non-profits that are seeking to establish businesses need to ensure that everyone in their organization and on their board of directors are strategic thinkers so they can provide maximum value. Strategic thinkers contribute to the development of creative sustainable ideas that give the organization a competitive advantage. A competitive advantage, in these economic times, is what the doctor ordered for non-profits to sustain their programs.

*Constructing a Coaching Model to Promote Well-being Based on Attributes of Spiritual Leadership: Keeping Leaders Healthy*

Danny G. Nobles, Ph.D.

The academy can be obsessed with long titles. This paper borrows from the title given to five years of doctoral research. But for the sake of memory, let's just call it "Keeping Leaders Healthy." This essay briefly touches six aspects of the topic. The first three points offer common understanding to clarify what is being discussed in this area that called "leadership" and by this discipline that we call "coaching."

Armed with some common understanding of those concepts, I will venture into how 5 years of academic research shaped the unique model that I labeled as *Christian Leader Coaching*. The final 3 points will describe that model and consider elementary evidence of the value of employing the coaching tools of *Christian Leader Coaching*.

*Using the Organizational Cultural Assessment (OCAI) as a Tool for New Team Development*

Jeff Suderman

The Organizational Cultural Assessment Instrument (OCAI) is a psychometric tool developed by Cameron and Quinn (2006). Its purpose is to help organizations identify their current and preferred culture. Through the use of a simple survey, participants identify their perceptions of both existing culture and their desired future culture. Organizations can then utilize these results to assess both the current cultural state and also to identify gaps between current and desired futures.

This article evaluates the use of this psychometric tool as a tool for team development for a new leader. The tool was used with a brand new organizational leader at both the start of his new job and the end of his first year. Results from the OCAI were gathered and shared with the leader and his team after both assessments in order to provide the new leader with a tool for leadership development. Based upon the results and the experience of participants, the usefulness of the OCAI as a tool for new leaders was then assessed. Its usefulness will be viewed from several perspectives: the leader, the consultant and the coach.



## Leadership Coaching: Does It *Really* Provide Value?

Kay M. Bower, DSL, PMP  
Regent University

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In my role as an internal consultant for organization development, I explored leadership coaching. After studying the benefits and analyzing our organization's challenges, I became convinced that leadership coaching would provide significant development potential for our leaders. However, initial conversations with my boss did not yield authorization to proceed with coaching. It was these discussions that prompted the process and findings presented in this article. For any consultant, internal or external, working to demonstrate the value of leadership coaching, I offer my experience as a guide for demonstrating the value of coaching in leadership development.

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### The Situation

**L**eaving my boss's office, I shook my head as I walked back to my cubicle. Why was it so hard to convince him of the value of leadership coaching? I had shared the references of several excellent firms; we had reviewed their methodology, seen their many client testimonials, and discussed the needs our own leaders had for development. We agreed our organization needed to find a way to help our top talent achieve their highest potential. Still, he was not convinced our firm would obtain true business value from leadership coaching.

I get that the budget is tight—we're in IT. When isn't that the case? I even get that, for my boss, the sort of "touchy-feely" potential for one-on-one leadership coaching makes him uncomfortable. But I had brought him several testimonials of real leaders who had found real value in the coaching they had received. Even after all those deliberations and all the work I had completed to demonstrate coaching's value, he wasn't convinced. Instead, he had thrown down a challenge: provide a "prescription" for how to realize business value from leadership coaching and define how to calculate a coaching return-on-investment (ROI) to quantify the benefits.

Providing this proof, he said, would be enough to convince him to allocate funds for leadership coaching.

### **Defining the Challenge**

Proof? The man wants proof! How could I prove that something as personal, individualized, and client-driven as leadership coaching delivers value? If the experiences of others were too anecdotal, too qualitative, then I would have to find empirical evidence that using coaching for leadership development would do more than just make someone a better person and a better leader. I would have to prove leadership coaching brings tangible, measurable value to the bottom line of the organization. What I needed was to present a clear picture of what coaching is and what it can accomplish, and to accompany that with measurable, business value aligned results.

Okay, I thought, I can work with that conceptualization of my boss's challenge. First, I sought to find a clear definition of leadership coaching. Turning to the International Coach Federation, I found this definition: "Coaching is partnering with clients in a thought-provoking and creative process that inspires them to maximize their personal and professional potential" (International Coach Federation, 2010, p. 92). This provided a good start, but I needed a broader description that would help my boss see that the organization's goals are also part of the agenda in leadership coaching.

I found what I was looking for in the Harvard Business Review. In a research report, authors Coutu and Kaufman (2009) reported survey results from 140 leadership coaches identifying the following three focus areas as top agenda items for leadership coaching: (a) develop high potentials or facilitate transition; (b) act as a sounding board; and (c) address derailing behavior (p. 92).

Better, I thought. This information helped to more closely align the engagement of coaches for leadership development with the types of results businesses seek; developing high potentials, facilitating transitions, acting as a sounding board, and working to address derailing behavior are all outcomes a business would value. But was there a way to tie those actions to actual business value?

### **Meeting the Challenge**

To answer this question, I turned to academic research. While there is nowhere near as much research in the field of coaching as in many other fields of academic study, some research is beginning to emerge on the topic of demonstrating the value of leadership coaching.

A study by Spence and Grant (2007) provided several useful insights into the link between goal definition and goal achievement: "An extensive body of research clearly indicates that well-being is positively impacted when individuals attain goals that accurately reflect their core values and developing interest" (p. 187). Further, the authors found that when clients participated in a coaching relationship with a professional coach, not only were they more likely to attain their goals than individuals who were not being coached, they also experienced higher levels of self-reflection and insight accompanied by lower levels of depression, stress, and anxiety. What boss would not want greater levels of achievement from less stressed, more insightful employees?

These findings helped to build the arguments I would need to convince my boss that leadership coaching would bring value to our organization.

Another article described a coach who had developed interventions to help the organization focus on harvesting learning and increasing return on investment from coaching services. These interventions melded strategic planning, internal and external coaching, and a focus on spending in key areas “where [leadership coaching] can make an organizational difference” (Hawkins, 2008, p. 31). While the author did not provide an ROI calculation for determining the value of leadership coaching, he did provide a real-time example of the value of leadership coaching in which the coaching of newly promoted individuals accelerated effectiveness in their new positions to the benefit of the leaders, their team members, and their organization.

After much additional research, I found an article by Dembkowski and Eldridge (2003) that provided an actual algorithm for calculating the ROI results from coaching as well as a list of the critical success factors for demonstrating coaching ROI. The authors outlined a process of identifying the indicators of impact resulting from coaching. They then described how an organization would create a table of benefit calculations for each impact indicator, evaluating the estimated monetary value of the improvement, the percentage of the improvement due to coaching, and the percentage of confidence in this estimate. Each item could then be calculated as a monetary value using the following equation:

Monetary value = Estimated annual monetary value of performance improvement x  
Estimated percentage improvement due to coaching x percentage confidence in this  
estimate. (Dembkowski & Eldridge, p. 2)

All items are added to produce an overall sum. The organization can then determine the full set of costs for the coaching (i.e., fees charged, materials, travel expenses, administrative costs, and opportunity cost of time spent coaching). Finally, the ROI of coaching is calculated as  $ROI = ((Benefits - Costs) / Cost) \times 100$  (Dembkowski & Eldridge, 2003).

Armed with this formula, I began to wonder: is ROI really the only measure of value for leadership coaching? This question led me to an article by Carter (2009), who provided these key components as drivers for obtaining business benefit from leadership coaching:

- *Establish Business Objectives*: Establish clear business objectives for the leadership coaching before engaging in the coaching process. While a coach may have a well-established, best practice approach for obtaining results, without connecting that approach to business objectives, the results obtained may be more personal than professional and could fail to deliver business value.
- *Tie Communication about Coaching to Objectives*: Tie the message about leadership coaching to the business objectives defined. If the objectives are focused on driving excellent performance, it is essential to ensure the communication and messaging of the coaching program delivers that message.
- *Build a Three-Way Partnership*: Ensure responsibility for the coaching is shared in a three-way partnership between client, coach and the organization. Engaging the client’s direct manager in the definition of goals and outcomes for leadership coaching brings

much stronger alignment to business and organizational objectives. Further, engagement and support from the direct manager throughout the coaching engagement allows the client to achieve greater levels of satisfaction with the leadership coaching while being more likely to hit the business objectives defined at the outset. (Carter, 2009, p. 44-47)

When firms take the above approach to leadership coaching, results can be significant. One Fortune 500 company performed a formal assessment of the tangible and intangible benefits of leadership coaching performed for members of middle management. Their results showed measurable annualized financial benefits in productivity, employee satisfaction, customer satisfaction, work quality, and work output (Anderson, 2001). In fact, this firm calculated an astonishing 529% ROI as a result of the leadership coaching—and that value did not include the benefits from employee retention.

### **Delivering on the Challenge**

From all my research and reading, two things were clear. It was possible to calculate the value, using an ROI measure, of leadership coaching. But the real “trick” to getting value from leadership coaching wasn’t in having a great formula, choosing a great coach, or using a best practice coaching methodology—even though each of these is a key component.

For an organization to achieve business value from leadership coaching, it must add to the key components the effort required to (a) establish business objectives for which coaching would be purposed; (b) tie coaching to objectives and communicate effectively about the purpose and objectives for coaching; and (c) establish and maintain a three-way partnership between client, coach, and direct manager.

Combined with all the other information and evidence my boss and I had already reviewed, I now had the “proof” he had demanded. Better yet, now I was truly convinced that not only was leadership coaching beneficial, it would bring value to our leaders *and* to our organization.

### **Conclusion**

Armed with the information I had gathered, the keys to achieving business value, and a formula for calculating ROI results from leadership coaching, I sat down with my boss once more. This time, I emerged with his authorization to move ahead in developing and implementing a coaching engagement for leadership development. The best part was that I now knew exactly how to demonstrate the business value the engagement would deliver.

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### **About the Author**

Kay Bower is an IT professional with 27 years of experience in all aspects of Information Technology, including organization development, consulting, resource management, change, management application development, network administration, project management, quality management, legal & regulatory compliance, internal controls, and process management. She is completing a doctoral degree in Strategic Leadership and Entrepreneurship at Regent University and holds an M.S. IS from Penn State University. Inquiries regarding this article can be directed to Kay M. Bower, MS IS, PMP, at [kaybowe@regent.edu](mailto:kaybowe@regent.edu).

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## Leadership and Organizational Theory Dynamics Between Middle Market Private Equity Firms and the Portfolio Companies They Control

John A. Lanier  
*Regent University*

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Private equity firms manage funds on behalf of limited partner investors. Private equity funds invest directly into middle market businesses. Satisfactory investment results affect private equity firms' ability to raise successive funds. Successive funds dictate business continuity for private equity firms. Several variables impact expected investment results, variables too numerous for the scope of this essay. This article will explore leadership and organizational variables between private equity firms and the portfolio companies that they control. The relevance to consultants is averting miscues that threaten private equity firms' investment theses for their portfolio companies, as well as the relationships across diverse stakeholders.

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According to Doug Lowenstein, President of the Private Equity Growth Council, private equity firms have invested \$1 trillion in their portfolio companies in the past decade (PEGCC, 2010). The Private Equity Growth Council reports that one out of every 20 private sector jobs is supplied by companies whose capital base includes private equity investment (PEGCC, 2010).

Arundale (2003), the World Economic Forum (2009), and Kaiser and Westarp (2010) provide valuable foundational insights to private equity industry norms. Private equity firms function as a general partner to manage investment funds that, in many respects, resemble mutual funds. However, incentives differ from a mutual fund in that the general partner managing the fund on behalf of the limited partner investors enjoys performance incentives—a strong endorsement of agency theory. The general partner typically receives a portion of the upside for investment performance, but only after the return exceeds a certain threshold. As a governance mechanism, funds typically have a *claw back* provision to stem potentially risky general partner behavior, i.e., profits from successful investments may be *clawed back* to cover losses of unsuccessful investments.

Larger, publicly-traded private equity firms tend to pursue relatively bigger investments. For example, in 2009, Blackstone Group invested \$2.3 billion in SeaWorld Parks & Entertainment (The Blackstone Group, n. d.). However, comparatively few private equity firms are publicly traded. Most are closely-held firms. Some are self-funded. The exact number of private equity firms is unknown; however, the Private Equity Growth Capital Council reports 1824 U.S. firms (PEGCC, 2012). These private equity firms tend to describe themselves in terms of their generic *middle market* target market: lower middle market, middle market, and upper middle market. Middle market descriptors are potentially confusing because there is no trade association glossary of terms and definitions denoting precise boundaries for the segments.

Private equity firms relate their market focus in terms of verticals. A vertical is clearly understood as a type of business that roughly corresponds to a standard industrial classification code, or SIC code. For example, Chicago-based Linden, LLC, focuses on healthcare and life sciences (Linden, 2012). Private equity firms also describe the size of company in which they prefer to invest in terms of sales volume or EBITDA (earnings before interest, taxes, depreciation, and amortization). For example, Boston-based Riverside Partners, LLC, (2012) describes their investment “strike zone” as companies with \$10-100 million in sales (para. 2).

While sales volume may communicate a clear message to potential portfolio companies, Gilligan and Wright (2008) explain that the true focus for investment professionals is EBITDA as a measure of cash flow. Cash flow is a key variable in determining the amount of debt the company can support in the capital structure. Accordingly, the private equity firm would much prefer a smaller sales volume with a strong EBITDA margin than a large sales volume with a modest EBITDA margin.

Insights attributable to Gilligan and Wright (2008) suggest that private equity firm organizational structure is more easily defined in legal terms than managerial terms. Firms typically post their investment professional bios on their websites. Two characteristics loom omnipresent. First, their academic credentials reflect the best business schools in America, e.g., Harvard. Second, the academic credentials may appear inversely proportionate to leadership or management positions outside of private equity in the portfolio company verticals in which the funds invest— notwithstanding board memberships in those companies.

Entrepreneurial leaders of portfolio companies in which the middle market private equity firms invest also have interesting pedigrees. Leibenstein (1968) offers an apt definition for these leaders: An entrepreneur (a) “connects different markets” (p. 75), e.g., buyers and sellers across geographical regions; (b) corrects “market deficiencies” (p. 75) by supplying, for instance, private information for which there is no market; (c) creates, and is responsible for, “time-binding” (p. 75) implicit or explicit contractual arrangements and input-transforming organizational structures, e.g., building an organizational culture of trust; and/or d) completes inputs, i.e., marshals resources needed to produce and market a product (p. 74-75).

Stock in a middle market company may represent the bulk of the founder’s estate. One of entrepreneur’s motivations for recapitalizing the company in a private equity transaction is that he or she may be motivated to monetize at least a portion of his or her equity (Goldberg, 2008).

At this point, the leadership and organizational challenge is clear. Private equity investment professionals with comparatively limited line management experience gain controlling interest in

portfolio companies whose management may be unschooled in skills necessary to execute the investment thesis. Such managerial unfamiliarity includes, but is not limited to, outside control, leverage, and aggressive growth expectations. The growth expectations may include acquisition(s) and consequent integration(s).

Block (2000) imparts that consultants have “influence over an individual, a group, or an organization” (p. 2). In private equity, all three constituencies are influenced simultaneously. Private equity firms engage numerous types of consultants relative to three stages of the investment. Due diligence consultants assist private equity firms in establishing the enterprise value of the targeted investment. For example, accounting firms establish the quality of earnings against GAAP (generally accepted accounting principles). Similarly, marketing firms frame the strength of the vendor-customer relationship. Due diligence consultants directly and indirectly affect the investment thesis.

Consultants engaged during the *hold period* of the private equity investment tend to be focused on investment thesis execution and realization. Two venues prevail: growth and efficiency. Growth addresses the *Build or buy?* question. Consequently, some consultants cater to organic growth challenges, whereas others focus on acquisitive opportunities. Efficiency consultants focus on robust scalability, e.g., Lean manufacturing. A typical framing question for efficiency consultants is: *If the company tripled tomorrow morning, what bottlenecks occur?*

The third type of consultant assists in the sale of the company at the end of the hold period. Indeed, investment bankers fit Block’s (2000) general definition for consultants. Selling consultants help substantiate the success of the investment thesis and its further value to potential purchasers. In addition to the subject matter expertise these consultants bring to the table, they must be keenly aware of the leadership dynamics within and between private equity firms and their portfolio companies. Moreover, these consultants may steer a transaction toward a particular purchaser based on a *fit* at least partially attributable to leadership compatibility.

Although less frequently than portfolio company engagements, private equity firms engage consultants for the direct benefit of the firm. Perhaps the most prominent example is fund raising. In this example, the consultant helps communicate the firm’s *story* for distinct types of limited partner investors for the fund. Again, leadership style is a relevant issue.

### Investment Thesis

An *investment thesis* encapsulates the private equity firm’s objective for the portfolio company investment. Barber and Goold (2007) specify the firm’s goal of realizing the investment thesis within six years of the transaction consummation (p. 54). Investment thesis and *strategy* are functionally interchangeable terms. Hold period consultants should be particularly cognizant of their engagement relative to the investment thesis. To wit, their deliverables must be synergistic to the objective.

Private equity firm financial stewardship of fund investments is affected by several dynamics, some of which the firm controls and others over which the private equity firm may exert influence. Investment professional leadership requires Covey’s (2004) right brain, or creative hemisphere (p. 130 & 147).

Montgomery (2008) states that, “as private equity firms proliferate and supply chains open up around the world, nothing is more important for complex corporate entities than a clear sense of purpose, a clear sense of why they matter” (p. 57). Montgomery continues that “the most viable statements of purpose are easy to grasp and true to a company’s distinctiveness” (p. 58). Montgomery offers a litany of present state versus future state leadership suggestions: (a) the CEO should be the chief strategic officer and press beyond protracted competitive advantage; (b) the strategic plan should be dynamic instead of static, continually and fluidly reacting to changing conditions; and (c) the CEO should constantly press new types of competitive edge instead of guarding the status quo. The catch for portfolio companies is that, whereas the founder-CEO may have done this historically with great latitude and discretion, he or she must now execute these functions in collaboration with private equity firm investment professionals who may see things differently—or at a bare minimum challenge the CEO’s assumptions and analysis.

Treacy and Wiersema (1995) conclude that all companies must be competitive in three categories: product/service, customer relations, and operations. However, companies must limit their differentiable focus on one of the three to the exclusion of the other two. Treacy and Wiersema describe this differentiation in terms of product/service leadership and innovation, customer intimacy, and operational excellence. Their study of more than 80 companies concluded that any business attempting to differentiate in more than one category failed to produce the desired results. The practical conclusion is that there comes a point at which the decision is either/or—not both/and. By implication, effective agency requires the private equity firm and the portfolio company leadership team to agree on differentiable focus.

### **Capital Structure and Stakeholder Returns**

One of the reasons for the metric focus in private equity is that the capital structure is leveraged, e.g., debt-heavy. Hence, these transactions are often regarded as leveraged buyouts. According to Gilligan and Wright (2008), the portfolio company capital structure is deferential to two axioms. First, the tax code favors debt because interest is tax deductible. Second, the less equity the fund contributes to the capital structure, the easier it is to realize equity internal rate of return targets.

Dandridge (1979) indicates that middle market companies are less tolerant of inefficiency than big companies (p. 57). Given the need for strong cash flow to support a leveraged capital structure, adherence to good leadership theory helps private equity firms and their portfolio companies reconcile their objectives to effectively execute the investment thesis.

### **Leadership Theory Overview**

Northouse (2006) forewarns that no single leadership style applies to all scenarios. Consultants should evaluate leadership theory issues between the private equity deal team and its portfolio company. While it may be obvious that leadership variation exists across portfolio companies, it may be less obvious that each deal team within a private equity firm may possess leadership style variation—even when professionals may be common to multiple deal teams across the firm. Consultants should further consider similar engagement team variation within its own firm. The take-away is that assumptions are treacherous and may result in unintended consequences that threaten repeat business with a private equity client, as well as its reference for pursuing peer

private equity firms. Consequently, a review of leadership theories germane to middle market private equity is advisable.

Schruijer and Vansina (2002) offer insights on leaders and leadership useful to the discussion of leadership theory overview:

The term leader refers to an individual person enacting a particular role as “leader” or from a particular role exerting leadership behavior. The term “leadership” refers to a function, which can but is not necessarily fulfilled by a person. Leadership can be shared and exerted by a group for example, or, may be part of an organization’s culture. The same distinction can be made with respect to the terms “follower” and “followership.” (p. 869-870)

Paglis and Green (2002) provide a useful definition of leadership that complements the leadership theory overview:

[Leadership is] the process of diagnosing where the work group is now, and where it needs to be in the future, and formulating a strategy for getting there. Leadership also involves implementing change through developing a base of influence with followers, motivating them to commit to and work hard in pursuit of change goals, and working with them to overcome obstacles to change. (p. 217)

Hoy (2010) supplements leadership theory overview with a concise definition of theory: “[Theory is] a set of interrelated concepts, definitions, assumptions, and generalizations that systematically describes and explains regularities in behaviors” (p.10).

An understanding of founding entrepreneurs would be beneficial. However, Amit, Glosten, and Muller (1993) contend that “there is no consensus among researchers as to the exact meaning of entrepreneurship and the role of entrepreneurs” (p. 816). Amit, et al. continue that “entrepreneurs can be categorized into those who are profit-seeking, either working individually or in a corporate setting, and those who are not profit-seeking, working in charitable, government and other not-for-profit organizations...” (p. 816). The focus here is on profit-seeking.

Amit, et al. (1993) state that researchers remain perplexed by the differences between entrepreneurs and managers. Perhaps the explanation is that entrepreneurs create chaos, whereas managers create bureaucracy to tame the chaos. Amit, et al. rationalize that entrepreneurs spark the ideas that result in larger entities—perhaps publicly traded ones. If entrepreneurial traits comprised a tuned four cylinder engine, Brockhaus and Horwitz (1985) would name the cylinders: (a) desire to achieve, (b) preference for control, (c) ability to manage risk, and (d) the capacity to tolerate ambiguity.

Self-efficacy appears to align with entrepreneurial traits. Gist (1987) defines self-efficacy as “one’s belief in one’s capability to perform a task” (p. 472). Paglis and Green (2002) add that leadership self-efficacy “is a person’s judgment that he or she can successfully exert leadership by setting a direction for the work group, building relationships with followers to gain their commitment to change goals, and working with them to overcome obstacles to change” (p. 217). Schruijer and Vansina (2002) describe leadership self-efficacy as “a personal characteristic pertaining to an individual’s judgment that s/he can successfully exert leadership” (p. 869-870).

Pearlmutter (1998) posits that successful change agents perceive themselves as possessing high self-efficacy. Pearlmutter continues that, “because of their self-beliefs and efficacy expectations, they (change agents) will recognize the possibilities for introducing change, see their roles in accomplishing those tasks, and be willing to undertake the difficult and complex tasks inherent in the process” (p. 37).

Hendricks and Payne (2007) speak in terms of “the big five” leadership traits: (a) agreeableness, (b) conscientiousness, (c) emotional stability, (d) extraversion, and (e) openness to experience. Hendricks and Payne make a case that the biggest beneficiaries of leadership training are likely those with strong extraversion, conscientiousness, openness to experience, learning goal orientation, motivation to lead, and self-efficacy—and weak tendencies for “performance prove” goal orientation, and “performance avoid” goal orientation (p. 339).

Collins (2001) captures four traits for effective leadership: (a) humility, (b) will, (c) ferocious resolve, and (d) giving credit to others while taking blame. Becker as quoted by Coutu (2002) argues in more succinct terms: “More than education, more than experience, more than training, a person's level of resilience will determine who succeeds and who fails” (p. 47).

### **Agency Theory**

Private equity is a poster child for agency theory. Meuleman, Amess, Wright, and Scholes (2009) draw from Fox and Marcus (1992) and Jensen (1993) to define agency theory as “the predominant theoretical lens used to study buyouts, with emphasis on controlling and incentivizing managers’ behavior to improve performance” (p. 213). However, agency applies to both the firm and the portfolio company. Agency compels the firm to be an activist investor in the portfolio companies of the fund. But what constitutes agency for investment professionals overseeing portfolio company performance? Rogers, Holland, and Haas (2002) frame four accountabilities: (a) create an investment thesis, (b) identify critical performance indicators, (c) optimize the capital structure, and (d) assure superior returns for the limited partners in the fund.

Meuleman, et al. (2009) communicate that traditional agency perspectives suggest that the principal role for private equity firms in buyouts is monitoring (p. 214). Clark (2009) adds that private equity firms are inherently short-term focused (p. 2040). Moreover, Clark continues that private equity investor rationale is to enhance cash flow and reduce costs to both improve profitability and draw attention from potential acquirers. This necessitates good management metrics. In addition to the typical post facto measures, e.g., EBITDA, firms seek leading indicators of performance, e.g., order backlog. The metrics point aligns with Covey’s (2004) comments about managing from the left side of the brain, which is associated with logic and analytics (p. 130, 147).

Good, timely metrics enable leaders to fluidly adjust to conditions. Haspeslagh, Noda, and Boulos (2001) promote value-based management that relies on incentives tied to the correct measures (p. 65). Of course, this is compliant with agency theory. Haspeslagh et al. warn, however, that success also relies on preparing the business culture for this approach (p. 67). Haspeslagh, et al. advise that five bases be covered: (a) cultural commitment to create shareholder value, (b) training to support change(s), (c) incentive alignment with controllable metrics to instill responsibility, (d) organizational architecture that defers to objectives, and (e) scope that is sufficiently broad and inclusive (p. 65).

### Skills Leadership Theory

Northouse (2006) summarized skill theory composition in three categories: (a) technical skills, (b) interpersonal skills, and (c) conceptual skills (p. 40-43). Baum & Locke (2004) indicate that “entrepreneurs’ traits, skill, and motivation categories are significant direct or indirect predictors of venture growth for a period of six years following initial measurement” (p. 595).

Kim and Mauborgne (2003) frame “tipping point leadership” as being comprised of four skills. Two of the four skills are described as “rapid strategy reorientation.” Kim and Mauborgne discuss a cognitive hurdle that requires leaders to improve communications to engage stakeholders in problem solving. The other orientation point regards a resource hurdle. This compels leaders to allocate limited resources to address priorities. Kim and Mauborgne’s remaining two skills are described as “rapid strategy execution.” These are change management functions. One is a motivational hurdle to point the culture in the right direction. The other is a political hurdle to weed out antagonists.

Goleman (2004) discusses skills in relative terms. Whereas technical skills and IQ are prerequisites to effective leadership, Goleman confirms a more significant correlation with emotional intelligence, or EQ. Goleman continues that EQ has five components—three are self-management skills and two are interpersonal skills. The self-management skills Goleman itemizes are (a) self-awareness, (b) self-regulation, and (c) motivation. The interpersonal skills are (a) empathy and (b) sociability. Kirkpatrick and Locke (1991) itemize distinguishable, differentiable attributes: (a) industry expertise, (b) intelligence, (c) self-assurance, (d) character, and (e) motivation.

With respect to private equity, skills theory may be summarized in terms requisite execution competencies. *Knowing how* creates value. Gilligan and Wright (2008) explain that consummating a transaction is highly technical.

Investment professionals routinely complement their skills with supplemental subject matter experts, e.g., due diligence vendors. The ability to work with multiple stakeholders substantiates interpersonal skills. Creating an investment thesis draws upon conceptual skills.

Portfolio company leaders have technical expertise in their market segment. Interpersonal skills are important with vendors and customers. Conceptual skills are substantiated by the enterprise value created to attract the private equity firm.

Skills theory most assuredly applies to consultancy. Indeed, the engagement is precipitated by the skill possessed by the consultant that the private equity firm and its portfolio company require to solve a problem.

### Style Leadership Theory

Style is a form and substance theory. Northouse (2006) explains style theory in terms of task and people terms. Argyris (1973, p. 57) sheds light on leadership style. First, Argyris states that leaders set ambitious goals for themselves. Additionally, leaders’ task orientation is pronounced. Moreover, leaders desire constant feedback. Finally, leaders may be jealous of their turf.

Goffee and Jones (2000, p. 64) share inspirational leadership discoveries. First, leaders demonstrate humility and approachability by revealing their uniqueness and weaknesses to their team. Next, the timing of leaders' actions is intuitive. Lastly, leaders are genuinely empathetic to the welfare of their charges.

Robert R. Blake and Anne Adam McCauley (1991) modified a *Managerial Grid*<sup>®</sup> originally constructed by Blake and Jane S. Mouton (1964) that explores the people-task interaction. A byproduct of their work is a matrix that reveals seven profiles: (a) impoverished management that is deficient in both people and task realms; (b) authority-compliance management that emphasizes task over interpersonal relationships; (c) middle-of-the-road management that moderately emphasizes both people and task issues; (d) country club management that emphasizes interpersonal over task points; (e) team management that strongly emphasizes both people and task aspects; (f) paternalism/materialism management that vacillates between country club and authority-compliance styles; and (g) opportunistic management whose results trump methodology. Blake and Mouton conducted additional research that supports the conclusion that a leader has a primary style and a fallback style.

Professionals within the private equity firm and portfolio company may run the gamut of *Management Grid*<sup>®</sup> profiles, as well as mirror each other. For example, the authority-compliance profile may be preferred when the portfolio company is not performing adequately against the investment thesis. In diametric opposition to this scenario, the country club style may be the norm when the portfolio company is performing beyond expectations. A third practicality is team management when an acquisition opportunity is the scenario.

Consultants are routinely selected based on style. This may be particularly true when the stakes are high and the execution environment is tenuous. Relationship development between the private equity firm and the consulting firm should emphasize the consulting firm's ability match resources in deference to stylistic requirements.

### **Situational Leadership Theory**

Blanchard, Zigarmi, and Zigarmi (1985) describe four basic situational styles: (a) delegating, (b) supporting, (c) coaching, and (d) directing. The leader's choice among the four is rooted in his or her determination of suitability for the scenario. Delegating requires the least leadership investment. Northouse (2006) explains that, to accomplish delegation, the employee has demonstrated sufficient acumen to warrant nominal supervision from the leader.

A supporting style may be the reward for a subordinate who successfully navigated the coaching encounter. Northouse (2006) explains situational coaching in similar terms to Bell's (2002) definition of mentoring. This leadership approach includes inputs and feedback. As explained by Northouse, the leader uses "supportive behaviors that bring out the employees' skills around the task to be accomplished" (p. 93).

Northouse (2006) describes a directing leader as one who provides instructional detail to subordinates who are expected to execute precisely against these instructions. By way of example, a senior member of the private equity deal team may instruct a junior member to conduct due diligence tasks against a tight script. Similarly, the CEO in a portfolio company may specifically direct a subordinate in a disaster recovery scenario.

Despite acknowledgement of the merits of empowered employees, Argyris (1973) warns that CEOs may lack the ability or willingness to choose the right situational style. Argyris offers observations in substantiation of the point (p. 53). CEOs tend to be competitive and dominant. CEOs tend to foster competition within the team instead of cooperation.

Barnes (1981) offers additional insights for evaluating situational theory (p. 108). First, Barnes warns against the temptation of would-be black-and-white options. Second, Barnes cautions against the assumption that empiricism always trumps opinion. Finally, Barnes advises not to conclude that all situations include hazards.

Situational leadership may be potentially fertile ground for consultants. For example, coaching is akin to “teaching a person to fish.” This may be part of the investment thesis strategy, i.e., prove to a potential purchaser that a critical skill has been developed within the company. Even though that may indeed be a longer term objective than is typically scoped in an individual consulting engagement, coaching imparts knowledge such that the portfolio company may be able to resolve the next issue with less—or no—reliance on external resources. Such accomplishment may actually endear the consulting firm to the private equity firm.

### **Contingency Leadership Theory**

Contingency theory is a viable option within private equity. As the moniker implies, the leadership style is influenced by environmental conditions. Northouse (2006) explains that contingency theory operates on a continuum whose endpoints are task and people issues. For example, a “situations” private equity firm investing in distressed businesses may be expected to focus more on task, whereas a normal majority interest in a performing company may opt for an interpersonally-skewed approach.

Several considerations impact the efficacy of the task-people continuum. Schrujijer and Vansina (2002) offer comments on the “soft” skills. They state that leadership development rests upon “increasing one’s emotional intelligence, one’s self-confidence, learning to win support, and overcoming resistance to change” (p. 871). Schrujijer and Vansina continue that “the concepts of leadership and management are theoretical constructs that are hard to distinguish in practice” (p. 872). The tenor of Schrujijer and Vansina’s comments suggest that leadership may be more associated with people whereas management may be more attuned to task.

Baum and Locke (2004) opine that leadership traits are less reliable performance indicators than comprehension of the growth vision by the team (p. 595-596). Their studies substantiate superior performance when this is clear to the constituents. They also discovered that this rings more true in smaller rather than larger companies. This clarity induces predisposition on the task-people balance.

The people-task continuum is another flexible opportunity for consultants. Indeed, it may be a simple means of communicating competencies to the private equity firm. For example, leadership development consultancy might involve the implementation of a performance management system. Task consultancy might entail the implementation of a new operating system.

## Organizational Theory

Whereas leadership theory is important, it must be practiced within a compatible organizational design. Middle market organizational design is a ripe area of potential consulting contribution. Argyris (1973) noted that “the problems of leadership style are being seen in terms of the total management system” (p. 61). Ford and Slocum (1977) identify four organizational structure dimensions affected by size, technology, and environment: (a) complexity, (b) formalization, (c) centralization, and (d) administration.

Covey (2004) offers useful leadership perspective: “Leadership is not management... Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall” (p. 47). If Covey’s wall is the leadership challenge, then organizational design reconciles to the ladder.

Kotter (1982) further clarifies Covey’s (2004) ladder. Kotter equates management to three core functions: (a) planning, (b) staffing and organizing, and (c) directing and controlling. Parker, Bindl, and Strauss (2010) state that “if an individual believes he or she can implement an improved work method and has a strong reason to do so, he or she is likely to pursue proactive goals to improve organizational functioning” (p. 848).

Minkes and Foxall (1980) assert “that [companies] are, in reality, complex social organizations. [This] means that decisions are made through a network of processes and procedures, formal and informal, and this influences the character as well as the effectiveness of those decisions” (p. 297). Minkes and Foxall encourage leaders to “investigate how the multiplicity of decisions made by individuals within the firm as an organization yields what everyday language chooses to describe as the policy, strategy, decisions of the organization as a whole” (297).

Brickley, Smith and Zimmerman (2007) write that organizational architecture is comprised of three key attributes. The first regards spans of control, or assigned responsibilities. The second entails rewards. This includes compensation and incentives. The third concerns the performance management system that measures at the micro and macro levels, i.e., individual and functional units (p. 5). Smith (1945) describes the elements of administration in similar terms; however, he rationalizes that an effective administration is determined by how well a leader dynamically reacts within this framework.

One of the challenges for both private equity firms and their portfolio companies is the degree of bureaucracy required to avoid anarchy and chaos. Both camps tend to eschew all that the word *bureaucracy* connotes. However, a certain amount of bureaucracy is a *necessary evil* to maintain governance amid growth. Smith and Miner (1983) document high correlation between growth and adaptation of a proper level of bureaucratic structure. This may be one of the distinctions in investment style between a venture firm and a private equity firm. The private equity firm’s risk is mitigated by pursuing investment in portfolio companies whose leadership has shown at least some receptiveness to scalable structure as opposed to autocratic control of the business model.

Daft (2006) defines an organization as a deliberately structured, goal-directed social entity whose activities articulate with the external environment (p. 10). Daft’s definition makes an organization an “open system” (p. 14). Organizational theory has to encompass Daft’s structure and contextual dimensions. Structural dimensions include codification, specialization of

function, chain of command, centralization, job qualifications, and departmentalization (p. 17-20). Contextual dimensions include headcount, technology, externalities, goals, strategy, and culture (p. 20). Daft continues that organizations must execute in effective and efficient means. Effectiveness is a measure of customer satisfaction. Efficiency is another term for productivity.

Organizational theory must reconcile hierarchy with *boundarylessness*, and vertical with flat, and economies of scope with scale. Additional considerations are function, division, geographic, matrix, and virtual configuration (Daft, 2006, pp. 102-110, 117). Despite the configuration, Seiler (1963) explains that success is understood in terms of quality, quantity, and timeliness. Organizational cognizance of these criteria may regard as productive the dynamic tension that which others would deem conflict. Covey (2004) conveys that the ability of parties to understand each other's positions and motivations may be foundational to the trust that underwrites synergistic outcomes.

Seiler (1963) reminds managers that people have limited capacity and instinctively prioritize demands on their time. The manager's anticipatory reaction to this reality is to assure alignment of the individual with the macro objective. Managers must invest effort to assure that the formal and informal communication systems are supplied with facts. Even so, managers will have to resolve misunderstandings. Roethlisberger (1953) itemizes five possible catalysts of misunderstanding: (a) difference of opinion, (b) conflict between personalities, (c) social role contrast, (d) struggles for power; and (e) breakdown in communication" (p. 57).

McGregor's (1960) Theory X assumes that people prefer to be treated as irresponsible because they dislike work. Therefore, employees must be strongly supervised. McGregor's Theory Y reflects an opposite orientation. Here, responsible employees seek empowerment to solve problems. Chen and Klimoski (2003) make points that vindicate Theory Y. New hires perform better when challenged early in a supporting environment and acknowledged for modeling desired behaviors (p. 603). Bandura (1997) accentuates the point for knowledge workers.

Frederick Herzberg's hygienic and motivating factors, as documented by Nelson and Quick (2006), also offer clues to leadership motivation. Herzberg explains that hygienic factors could only be demotivators by their absence. These characteristics are policy, relationship with a supervisor, work conditions, salary, perquisites, status, security, relationship with subordinates, and personal life. Herzberg's motivators include achievement, recognition, nature of the work, responsibility, and advancement. Again, one may question how a leader's values influence the degree that Herzberg's motivators influence leadership style.

Beer and Nohria (2000, p. 134-137) compare and contrast economic (Theory E) and organizational (Theory O) dynamics. Theory E goals focus on enterprise value while Theory O goals focus on organizational capabilities. Theory E leadership is top down while Theory O is bottom up. Theory E focuses on systems and structure, but Theory O focuses on culture. Theory E embraces regimented process; Theory O pursues experimentation. Theory E motivates with financial incentives, much like agency theory, while Theory O appeals to individual commitment. Consultants provide turnkey solutions to Theory E firms. Consultants teach Theory O firms how to author their own solutions. Beer and Nohria write that the Achilles heel of Theory O is that these leaders struggle with people choices (p. 138).

## Summary

Goffee and Jones (2000) itemize four leadership myths: (a) everyone can lead, (b) leaders always deliver results, (c) leaders always wind up in charge, and (d) leaders make great coaches (p. 67). Reddin (1970) warns that there is no evidence supporting a single best leadership style. Reddin continues that such pontification is indicative of *normative error*, or one's belief over fact. Reddin's assertions align with the value creation potential for middle market private equity consulting.

The caveat to both private equity and portfolio companies is that the *right approach* may be as unique as a set of fingerprints. Moreover, the one-to-many ratio of a private equity firm and its portfolio companies may mean that each leadership and organizational configuration may, of necessity, be customized. Whereas this may be logical for the portfolio company, this places a special burden on the private equity firm. However, the fiduciary responsibility of firm professionals leaves them no choice but to be proficient leadership chameleons.

Good fund performance, i.e., the performance of the portfolio companies, lays the foundation for the next fund. Therefore, private equity firm success rests upon choosing the best leadership and organizational theory approaches in complement to their agency of the funds they manage.

Private equity tends to be tightlipped about intimate transaction details—especially painful experiences. However, anecdotal evidence within the industry overwhelming includes leadership issues among the root causes of problems. In reaction, firm leaders are increasingly focused on the Collins (2001) point about the right people in the seats on the bus. One of the unresolved challenges in private equity is how to refine leadership due diligence without scaring away the investment target. This is a potential opportunity for consultants.

Private equity is a highly networked industry. Good vendors tend to enjoy buzz. Kotler and Keller (2006) opine to the value of word of mouth advertising. Of course, the flip side is that poor vendors also *enjoy* buzz. Samson (2002) reminds us of the “restaurant principle” whereby dissatisfied clients are more likely to vent their frustrations within their networks than sing the praises of their delight. Social media only enhances the dissemination process. Indeed, Angie's List is a business model built around this concept. This is an interesting de facto governance mechanism. Consultants serving private equity who eschew the *one size fits all* leadership approach in favor of a more Socratic, analytical, and chameleon leadership analysis will fare better. Accordingly, these consultants are more valuable not only to their private equity clients, but also their broader constituency.

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## The Leader Coach: A Model of Multi-Style Leadership

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Organization decision makers are now choosing to add value to their companies by enhancing the quality of their leaders with the adoption of leadership coaching as a strategy for human capital development and organizational enhancement. Theoretical examinations of successful leadership practices that have influenced the world have revealed leadership style as an indicator of organizational success as it relates to follower influence. The most influential approach will include the use of multiple leadership styles. This article identifies leadership coaching for executives as the ultimate model for the usage of multiple leadership styles. Charismatic, Laissez-faire, transformational, transactional, and servant leadership are the leadership style characteristics identified in an examination of several articles and other publications that define or describe the process of leadership coaching. The author defines each leadership theory and how it is associated with the function of the leadership coaching progress.

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### Leader Coaching: A Model for Multi-Style Leadership

Unsurpassed quality and service delivery are no longer the only assets that distinguish a company from its competition. Companies become historically recognized by the influential reach or climatic demise of their leaders. As such, organization decision makers are now choosing to add value to their companies by enhancing the quality of their leaders with the adoption of executive coaching as a strategy for human capital development (Hawkins, 2008).

Leadership is by far the most influential component to organizational resilience, longevity, and brand recognition. Theoretical examinations of successful world-renowned leaders have revealed leadership style as an indicator of organizational success (Adeyemi-Bello, 2001) as it relates to follower influence. Leadership has been conceptualized through a multitude of theories that identify its characteristics and behaviors (Northouse, 2006). The most influential approach will include the use of multiple leadership styles. The leader coach is the most effective model of the multi-styled leader, as he or she exercises a myriad of theoretically proven techniques by the practice and craft of his or her profession.

The leader coach is defined by the author as an individual consultant, hired by a client organization to work with one or more individuals, who have supervisory authority over a group

of subordinates, to transform and enhance the individual(s) leadership skills and professional behavior as it relates to the perpetual career of the individual and the stake he or she holds within the organization, for the successful implementation of the organization's mission.

### **Why Organizations Choose Coaching**

Organization stakeholders have found that the emerging practice of leadership coaching can increase the success of executives while enhancing the quality of the workforce and organizational culture overall (Gladis, 2007, pp. 58-61). Leadership coaching is “a lucrative opportunity for organizations to provide support for leaders and leverage their interests for the profit of all” stakeholders (Gladis, 2007, p.61) at all levels of the organization, including consumers. Leadership coaching is a method of facilitating affirmative change that impacts an organizational leader's “performance, development of particular skills, or a broader sense of personal growth” (Stober, 2008).

This a form of personal training that creates value by providing leaders with a “developmental process for focusing on growing the emotional and relational aspects of their leadership capacity, by addressing specific relationship challenges and how the leader might handle them differently” (Hawkins, 2008, p. 30) . Leadership coaching allows an executive to grow professionally and developmentally in the power of influence and performance (O'Shaughnessey, 2001). Coaching “increases goal attainment, enhances resilience and increases workplace well being.” Companies choose coaching as a worthy “tool in helping individuals deal with the uncertainty and challenges inherent in organizational change” (Grant, Curtayne, & Burton, 2009).

Coaching utilizes a “systematic methodology of inquiry” (Gladis, 2007, p.10) that encourages a client-coach relationship that is marked with candor, trust, and admiration. The one-on-one nature of coaching allows the client to form a unique relationship with the coach that is characterized by a combination of cognitive and behavioral training encounters (Killburg, 1996).The coach records information and behaviors observed through the coaching process and formulates a plan of action “through a rigorous process of self-discovery and awareness, goal setting and accountability, action learning and execution, and evaluations and revision” (Gladis, 2007, p. 10) with the client. This article will highlight a process formulated by Steven Gladis, a leader coach and consultant in the executive coaching industry, and identify the various leadership styles captured within the coaching process.

### **Theories Associated with Leadership Coaching**

The following theories of leadership are identified by the author through the examination of leadership coaching models and practices. Each leadership style will be defined and followed by a section that describes how the style is implemented within the leader coaching profession (also identified as executive coaching).

#### **Charismatic Leadership**

Charismatic leadership is a process that leads value transformation. The leader emphasizes changing the needs, values, self-concepts, and goals of his or her team (Huang, Chen, & Chou, 2005). A charismatic leader will demonstrate behavior that exemplifies the tasks and values needed to fulfill the organization's vision (Huang et al., 2005, p. 36). This behavior is inspirational to team members, as the leader exhibits a strong sense of self-confidence,

assertiveness and passionate communication toward the achievement of the organization's purpose (Avolio & Bass, 2004). A major premise of charismatic leadership is a value based influence that encourages team members to strive harder for the achievement of organizational goals and objectives (Dvir, Eden, Avolio, & Shamir, 2002).

The charismatic leader is a visionary who inspires team members by self-sacrifice to strongly held core values that strengthen the team as a whole – this style of leadership is very motivating and performance-driven (Northouse, 2006). Team members can expect the charismatic leader to acknowledge their efforts as meaningful and link their successes as valuable to the organization's mission (Huang et al., 2005). Charisma can enhance person-organization values fit among team members by helping everyone to acknowledge and link their personal values to the values of the organization. The leader will emphasize goals and values on behalf of the follower that are meaningful to the organization and empower the follower to aim higher and take greater initiative. This leader exercises extraordinary personality traits that motivate his or her teammates to envision leaders as powerful stakeholders that contribute greatly to the success of their organization (Huang et al., 2005).

Charismatic leaders provide direct support for their followers and thoughtfully build team confidence (Huang et al., 2005). The promotion of team innovation, when paired with a sense of team identity, creates an atmosphere which allows subordinates to feel comfortable enough to express their ideas and participate in decision making (Paulsen, Maldonado, Callan, & Ayoko, 2009).

### *The Charismatic Leader Coach*

The leader coach is responsible for modeling the professional and behavioral characteristics the client is seeking to develop (Riddle & Ting, 2006). He or she is the ultimate team leader and makes instilling a motivational work ethic a number one priority (Mannie, 2005). This involves expressing energy and passion for the mission of the organization similar to that of a sports coach (O'Shaughnessy, 2001). The leader coach influences client behavior by convincing client(s) that they are a stakeholder in the organization's mission and they may take ownership of the organization's mission by working with a purpose (Mannie, 2005) that is unique and personal to their own interests and values.

The most influential and valuable characteristics of a charismatic leader coach are his or her ability to form a strong connection with the client, professionalism, and the use of a value-based and clearly-communicated methodology (Wasylyshyn, 2003). An example of this leadership style is exhibited by the coach's use of conversational-style dialogue during client meetings to identify instances where the client is using leadership and personal development tools adapted during one-on-one training sessions—serving the client with immediate feedback and identifying instant value added (Stober, 2008). “Coaching is about organizational and individual change and transformation, it offers the ability to grow and alter maladaptive behaviors to generate new, adaptive and successful actions” (Zeus & Skiffington, 2001).

### **Transactional Leadership**

Transactional leadership is driven by the ability of the leader to appeal to his or her follower's self-interest by the establishment of a relationship based on exchange (Avolio, 1999). The leader

focuses on goal achievement founded by the establishment of incentives that appeal to the inherent needs, preferences and values of the follower (Huang et al., 2005). The follower is awarded according to the leader's desired performance— if the follower fails to achieve the desired outcome, he or she is not rewarded and faces reprimanding responses from the leader that motivate and redirect the follower toward the required behavior (Hartog, Van Muijen, & Koopman, 1997). This cost benefits exchange process involves managing and directing the follower's required tasks with a prodding reward or reprimand (Burns, 1978).

Efforts by the follower are exchanged by stated and mutually agreeable rewards or consequences (Northouse, 2006). Examples may be as abstract as prestige or as concrete as increased wages or promotion (Northouse, 2006). The leader provides corrective criticism, negative feedback and negative reinforcement if applicable, as the transactional leader is result focused and “does not individualize the needs of followers nor is he or she attentive to personal development” (Northouse, 2006).

### *The Transactional Leader Coach*

The transactional leader coach is objective- and task-driven, typically due to a primarily short-term intervention contract that is aimed at performance improvement or developing a particular competence (Clutterbuck, 2006). Facilitation is the primary function of the coach under this condition, as he or she is consistently engaged in driving the desired actions and behavior required by the client (Downey, 2003). This method is systematic and time regulated by consistent coaching support that proactively strives to prevent setbacks and stalls in productivity (Baumeister, Gailliot, DeWall, & Oaten, 2006).

### **Laissez-Faire Leadership**

Laissez-faire leadership is a style that implies the “lack of leadership” or a “hands off” approach to influence (Northouse, 2006). The leader avoids active participation in the responsibility of setting goals, clarifying expectations, organizing priorities or becoming involved when leadership direction is needed (van Eeden, Cilliers, & van Deventer, 2008). The self- efficacy (a belief of a person as being capable of accomplishing a given task) (Bandura, 1997) of the follower is heavily relied upon—as the follower must believe in his self-governing ability, sans the direction of the leader.

The laissez-faire leader is extremely passive and inactive, resulting in the expectant self-empowerment of the follower (Hartog et al., 1997). Frequent absence and the lack of involvement of critical decision-making are utilized as a method of driving the follower to self-management (Eagly, Johannesen-Schmidt, & van Engen, 2003).

### *The Laissez-faire Leader Coach*

The leader coach is typically hired as an external consultant or trainer for the client or client organization. Because the client is responsible for driving the process or directing his or her own behavior, the coach will also utilize a laissez-faire style of leadership that respects the client as the primary process owner. Prior to the commencement of the coaching agreement, the client will decide which goals to work towards and the boundaries that regulate how involved the coach may be in the actual process (Riddle & Ting, 2006). The coach's “role is to influence the agenda, not set it” (Riddle & Ting, 2006, p.16).

The coach has the responsibility of suggesting options, but the ultimate decisions and actions taken are determined by the client and regulated by the client organization (Riddle & Ting, 2006). Coaching is a progressive method that drives changes which enhance the client's leadership and behavior, based on the client and/or the client organization's ideal future (Good, Yeganeh, & Yeganeh, 2010), communicated to the coach at the commencement of the coaching agreement.

### **Transformational Leadership**

Transformational leadership involves the establishment of the leader as a role model by gaining the trust and confidence of followers, based on their ability to inspire followers and nurture the follower's ability to contribute to the foundational success of the organization (Bass, 1997). The leader is considered visionary and he or she sets goals for the organization and develops plans to achieve them (Northouse, 2006). This includes mentoring and empowering the follower as a means of developing followers to their full potential, therefore allowing them to contribute more capably to the organization (Eagly et al., 2003). Followers are inspired to achieve more than baseline expectations, as the transformational leader defines the apparent need for change and drives the follower's passion for organizational success by creating enhanced visions and mobilizing commitment to this vision, resulting in a transformation of the organization (Hartog et al., 1997).

#### *The Transformational Leader Coach*

The coaching relationship is grounded in a contractual collaborative working alliance between the coach and the client, in which a set of mutually-defined goals and action steps are derived as a result of the agreement and specific action steps are formulated, leading to goal attainment (Kemp, 2008). Together, the coach and the client form reasonable objectives that are motivating, measureable, and directly related to the contractually obligated and desired results (Gladis, 2007, p. 61). The client-coach alliance is the formation of a partnership founded in the coach's fundamental desire to take ownership in the successful implementation of the client's transformation. The coach works with the client to aid in the achievement of the client's goals, problem-solving, and the behavioral and cognitive development required for achievement (Caplan, 2003). Transformation is accomplished by the actions taken by the client, under the direction and mentorship of the coach, who influences desired behavior by offering guidance and developmental assignments (Gladis, 2007, p. 61).

Transformational coaching primes personal development by the establishment of transparency and trust among the coach and client relationship. Coaches provide candid feedback not typically provided to the client by his or her superiors in regard to professional performance, career and/or organizational issues (Hall, Otazo, & Hollenbeck, 1999). One-on-one coaching is focused on the learning and the personal development of the client based on organizational and client needs. The coach strives to engage the client in developmental assignments that challenge the client, but also provides authentic support and encouragement throughout the process (Hawkins & Smith, 2006).

## **Servant Leadership**

Servant Leadership gives emphasis to the needs of the follower over the self-interests of the leader (Laub, 1999) and characterizes the leader's behavior as servant first (Greenleaf, 1977). The servant leader seeks to meet the needs of the follower through actions that empower the follower by the sharing of power and a practice of authenticity in leadership that favors the follower (Laub, 1999). Grounded in teamwork and egalitarianism, the servant leader involves followers in decision making, is one of strong ethical behavior, and sacrificially provides quality and careful direction to those under his or her direction (Spears, 1996). In turn, the follower and the total organization are the benefactors of the sacrificial behavior of the leader. Servant leadership is a primary style identified in biblical leadership and is best identified as exhibited by historical leaders like Jesus Christ and the Apostle Paul, who exhibited sacrificial commitment to followers for the sake of the Gospel. The teachings of Jesus and the letters written by Paul are observed and applied today, centuries later, as a result of the successful implementation of their commitment to servant first leadership (Winston, 2002).

### *The Servant Leader Coach*

The coaching experience is fundamentally about realizing and meeting the needs of the client (Riddle & Ting, 2007). The coach, as servant leader, works with his or her client to aid in the discovery of the foundational values of what truly motivates them. The coach analyzes this information to develop a framework that will help him or her work effectively with the client to achieve the desired results (Gladis, 2007, p. 61). The coach understands that the key to maximizing the performance of the client is to unlock and strengthen the client's potential (Whitmore, 1996).

Coaching serves as a training assignment to help develop the client for future success. The coach has achieved the desire of the client if the client is able to successfully proceed beyond the coaching agreement, continually benefiting himself or herself as well as the organization. Therefore, the coach's strategy is a process by which the follower engages in setting self-concordant and personally-valued goals that enhance the well-being and self-efficacy of the follower (Sheldon & Houser-Marko, 2001). The servant coach provides help and support for his or her client that is systemic and desirably perpetual throughout the duration of the client's career that is personalized, beneficial, and maximizes the client's potential (CIPD, 2007).

## **The Multi-Style Coaching Process**

The leader coach must engage in a systematic process to find success for the client individual and the organization (Gladis, 2007, p. 59). Steve Gladis Communications, an executive developmental firm, encourages a five-step coaching strategy that exhibits the underlined practice of a multi-styled approach to leader coaching. The process is provided below in Figure One, and includes the identification of the leadership styles involved in each step.

*Figure One. Leader Coaching Strategy and Associated Leadership Styles.*

<b>Process</b>	<b>Description</b>	<b>Associated Leader Style(s)</b>
Step One: <i>Pre-Coaching</i>	A formal meeting with the client where the individual(s) to be coached and organization's goals are identified. Interviewing of both the client of the coach takes place to determine the values, processes, and expectation of both parties.	Servant Leadership Transformational
Step Two: <i>Self-Discovery &amp; Awareness</i>	The coach works with the coachee(s) to discover what motivates them, their needs, how to achieve the desired results.	Servant Leadership Transformational
Step Three: <i>Goal Setting and Accountability</i>	The coach works with the client and the coachee(s) to determine specific goals and objectives for which each party will be accountable.	Transformational
Step Four: <i>Action Learning and Execution</i>	The coach teaches the coachee(s) new ways of approaching challenges through developmental assignments, feedback, and discussion.	Transformational Transactional Laissez-Faire
Step Five: <i>Evaluation and Revision</i>	The coachee continues to execute based on the coach's training, facilitation, and feedback. The coach, no longer fully engaged, evaluates the overall progress of the organization and the coachee(s). Based on the coach's feedback, the coachee(s) will redirect accordingly.	Transactional Laissez-Faire

*Source: Gladis, S. (2007). Executive coaching building steam in organizations. T&D. December, 58-6.*

Leader coaching is the process of unleashing the full potential of not only careers, but the full potential of an organization (O'Shaughnessy, 2001). It is about leveraging the potential of top leaders within the organization by guiding their values for the transformation of the organization as a whole. Leader coaches and their clients understand that the future of an organization is influenced by the readiness of coachable leaders who are passionate about the successful transformation of their organization. This transformation includes an ever-emerging global presence that introduces a gamut of diversity in both the workforce and consumers.

Coaches "work with a variety of clients from an assortment of industries and the many cultural differences that exist between them" (Donnison, 2008). Coaches who understand the sensitivity of cultural orientations, and the effect that culture has on client relationships, take the opportunity to examine the cultural norms that exist within the client organization (Gilbert & Rosinski, 2008). After careful consideration, the coach will engage in a process that is tailored to suit both the needs and cultural complexities of the client. A detailed and systemic coaching strategy that encompasses the inherent usages of multiple leadership styles and the consideration for globalization and cultural sensitivity will create the perfect formula for an effective leader coach, resulting in a satisfied client organization that is perpetually transformational.

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## Introducing Strategic Thinking into a Non-profit Organization to Develop Alternative Income Streams

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Non-profit organizations are sobering to the reality that traditional streams of incomes, like grants and government contracts, are drying up due to the tenuous American economy and the over-crowding of other non-profits in similar niche markets. These factors influence non-profit leader, as they determine to discontinue or maintain vital social programs. Non-profit organizations do not have to experience the stress of fighting for a scintilla of awarded funds if they develop businesses that can earn them income. For many years, non-profits have been balancing the regulations of a 501c3 label while earning income through creative business structures and agreements. Organizations that do it correctly find financial success and sustain their organizations independent of grants. Non-profits that are seeking to establish businesses need to ensure that everyone in their organization and on their board of directors are strategic thinkers so they can provide maximum value. Strategic thinkers contribute to the development of creative sustainable ideas that give the organization a competitive advantage. A competitive advantage, in these economic times, is what the doctor ordered for non-profits to sustain their programs.

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### Why Most Non-profits Struggle Financially

According to the Nonprofit Finance Fund (2009), non-profit organizations are struggling to maintain the level of service they have historically provided to their clients. Non-profits are forced to take a second look at the capacity of their operations to determine how many clients they can service. Below are statistics provided by the Nonprofit Finance Fund 2009 survey that tells the troubling financial story of many non-profit organizations.

- 12% expect to operate above break even
- 16% have enough funds to cover operating expenses for 2009 & 2010
- 31% do not have enough operating cash to cover one to three months of expenses
- 52% expect the recession to have long-term or permanent effects on their financial health
- 93% of life line essentials services organizations anticipate an increase in demand (with no increase in resources)

These statistics speak to the importance for non-profit organizations to re-evaluate their financial management practices to ensure their clients are receiving the services they need. Many non-profits are feeling pressure from their boards and constituents to follow the growing trend of acting like for-profit organizations by generating alternative income, becoming partners in business ventures, and directly managing profit-generating entities. Non-profits that do not embrace this trend will continue to struggle in maintaining their basic operational needs in an climate where philanthropic giving is declining (Ahmed, 2006).

Non-profits must evaluate their current financial planning practices to ensure a culture of efficiency and accountability governs the management of scarce resources (Tyler, 2006). Overcommitting resources beyond its capability is a recipe for disaster and reduces the likelihood of any organization achieving its goals. Overcommitting of resources is a result of organizations failing to complete a financial feasibility analysis of its strategic plan or forecasting financial plans in a silo (Calandro & Flynn, 2007). Non-profit organizations must corral strategic thinkers at all levels of the organization to capture the best ideas that will lead to the implementation of supplemental income to support its programming.

### **What Is Strategic Thinking?**

Strategic thinking is the process of collecting, interpreting, generating, and evaluating information and ideas to shape organizational sustainability and competitive advantages (Hughes & Beatty, 2005). Organizations use strategic thinking to ensure the longevity of their operation, while others use it to become or remain number one in their market. This same logic can be applied to non-profit organizations. Unlike for-profit organizations, non-profit organizations, for the most part, are dependent upon predetermined streams of income, like grants, to sustain their programs and services. Non-profit organizations compete with other non-profits for these limited funds, which can restrict their organizational life cycle and opportunity for growth. This competitive environment forces non-profits to work hard to become market leaders for the services and programs they provide. Few non-profit organizations have alternative streams of income to supplement or support long-term operations in the absence of grant funding. To accommodate for this loss, non-profit organizations must think strategically to develop alternative income streams to guarantee the longevity of their programs and to ensure their clients will continue to receive the services they need.

Successful strategic thinkers have a holistic view of their business and remain intelligently opportunistic about their ability to solve problems in the future (Liedtka, 1998). Strategic thinking results in a strong planning process that scrutinizes every idea and leads to the implementation of a sound strategy. The implementation of a sound strategy allows an organization to continuously monitor the performance and alignment of all business groups and subsidiaries (Micheli, Mura, & Agliati, 2011, cites Dossi & Patelli, 2008). Performance management allows leaders to make strategic business decisions that are in the interest of organizational sustainability. If a business group or subsidiary is not performing to the standards that are expected of them, a decision can be made to remove them, provide training or support, add additional resources, or replace the leadership team.

Strategic thinkers are in constant pursuit of innovative ideas that will create a sustainable future for their organization (Graetz, 2002). Non-profit leaders should replace outdated practices that are not relevant in today's economy and cause inefficiency and replace them with sustainable

practices. This will require them to be creative and utilize their professional and personal experiences to develop solutions that answer the question, ‘How can we sustain our business?’ (Graetz, 2002).

### **Why Strategic Thinking is Important**

Strategic thinking leads to decisions that have lasting effects (Harrison, 1995). Strategic thinking is vital to the sustainability of an organization and often contributes to the redevelopment or tweaking of an organization's mission statement, goals, objectives, and strategies (Nieboer, 2011). Tweaks and changes to this vital information potentially impact the way an organization is branded and perceived by customers and all stakeholders.

Good strategic thinking leads to sound strategic planning. Strategic planning has historical footing in military planning (Carter, 1999), and has been proven to enhance an organization's performance (Schraeder, 2002). Strategic planning provides strategies on how to implement the ideas that were produced from the strategic-thinking process. A strategy is a pattern of purposes and policies that define the approach an organization will take to accomplish a goal (Carter, 1999). The output of strategic planning is a strategic plan. A strategic plan is generally a long-term plan that details all of the tasks that need to be completed to achieve a set of goals. A strategic plan is continuously evaluated and controlled to ensure it remains relevant to achieving the goals of the organization (Kraus, Harms & Schwarz, 2006).

### **Why Non-profit Organizations Rarely Use Strategic Thinking and Strategic Planning**

Non-profit organizations are designed to meet the social needs of their constituents. Leaders of these organizations are challenged with meeting the needs of their constituency on an unsecured, shoestring budget. Satisfying the funding requirements of funders and walking the fine line of financial efficiency while achieving their mission (McMurray, Pirola-Merlo, Sarros, & Islam, 2010) creates an organizational environment that is concerned with implementing survival tactics, which is the antithesis of strategic planning.

Non-profit organizations are expected to solve their social mission with the resources that are made available to them; however, there are low expectations of them to develop a plan on how to manage those resources to fulfill their mission (Thach & Thompson, 2007). Downgraded expectations affect the performance of non-profits. Most non-profit cultures are influenced by the assumption that a non-profit is not a business and should not have strategic goals. In addition, these low expectations are supported by the idea that non-profits do not have a profit-generating interest and should not worry about planning the same way as a for-profit organization. Regardless of an organization's IRS label, strategic planning is relevant to all organizations because it captures a vision of the organization and is managed by the goals and objectives that influence day-to-day operations (Harrison, 1995, cites Goodstein, Pfeiffer, & Nolan, 1986). The absence of a plan leaves non-profit organizations handicapped and inflexible, unable to accommodate dynamic operational needs. The intense focus on social solutions is the engine that drives non-profit operations. Unfortunately, this lends itself to convenience planning and results in an uncoordinated effort towards strategic planning (Sharp & Brock, 2010).

The strategic planning process can lead to the tweaking or changing of the mission of the organization and obstruct the continuity of an organizational culture (Sharp & Brock, 2010).

Sharp and Block's research also discovered it is difficult for a non-profit's workers to deal with change and ultimately resist the strategic planning process. Although the goal for non-profits is to make social investments, the return on the investment is measured by how an organization executes their strategic plan (Kelly & Lewis, 2009). Many non-profit organizations prefer to engage in convenience planning than strategic planning to avoid changing their culture. They later learn the likelihood of being successful is diminished by not having a strategic plan (Kraus, Harms, & Schwarz, 2006).

Most non-profit organizations employ organizational structures that create communication roadblocks between management and staff. Communication builds a bridge between the strategy of an organization and its implementation. The research findings of Carrière, Bourque, and Bonaccio (2007) suggest failure to communicate results in low job satisfaction and minimum use of strategic plans (Žnidaršič, Penger & Dimovski, 2010). Effective communication links employee performance to the strategic plan. This holds staff accountable for their performance and contribution to the mission of the organization. Non-profit organizations are in need of as many resources they can acquire and avoid strategic planning to maintain employee and volunteer interest.

## **Implementing Strategic Thinking Within an Organization**

### **Business Coaching**

Business coaching is known to help clients set and achieve measurable performance goals, think through major decisions, solve problems, and assist clients with a host of additional challenges which can complicate an individual's ability to produce desired results (King & Eaton, 1999). Coaching differs from training because it provides anomalous attention to the professional needs of each client. The systemic approach to coaching highlights the value coaching places on engaging clients in the process of clearly identifying their challenges and developing action plans that outlines a path to success (Giglio, Diamante, & Urban, 1998). In addition, coaching is essential to developing a culture of self-leaders and strategic thinkers. Research suggests coaches are effective in working with clients throughout their employment life cycle, which can result in significant improvements in retention, engagement, productivity, and performance among clients, their direct reports, and surrogate coaches (Rock & Donde, 2008).

### **A Self-Leadership Culture**

The engine of a business is the worker that provides skills and services. Similarly, workers are the reasons why organizational cultures persist and why organizational cultures are also susceptible to change. Implementing a new culture, organizational structure, or strategic plan requires leaders to engage and empower their staff to take ownership of the process. The success of an organization is contingent on the psychological contract, which details shared expectations of job responsibilities between the follower and the leader (Lucas & Kline, 2008). The culture and success of an organization is closely linked to its management and the quality of leadership (Mohanty & Yadav, 1996). Non-profit organizations have to make an honest assessment of the management style and quality of leadership within their organization's structure and determine if the current leadership team is fit to lead the organization in this new direction.

Self-leaders value the behaviors they exhibit, how they reward themselves for their performance, and the constructive thoughts that sustain self-analysis (Houghton & Neck, 2002). Self-leaders hold themselves accountable for accomplishing goals related to the organizational strategy. To the self-leader, the goals of the organization are important and are kept in the forefront of a self-leaders mind. In particular, self-leaders are constructive thinkers and concerned about motivating themselves. Jeffery Houghton and Christopher Neck (2002) suggest in their research that constructive thinkers talk themselves through difficult challenges as a means to remaining inspired and motivated until a resolution is identified. As leaders and followers self-talk through their individual challenges, they remind themselves to remain aligned according to their predefined roles and responsibilities. A self-leadership culture sustains strategic thinking within an organization.

### **Strategic Thinkers at All Levels**

Non-profits are a threat to each other because of limited grant funding and large of number of applications. Non-profits need to develop their staff to become strategic thinkers within the context of their job responsibilities to shift from total grant dependency to self-sufficiency in order to remain competitive and sustainable (Alpander & Lee, 1995). Strategic thinking is the process of collecting, interpreting, generating, and evaluating information and ideas to shape an organization's sustainable competitive advantage (Hughes & Beatty, 2005). All employees can become strategic thinkers if they are taught how to apply it to their jobs. Below are recommendations on how to teach staffers to become strategic thinkers (Bonn, 2001).

- Match employees with assignments that make use of their expertise and abilities
- Give employees autonomy in how they approach their work
- Provide the necessary resources
- Establish supportive work-teams
- Provide performance recognition
- Create a climate where the whole organization supports creative efforts

Bonn (2001) provides additional thoughts on how to implement strategic thinking within an organization.

Show staff how to leverage their past experiences as evidence of their ability to think strategically. Life circumstances, such as turning around a failed business, job loss, or a demotion, are experiences that serve as the backdrop of the development of strategic thinkers. These diverse experiences provide alternative insights on how to solve current organizational problems. It also develops staff into strong pillars for establishing a strategic thinking culture within the organization. Their support and their experiences will encourage others to see the value of strategic thinking.

Develop a think tank for staff to provide ideas that focus on competitive sustainability. This group should meet regularly to discuss their ideas and collaborate on the ones that show the greatest promise. A commitment from senior leaders to review these ideas strengthens the

cohesion of the group. This type of support encourages further development of concepts that have the potential of generate pioneering new products, services, and businesses.

The think tank should have basic rules for establishing strategic thinking (Bonn, 2001). Some rules include the following:

Eliminate the “we do not have time” syndrome. People make time for what they deem important. They invest their time if they believe they will receive a return on their investment. Strong leadership makes time investments worth the while of team members because they show individual consideration for the skills and asset each team member provides to the efforts of the team.

Encourage team members to explore their ideas and tactics and bring them before the team for examination. Ideas that do not receive feedback tend to loose out on being refined and cannot be tested for organizational adoption. Feedback brings the best out of all team members, which ultimately benefits the organization.

Encourage team members to explore their ideas and tactics and bring them before the team for examination. Ideas that do not receive feedback tend to lose out on being refined and cannot be tested for organizational adoption. Feedback brings the best out of all team members, which ultimately benefits the organization.

Team members must be prepared to seriously listen to each other. Staff can be cynical towards others, thinking their own ideas are automatically better than others. People tend not to take advantage of the assessment of others and as a result, stunt their own growth. A team that listens to each other learns each other’s strengths and builds commodity around their collected strengths.

Treat team members as colleagues. Everyone that is a part of the strategic thinking team should be able to depend on their teammates to challenge their ideas and actively participate in their development as a strategic thinker.

Pass on recommendations to senior leaders for consideration. People become frustrated when they invest themselves in their work and receive no feedback from senior leaders. Strategic thinkers, above anything, need encouragement from those that make final decisions within the organization. If you, as a leader, take the time to put together a think tank of strategic thinkers, be sure the ideas from this group will have an audience with the decision makers of the organization.

### **Pursuing Profits as a Non-profit**

Non-profit organizations are confronted with depleting budgets. A continual decrease in available grants is forcing non-profits to fiercely compete for available funds. These tough times provide an opportunity for non-profits to re-evaluate their business practices, save money, increase efficiency, and increase cash flow. This also forces non-profits to discuss how they should generate income. Non-profits must now consider mixed revenue streams to support their operations. Organizations with accessible resources are likely to move forward with for-profit aspirations and reduce their financial and programmatic risks. Koljatic and Silvan (2010) cite Midttun (2008) as saying the corporate social responsibility (CSR) has become a component of

business strategy that can facilitate conflict management and strengthen business decisions. The social goals of a non-profit organization provide insight into the appropriate investments they should make to maintain the integrity of their mission.

William Foster and Jeffrey Bradach (2005) believe non-profit organizations are at a disadvantage when they decide generate income because of the following reasons:

- **Conflicting priorities** - Non-profit organizations are created to solve problems. Extending themselves outside of their social mission to manage a business is often outside of their area of expertise.
- **Lack of business perspective** - Non-profit organizations misjudge the costs of doing business and end up losing larger amounts of money than their for-profit counterparts.
- **Reliance on indirect customers** - Non-profits are used to serving a non-paying client base. Converting these clients to paying customers is highly unlikely; however, non-profit organizations become totally fixated on trying to convert these clients and misappropriate their resources toward the wrong client base.
- **Philanthropic capital and the escalation of commitment** - Like some for-profit businesses, some non-profits continue to invest their money in failing projects and do not know when to cut their losses. They increase their financial commitment to make the project work at the risk of losing more capital.

Non-profit organizations should be selective and strategic about how they can realistically create additional income streams. In his article, "Eight Basic Principles for Nonprofit Entrepreneurs," Jerr Boschee (2001) provide guidelines non-profit leaders should use to ensure they are pursuing the right business opportunities to sustain their non-profit organization:

Earned income is paramount because money from philanthropic organization limited. Depending on these resources as a sole source of income can severely cripple the independence of a non-profit organization.

Non-profit organizations struggle with being all things to all people. If an organization does not have the resources or qualifications to serve their current client base, get out of that business, even if that business is dear to your heart.

Revenue streams can come from various means. Instead of starting a new business from scratch, survey your current program offerings to your clients and determine if you are able to offer those services for a fee to a different client base. This consolidates the time spent on developing new income streams and utilizes current income streams.

As stated above, unrelated business activities can become a threat to your bottom line and your resources. In addition, if these businesses do not affirm your mission statement and help you achieve your social mission, it is not worth your time or effort.

Be patient and do not run out of money. Cash flow is so important to sustaining any type of business. Social entrepreneurs are known for underestimating the amount of money and time needed to make a business venture successful. A typical business does not realize significant

profits until its seventh year of existence. By the sixth year, the nature of the business would have changed from its original function.

Recognize the differences between innovators, entrepreneurs, and professional managers. Knowing the difference between these roles in an organization helps determine what job function people should operate in, to contribute maximum value on behalf of the organization. If people are not in the right position, they become liabilities to the organization and its business interests.

The non-profit culture gets in the way of making sound business decisions. The culture of most non-profit organizations prevents them from doing the following critical tasks to ensure its success.

- Taking the type of risk that will grow the business.
- Relinquishing control of everything to allow the organization to be agile and flexible.
- Becoming customer-focused.
- Price more aggressively - Nonprofits are generally happy with pricing their products at a price that will cover their cost while for-profit organizations builds a 50% gross profit margin in their products to have a 3% - 5% net profit margin at the end of the year. Pricing aggressively ensures a non-profit will experience longevity and sustainability.

### **Hybrid Organizations**

Hybrid non-profits are non-profit organizations that have a relationship with for-profit entities via a contract agreement or subsidiary arrangement. These agreements are established to sustain the operations of a non-profit (Bromberger, 2011). These arrangements have challenges and benefits. To determine if this structure is appropriate for your non-profit, below are some basic tips to consider as you are making your decision.

If a non-profit organization enters into an agreement with a for-profit organization or creates a for-profit entity, both organizations must have legally independent and different boards. The non-profit board may have controlling interest of the for-profit but the board of the for-profit must make independent decisions that will benefit the interest of the for-profit.

Various contract types can be used to document the relationship between the for-profit and the non-profit. This agreement can detail the exchange of funds and services between the two entities and reflect the business direction each entity is going in. These contracts must be negotiated at arm's length, meaning there needs to be an assessment of the benefits of the contract for both entities before the agreement is final.

The non-profit is to receive fair value and compensation for its ownership interest, the services it provides, and the products it sells while under contract with the for-profit entity. This goes back to the point that non-profits generally do not handle business well because they feel guilty about making a profit and managing a business. Like other persons or entities that own stock in a business, non-profits need to be compensated for the value of their holdings.

Payments made from the for-profit organization to the non-profit are not considered tax deductible and cannot be used as a means to leverage the status of the non-profit. All payments are considered taxable and must be treated as such.

All transactions should be fully documented, reviewed, and approved by both boards.

Pursuing this option may result in an increase in overhead costs and complex board structures, but all of these issues can be resolved.

Taxes must be paid on income generated by unrelated activity to the 501c3 label. File the 990 tax form according the schedule guidelines of the IRS.

Avoid conflicts of interests. As much as possible, separate the two boards.

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### About the Author

William Clark's career is committed to empowering and strengthening homeless and low-income families to become more conscious of their potential to be self-leaders and advising family service organizations to help them leverage their current resources to help families create and sustain self-leadership. Since 2008, he has served over 2400 homeless and disadvantaged families through family development workshops and advocacy for affordable housing. For over ten years, he has provided leadership development and coaching, strategic planning, and service design and delivery support to public and private organizations in the healthcare, public housing, and faith-based markets. He is a trainer, mentor, and coach to current and emerging leaders in various organizations.

William is the founder of the Family Leadership & Empowerment Institute (FLEI). FLEI appeals to individual desires to change and teaches life management skills to homeless families to sustain self-sufficiency. He is currently a Doctor of Strategic Leadership student at Regent University. He holds degrees in Leadership Development and Information Technology from Penn State University. He is a sought-after preacher, speaker, and lecturer. He resides in Philadelphia with his family. Questions or comments regarding this article may be directed to the author at: [clark.william@gmail.com](mailto:clark.william@gmail.com).

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## Constructing a Coaching Model to Promote Well-being Based on Attributes of Spiritual Leadership: Keeping Leaders Healthy

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The academy can be obsessed with long titles. This paper borrows from the title given to five years of doctoral research. But for the sake of memory, let's just call it "Keeping Leaders Healthy." This essay briefly touches six aspects of the topic. The first three points offer common understanding to clarify what is being discussed in this area that called "leadership" and by this discipline that we call "coaching."

Armed with some common understanding of those concepts, I will venture into how 5 years of academic research shaped the unique model that I labeled as *Christian Leader Coaching*. The final 3 points will describe that model and consider elementary evidence of the value of employing the coaching tools of *Christian Leader Coaching*.

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### Leadership Dissected

Everything rises and falls on leadership" (Maxwell, 1999). John Maxwell introduces his book *The 21 Indispensable Qualities of a Leader* with this 6-word declaration. Whether you completely accept Maxwell's premise or not, I am convinced by your attendance at this Leadership Roundtable that you agree that leadership is very important. However, there is evidence of a severe drought in the emergence of effective leaders. While the world becomes smaller through social media, there is an outcry for vision-setting, positive growth-motivating, personal example-setting leaders. We witness fewer people who are willing to step into the scrutinizing (often cynical) public light and declare, "Here I am, follow me." Fewer still people desire to assume the role of servant-leader – one who promotes the well-being of the tribal good as the expense of personal benefit and prosperity. It isn't happening in government. It isn't happening in business. And sadly, it isn't happening in the church.

One of George Barna's surveys revealed approximately 75 percent of serving pastors experience major stress associated with their ministries. One in three pastors seriously considers leaving the ministry. Forty percent of pastors exhibit advance signs of burnout (Barna, 1999). These

statistics suggest that church leaders, as a group, are not healthy. Studies would likely show that other leader groups fare no better. This survey research only reinforced my personal experience with fellow pastors and church leaders who exhibited the danger signs of burn-out, as well as national examples of pastors who failed themselves, their families, their congregations, and society at large. Their moral failures often appeared as the result of emotional and spiritual burn-out.

This research did not address the crisis of positive leadership that currently exists. It is intended to consider the health of those who are leading well. Dr. Imogene King (1971) defines health as “ability to continually adjust to the stresses of the environment by optimally employing one’s resources to achieve maximum potential for living” (p. 24). My desire was to identify potential preventive methods of promoting well-being, rather than therapies designed to heal brokenness and restore leaders to some level of effectiveness. A friend suggested “Coaching” as a means of maintaining the emotional health of spiritual leaders. Frankly, I was clueless about the discipline of ‘Life Coaching’ and was very suspicious about its effectiveness.

### Coaching Formularies

To be perfectly honest, I was suspicious of my friend after his suggestion. As I began to study the subject, three aspects of coaching intrigued me and grew my appreciation of this emerging profession. Coaching is very relational. Coach and client walk together through the process of reflection, interpretation, and future focus.

Clients are propelled forward to adjust to life stresses with internal resources and compelled to achieve goals that fulfill their maximum potential. Dr. Robert Emmons, in *The Psychology of Ultimate Concerns* (2003), writes that striving for goals is a human imperative (p. 16). Viktor Frankl (1949) observed this principle play out in the lives of his fellow prisoners in the Nazi concentration camps, “The prisoner who had lost faith in the future was doomed...became subject to mental and physical decay. Usually this happened quite suddenly” (p. 74).

Finally, the answers are drawn from the client rather than the expertise of a well-intended caregiver with limited insight. The Proverbs writer observes, “The purpose in a man's heart is like deep water, but a man of understanding will draw it out” (Proverbs 20:5). The curriculum of the Center for Coaching Excellence promotes a coaching conversation adopted from Sir John Whitmore, who is an early coaching pioneer. Whitmore suggested following a ‘GROW’ model (2009) to focus client of specific goal setting, considering the relevance and the realistic virtues of the prospective goal, identifying optional paths to achieve the goal, and walking with the client to provide accountability and share in the celebration of goal achievement. However, CCE added to introductory steps to help focus the discussion making their model distinctive as ‘toGROW.’ The initial points of talk and objective gave focus to the discussion at hand. However, they continued in the vein of Whitmore to give the client maximum latitude to drive the discussion according to their agenda.

#### Practical Coaching Conversation

##### toGROW

talk – “What do you want to talk about today?”

objective – “What do you want to accomplish in our coaching session today?”

Goal – “What will it look like when you have accomplished your goals?”

Reality – “In relation to your goal, how do things appear now?”

Options – “What are some things you could do to get to where you want to go?”

Walk – “How can you move forward?”

- When will you do that?
- How will you know when you have hit the mark?
- What are you taking away from today's session?
- What support do you need?

Traditionally, common coaching techniques offer great latitude and difference to the client for setting the agenda of the coaching conversation. However, the model of Christian Leadership Coaching developed and honed in this research was more directive and prescriptive than many other coaching niches. This model was specifically designed and examined to address the challenges of leadership. However, to develop a coaching model intended to promote leader well-being, the necessity to dissect leadership became clear. What is distinctly attributable to leadership? The body of leadership literature was reviewed and lists of attributes ultimately boiled down to those characteristics compared in this table.

**Attributes of Leadership**

Table 1. Comparison of Leadership Attributes

Research	Harbecker	Maxwell	Blackaby	Welch
Knowledge	Envision Goals	Knowledge Intuition Experience Past success, Ability	Preparation	Competence
Character	Affirm Values	Character	Character	Values
Influence	Motivate Manage Represent others Explain Achieve Unity Renew	Relationships	Influence Time manager Vision Decision making Goal	Inquire Role Positive energy Live vision Cause action Celebrate

Source: Eugene B. Harbecker, *Rediscovering the Soul of Leadership* (Upland, IN: Taylor University, 1996), 34; John C. Maxwell, *The 21 Indispensable Laws of Leadership: Follow Them and People Will Follow You* (Nashville, TN: Thomas Nelson Publishers, 1998), 50-51; Henry Blackaby and Richard Blackaby, *Spiritual Leadership: Moving People on to God's Agenda* (Nashville, TN: Broadman & Holman Publishers, 2001), 235; Jack Welch and Stuart Welch, *Winning* (New York: HarperBusiness, 2005), 61.

### Leadership's Core Attributes

The lists compared on the preceding table represent those leadership elements that were commonly agreed upon by academics, popular subject matter experts, theologians, and secular business leaders. When compared and contrasted, these various perspectives are refined to Character, Knowledge, and Influence – or the *Be, Know, Do* of Leadership.

Knowledge includes both the cognitive and relational acumen of the leader. The knowledge of the subject matter that most directly drives a team to its goal is critical to enable the leader to use the resources at hand to achieve the vision set by the group. However, the leader must also know how to inspire, nurture, and promote team unity and effectiveness. Sun Tzu observed, “If you know the enemy and know yourself, you need not fear the result of a hundred battles” (as quoted in Sun & Giles, 1990).

**Knowledge** *“The most significant thing in navigation – the most important piece of information – is knowing exactly where you are.”* Carson P.ue, 2005

- **Cognitive (IQ)**
  - Broad spectrum of interest
  - Consider multiple perspectives
  - Contextualize environment
  - Develop alternative strategies
  - Embrace change
  - Confident in abilities & judgments
- **Relational (EQ)**
  - Build rapport
  - Tailor strategies to environment
  - Promote team growth
  - Early conflict resolution



**Character** *“We cannot give what we do not have. We cannot impart values that we do not hold. We cannot do real if we are!”* Charles Colson 1996

- **Courage** – physical and moral.
  - Physical courage – highlighted in heroic acts of bravery
  - Moral courage involves integrity and commitment to values
- **Justice** – invokes the concept of fairness
  - Retributive – carries the hope of being redeemed
  - Remunerative – satisfying the demands of punishment as warranted by the offense
- **Humanity** involves interpersonal relationships realized through altruistic behavior.
- **Temperance** is the virtue of self-discipline.
- **Transcendence** recognizes the existence of intrinsic human desire that seeks to fulfill purposes or accomplish goals beyond personal ambitions.



Character is key to leadership. It provides the foundation of who we are on which we can build life. Christopher Peterson and Martin Seligman completed a major treatise on Character Strengths and Virtues. The 5 virtues listed on this slide represent fundamental values they discovered to mature in the life of people regardless of cultural environment.

Another oft-quoted Maxwell maxim (1988) is that “Leadership is influence – nothing more, nothing less”

(p. 17). Again, one may argue the simplicity of his position. However, influence is the ultimate product of leadership. Leaders do not lead unless they inherit followers.

So, literature review established character, knowledge, and influence as the core attributes for consideration in

**Influence** – *“Leadership is influence—nothing more, nothing less”* John Maxwell, 1998

- Motivates
- Manages
- Represents
- Explains
- Unifies
- Renews



the model of Christian Leadership Coaching. The positive interplay between the core leadership attributes is key to the maturity and emotional well-being of the leader. Conflict, incongruities, and dissonance among core attributes, however, are sources of distress. Karen Horney (1945) submits that such incompatibilities are the basis for emotional dysfunctions that may lead to burnout (p. 46-47). For good or ill, the maturation of knowledge, character, and influence comes about through the interplay between themselves. However, there are other internal and external co-relational factors involved in shaping and developing these core attributes.

### Correlated Factors

Some psychologists suggest the maturation of the core leadership attributes may be shaped by external factors, such as social norms and environmental conditioning (Skinner, 1968). Some argue that humans are remarkably adaptable and capable of change. Horney concludes her work *Our Inner Conflicts* by suggesting that, though we are shaped by our early environment, we continue to possess the capacity to achieve fundamental change throughout our lives (Horney, 1945). Bischof (1964) concurs with Horney's assertion and summarizes her ideas by acknowledging the human capacity to change rather than adhere to rigid formations developed in early childhood (p. 350).

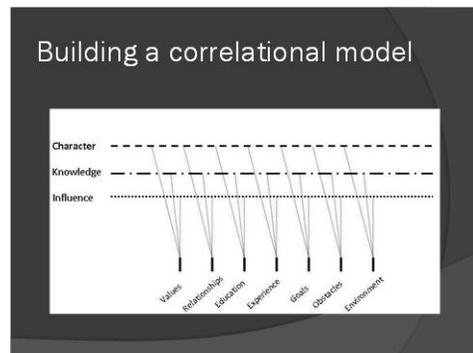
On the other hand, other schools of psychology suggest that certain traits and propensities are more innately hard-wired into individuals and are less susceptible to the effects of external influences. Miller is a major proponent of the idea of innateness. As evidence of his theory, Miller offers findings (2006) based on forty-five years of research that studied more than fifty thousand individual cases (p. xxxv). He rejects theories that, as he sees it, suggest humans are malleable subjects who are victim to the controlling forces of society (p. 12). Instead, he suggests that each person is endowed with unique patterns of competencies that lend themselves toward specific propensities (p. 122). In fact, analysts at People Management International conclude that achievements of satisfied employees reveal consistently recurring patterns (Hanson, 2007).

A person's natural inclination to problem-solving may encourage studies in the areas of mathematics and science and realize the greatest satisfaction in these areas. One's innate compassion toward others may be realized in health services or ministry. Max Lucado (2005), pastor and author, wrote, "God gave you a zone, a region, a life precinct in which you were made to dwell. He tailored the curves of your life to fit an empty space in his jigsaw puzzle. And life makes sense when you find your sweet spot" (p. 1).

In all schools, researchers agree that numerous factors influence health. As noted above, I focused on six correlates associated with leadership maturity to determine overall affects on the well-being of core leadership attributes. The factors selected for further study in this research were values, relationships, education, experience, goals/obstacles, and environment. The literature and empirical study of these associated factors suggests all factors correlate to all attributes, but specific factors are more directly reflected in certain attributes. For example, values and relationships are closely associated with character. Education and experience are closely associated with knowledge. Goals and environments are closely associated with influence. This study does not suggest that relationships therefore have no impact on knowledge development or influence, or that environment has no role in learning. However, to provide fidelity of research, each correlate was examined according to the primacy of its impact on a specific leadership attribute.

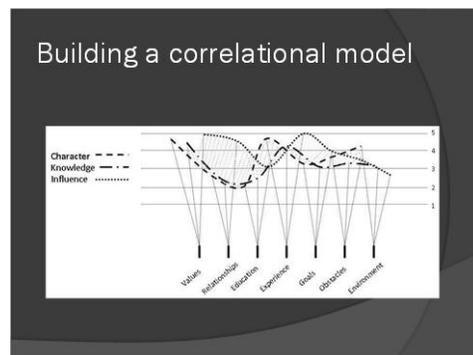
The fidelity of these areas and levels of satisfaction are acquired through empirical survey research that developed an instrument called the Leadership Resiliency Survey (LRS). The LRS acts like an astronomer's finder scope – a device that aims the powerful telescope toward a specific target (e.g. moon, planet, star, etc.) – to hone in and focus on the relationships between core attributes and associated correlated factors.

The model of coaching being presented offers a leadership coach the means of targeting efforts on a specific target area in the leader's life to develop goals for greater emotional health through harmony among leadership attributes and higher levels of overall satisfaction. This is an academically developed and proven model of coaching.



The relationship between attributes and associated correlates can be graphically displayed as a phenotype, to reveal the characteristics of their interplay and identify potential stress points created by dissonance between attributes. This creates a topographical depiction of these relationships as a useful tool in the attempt to understand the dynamics involved in leader development.

Two aspects are important to this model. First, recognize that the influence of correlated factors is not isolated to one core attribute, but impact all attributes (although perhaps not equally). Second, satisfaction is used as the metric, or gauge, to assess the health for each association between attribute and correlate. Dissonance between talent and objectives produces stress that can be measured in the personal dissatisfaction with progress toward achieving established goals (Emmons, 1999). Harmony in these areas promotes emotional and even physical health. Dr. Charles Rapp (1998) suggests that satisfaction and fulfillment of goals are the most influential aspects of well-being (p. 25).



This figure depicts the disparities between satisfaction levels associated with the interplay of core attributes and correlated factors associates with leadership development. The satisfaction levels were obtained through a survey instrument created by this research and known as a Leadership Resiliency Survey (LRS). The survey was developed during several iterations of testing with pilot groups of pastors, as well as math and psychology professionals. It was successfully evaluated and found to be both valid and reliable.

A common question that often arises in these discussions is: *Are leaders born or made?* The related debate is addressed in an article by Paul Griffiths (2009), who considers the distinction between innate and acquired characteristics in human beings. Griffiths compares and contrasts heritability, genetics, and innateness with acquired, cognitive development (p. 6-9). It is important to note that Griffiths rejects any idea that innateness can be measured solely on the basis of heritability (p. 1). However, he refers to biologist Conrad Waddington's phenotypes, which graphically depict the dynamic properties of an epigenetic landscape. Griffiths concludes that innate underpinnings create a topographical landscape that tends to channel development of

some characteristics. When exposed to such channeling, people respond affectively and behaviorally to both innate and environmental influences (p. 21-24).<sup>1</sup>

Great care was given to develop a survey instrument that was tested to be both valid and reliable. After the instrument was developed, it was distributed to pastors throughout Winston-Salem, Greensboro, and High Point, NC (a region know as *The Triad*). Of the surveyed population, ~35% indicated significant dissatisfaction with a least 2 of the 3 attributable areas of their personal ministry leadership. This is near the level of 40% of pastors who are burning out, according to Barna’s research (1999). The phenotype shown in the previous slide is actually a composite of the responses provided in this initial survey.

**Leadership Resiliency Survey**

- 63-question survey
- 3 Sections address core attributes
  - Cognitive
  - Affective
  - Behavioral
- Interplay considered from 3 perspectives
- Survey population of 500 pastors in North Carolina’s Triad
- Test group of 5 pastors coached for 1 year

A small control group was selected from the surveyed population to participate in a one-year coaching relationship that would target each participant’s stress areas and assess the health benefit potential of this coaching model. The Center for Coaching Excellence ‘toGROW’ format was further modified and made more directive in nature. Clients were offered less freedom to choose their topics for discussion. Instead, client attention was focused on areas of dissatisfaction to confirm the results of their individual survey. Coaching conversations were directed toward goal setting in ways to reduce dissonance and raise personal satisfaction.

**Leader Coaching Conversation**  
*toGROW*

task – “Where are you experiencing the greatest harmony as a leader?”

objective – “How will you reduce dissonance and raise personal satisfaction?”

Goal – “What will it look like when you have accomplished your goals?”

Reality – “In relation to your goal, how do things appear now?”

Options – “What are some things you could do to get to where you want to go?”

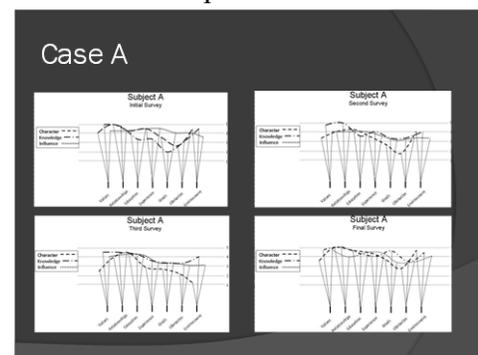
Walk – “How can you move forward?”

- When will you do that?
- How will you know when you have hit the mark?
- What are you taking away from today’s session?
- What support do you need?

**Case Studies**

The following charts depict each case’s results of surveys as they were tested and retested each quarter over the period of one year. It is useful to note the variants in each quarter.

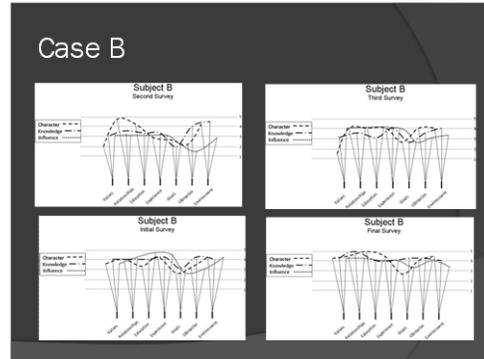
*Case A* initially indicates the greatest in areas of values driving all 3 attributes. However, satisfaction with knowledge—in this case the pastor did not have seminary or graduate-level theological training—declined with the consideration of education and experience. He was particularly dissatisfied that he had established no specific personal goals that he was pursuing. However, he was satisfied that he was making a positive impact on his parish. Each quarter, greater harmony was reached between attributes and greater satisfaction was expressed



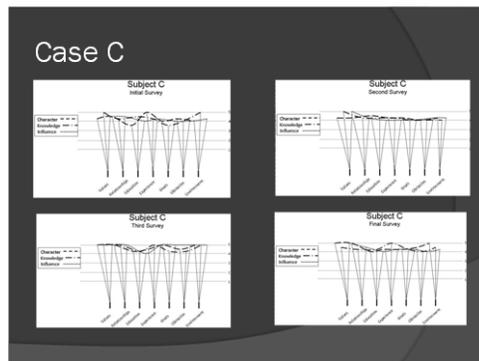
<sup>1</sup> I considered the interplay of select correlated factors that act upon leadership attributes during the life of the leader.

in all areas of the client's personal life. These improvements were confirmed both in coaching sessions, as well as surveys.

*Case B* indicates major dissatisfaction with most areas of personal ministry leadership. This client was depressed and indicated his interest in leaving ministry and seek coaching to set goals for new career direction. The initial goal established was to character identification. He had been raised in an atmosphere that discouraged questions of authority figures and emphasized the importance of strict obedience. He had never wrestled with personal identity. Personal inventory of recurring strengths and interests (System



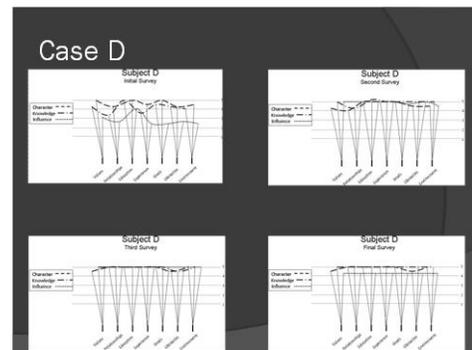
for Identifying Motivated Abilities) was key to raising this client's personal satisfaction. He continues to experience adverse self-esteem, but is improving.



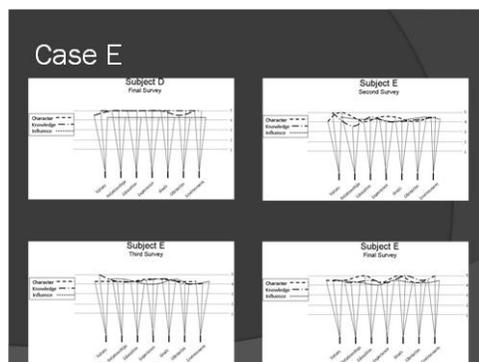
*Case C* is an example of initial euphoria that some clients experience when they are permitted to dream of goals. As reality settles there may be slight declines in satisfaction levels, but these are very manageable and generate little distress.

and generate little distress.

*Case D* was remarkable. The client was totally frustrated, feeling inadequate to influence others. However, as he established personal goals, his vision became contagious within his congregation. The result was mutually rewarding to all.



*Case E* suggests that health was maintained by the coaching relationship. However, these graphs do not reflect that this client had inflated his responses in the initial survey. During coaching sessions, the client grew more comfortable in his ability to be authentic to himself and others. The end result was health that was acknowledged by the client and affirmed by others associated with him.



### Conclusion

In conclusion, Coaching continues to grow as an acceptable discipline among emotional health providers. This research built many on existing principles, while adjusting others to develop a model that may be a little more directive and prescriptive in nature. Its focus is to promote the well-being of these servant-leaders rather than restore damaged relationships. Its initial conclusions are promising. However, much more work is needed to prove the long-term benefits to individuals, churches, and society at large.

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## About the Author

Dr. Danny G. Nobles, Ph. D., obtained his B.S. from Excelsior College, his MSSc in International Relations via Syracuse University, his MS in National Strategic Studies from the U.S. Army War College, and his doctorate from Trinity Theological Seminary. He is currently licensed as an Essential Coach through the Center for the Advancement of Christian Coaching, and he is also an ordained Anglican priest in the Province of the Anglican Church of Rwanda. He currently serves as the National Director of Coaching for the Anglican Church of North America, and as the president of NoblePurpose Ministries. He also served in the U.S. Army Corps of Engineers, honorably discharged in 2007 at the rank of Colonel. He is active in his local church, and continues to be involved with different Army organizations as a civilian. He has been published previously in both Christian and military media. Questions or comments regarding this article may be directed to the author at: [danny.nobles@noblepurposeministries.org](mailto:danny.nobles@noblepurposeministries.org).

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## Using the Organizational Cultural Assessment (OCAI) as a Tool for New Team Development

Jeff Suderman  
*Regent University*

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The Organizational Cultural Assessment Instrument (OCAI) is a psychometric tool developed by Cameron and Quinn (2006). Its purpose is to help organizations identify their current and preferred culture. Through the use of a simple survey, participants identify their perceptions of both existing culture and their desired future culture. Organizations can then utilize these results to assess both the current cultural state and also to identify gaps between current and desired futures.

This article evaluates the use of this psychometric tool as a tool for team development for a new leader. The tool was used with a brand new organizational leader at both the start of his new job and the end of his first year. Results from the OCAI were gathered and shared with the leader and his team after both assessments in order to provide the new leader with a tool for leadership development. Based upon the results and the experience of participants, the usefulness of the OCAI as a tool for new leaders was then assessed. Its usefulness will be viewed from several perspectives: the leader, the consultant and the coach.

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### Purpose

The purpose of this article is to evaluate the effectiveness of the use of a psychometric tool for a new organizational leader. The tool, the Organizational Cultural Assessment Instrument (OCAI), was developed by Cameron and Quinn (2006) as a means for organizations to quantify organizational culture. More importantly, OCAI results provide a means by which organizations can navigate organizational change successfully (p. vii). While this tool has been used in over 10,000 organizations with more than 100,000 individuals, the application of the tool in this situation was unique, as it was utilized specifically with a new leader and his team. Therefore, the goal was to test its usefulness for a new leader and the development of his new team.

### OCAI Background

This section will provide a basic overview of the OCAI for those unfamiliar with the instrument. Cameron and Quinn's (2006) premise is that strong organizational culture is a key to corporate

profitability (p. 2 & 5). Organizational culture “is the set of key values, beliefs, and norms shared by members of an organization. Organizational cultures serve two critically important functions—to integrate members so that they know how to relate to one another and to help the organization adapt to the external environment” (Daft, 2007). Studies show that congruence between individual and organizational culture contributes to higher levels of performance (Cameron & Quinn, 2006).

Therefore, without a corresponding shift in organizational culture, attempts to change an organization’s results will have a low chance of achieving “enduring improvement in organizational performance” (p. 11). This challenge is exacerbated by the fact that many organizations neither understand their current culture nor the preferred culture which would best help them achieve their goals. Furthermore, cultural change is vital because “when the values, orientations, definitions, and goals stay constant - even when procedures and strategies are altered - organizations [and individuals] return quickly to the status quo” (p. 11).

The OCAI instrument is built on Cameron & Quinn's competing values framework (p. 31-61). The framework is rooted in considerable research in the field of organizational culture and aligns with well-accepted cultural categorical themes – the way people think, their values, assumptions and how they process information (p. 33). The research revealed six key dimensions which formed the basis of their framework on organizational culture: dominant cultural characteristics, organizational leadership, management of employees, organizational glue, strategic emphasis and criteria for success (p. 26-28).

These categories yielded two key cultural dimensions, each with a competing value. The first dimension is determining if a company's culture is internally or externally focused (p. 34). The second dimension is whether organizations acted with flexibility or with stability (p. 34). When placed on two axes, these two dimensions form four quadrants, each representing a distinct set of organizational effectiveness indicators (p. 35). A graphical presentation of the competing values framework can be found in Figure 1.



Figure 1: Organizational Effectiveness Indicators

It is important to note that Cameron and Quinn do not endorse one ideal culture. Rather, cultural effectiveness is a byproduct of matching culture with a company's vision, values and strategy. Further definitions of each quadrant are provided in the sidebar.

### Case Study Background

The OCAI was used with a new leader and his team in an academic setting in North America. The leader, a Vice President of Academics at a publically-funded college, agreed to conduct the OCAI with his team at the beginning of his term and again near the end of his first year. As someone who was hired to facilitate change in his division, he expressed interest in understanding the culture he was going to step into as well as assessing how culture changed under his leadership after a year.

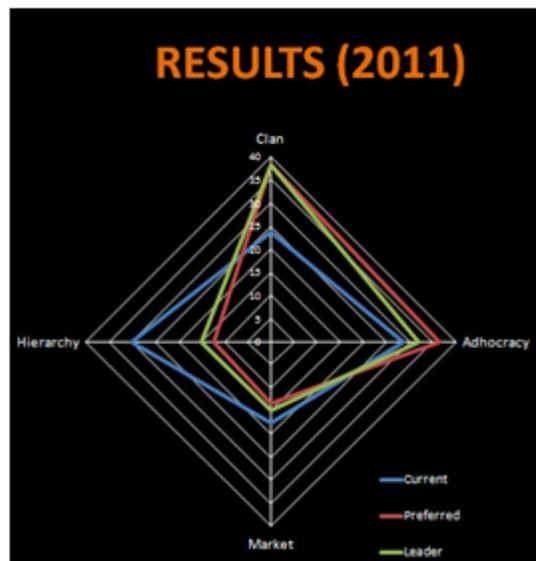
The assessment was conducted with his team in July 2011 and a results briefing was given in September to all who participated. A second assessment was conducted in April 2012 with another team results briefing in May. All participants were guaranteed anonymity and all results were presented anonymously with the exception of the Vice President, who chose to share his results for comparative and team-building purposes. While no one was required to participate, all employees chose to. In some cases, participants chose not to answer questions about "current culture" because they were too new to the organization to be able to adequately assess the state of the current culture.

Each time the instrument was used, participants completed the same OCAI survey from Cameron and Quinn (2006), which was in delivered in two parts. Part I had respondents answer 24 questions from the perspective of what the organizational culture is currently like. Part II had respondents answer the same 24 questions but from the perspective of what their preferred organizational culture would be in the future.

### Findings

#### 2011

The initial survey results revealed a overall desire to make considerable changes from the current culture (blue line vs. red line). What was remarkable was how congruent the preferred future of



### Culture Definitions

**Clan Culture** “is characterized by a friendly place to work that feels like an extended family. Leaders are thought of as mentors and perhaps even as parent figures. The organization is held together by loyalty and tradition. Commitment is high. The organization emphasizes the long-term benefit of individual development, with high cohesion and morale being important. The organization places a premium on teamwork, participation, and consensus.”

**Adhocracy Culture** “is characterized by a dynamic, entrepreneurial, and creative workplace. People stick their necks out and take risks. Effective leadership is visionary, innovative, and risk-oriented. The glue that holds the organization together is commitment to experimentation and innovation. The emphasis is on being at the leading edge of new knowledge, products, and services. Readiness for change and meeting new challenges are important. The organization’s long-term emphasis is on rapid growth and acquiring new resources.”

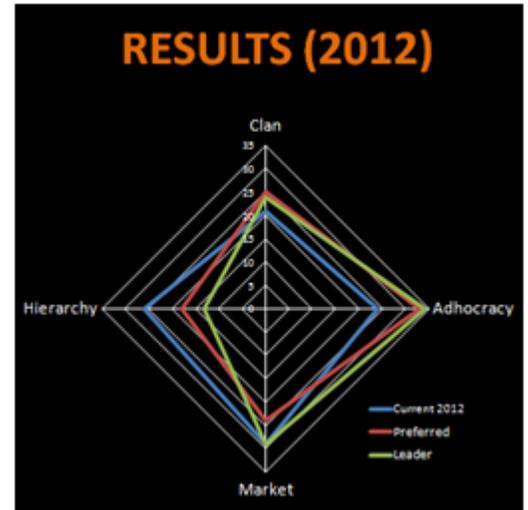
**Hierarchy Culture** “is characterized by a formalized and structured place to work. Procedures govern what people do. Effective leaders are good coordinators and organizers. Maintaining a smooth-running organization is important. The long-term concerns of the organization are stability, predictability, and efficiency. Formal rules and policies hold the organization together.”

**Market Culture** “is a results-oriented workplace. Leaders are hard-driving producers and competitors. They are tough and demanding. The glue that holds the organization together is an emphasis on winning. The long-term concern is on competitive actions and achieving stretch goals and targets. Outpacing the competition and market leadership are important.”

the new leader (green line) and his team (red line) were, despite not having worked together yet. Therefore, the initial results revealed an amenable opportunity which both the team and the new leader responded to favorably.

## 2012

The second survey revealed that there were still gaps between current and preferred cultures though they were less significant than a year earlier. Primarily, hierarchy culture was still more predominant than both the team and the leader wanted to achieve. However, while both the team and the leader want hierarchy to decrease further in the future, we now find the leader wanting a greater decrease in this culture than his team. The greatest preferred future shift for both the team and the leader was for an increase in adhocracy. Finally, we find the leader and the team having a mild gap in their preferred future in the area of market culture. In this cultural category the leader wanted to maintain this cultural element while his team desires a decrease in this culture.



### Comparing Current and Future: 2011 vs. 2012

Finally, we will compare two additional sets of data.

First, we will compare the actual culture in 2011 with the culture achieved one year later in 2012 (Figure 2). This chart reveals that significant changes in culture were achieved over the period of one year as every category shows significant variation. Market culture showed the most marked difference. It is interesting to note that this is a category where there was a gap between desired future of the leader and his team.

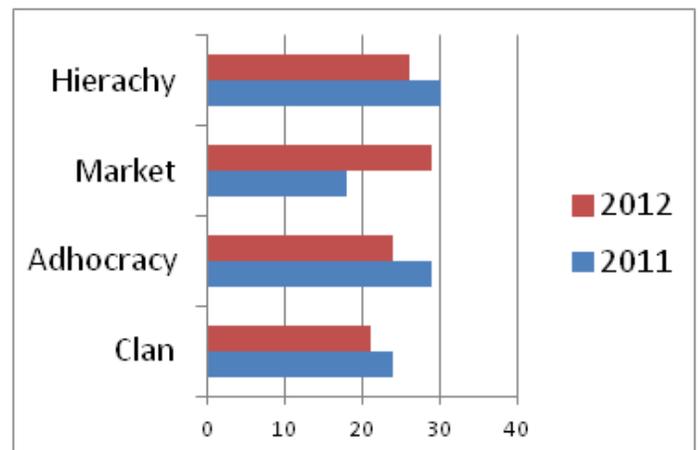


Figure 2: Current

Second, we will compare how participant views of preferred culture changed over a year (Figure 3). This was done by comparing the 2011 responses about preferred future with 2012. Here again, we find that participants expressed remarkable difference between their desired culture over a period of time. Within a period of 12 months, almost all categories showed significant differences.

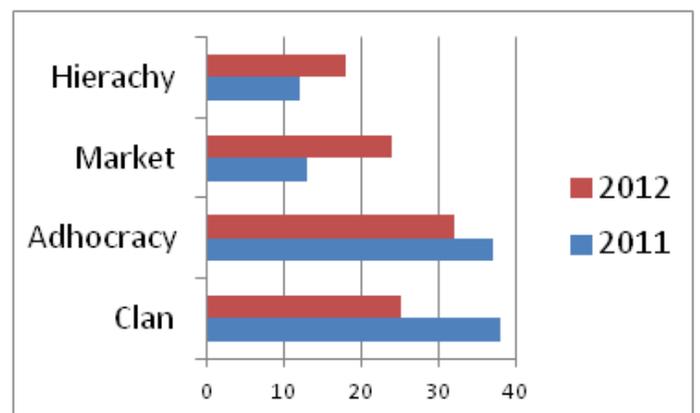


Figure 3: Future

## Conclusions

While these findings are informative, the purpose of the longitudinal study was to determine the value for a new leader and new team development. To evaluate this, we will review three different perspectives.

### Perspective 1: The Leader

Personal interviews with the leader revealed that the OCAI was a helpful tool in his leadership repository. The results of the survey confirmed that significant changes in culture needed to occur under his leadership. Furthermore, the initial survey revealed he had a team that was ready for change, a fortuitous situation. Given his lack of organizational experience at this institution, the results provided him with valuable insights into the past and helped prepare him for barriers he should expect. During his debrief, he noted that simply conducting the survey, apart from its results, was an effective way for him to signal to his team that changes in organizational culture were important.

While discussing the changes in culture which occurred, it was noted that the desired level of change in hierarchy was not yet realized after a year. In response, he noted that, given the large amount of cultural change which needed to occur, the change process was gradual and that "change needed to be prioritized and sequenced" in order to be realized over time. He also noted that the knowledge he gained about the OCAI framework allowed him to work with his team more effectively. For example, understanding the questionnaire allowed him to identify team members who were personally low or high in certain cultural categories. This allowed him to better manage and lead these employees as he understood their cultural preferences and biases. Overall, the new leader found that the OCAI provided useful information which helped him manage his team and lead the process of cultural change which was required.

### Perspective 2: The Consultant

This project also revealed considerable potential benefit for a consultant working with a new leader and/or their team. First, the tool provided a valuable baseline measurement of corporate culture. Furthermore, data could be gathered and analyzed in ways which would reveal whether groups or sub-groups within an organization viewed current and future cultures differently (this could be particularly helpful when working with a fractious cultural situation). Second, this instrument presents results which are easily understood and can be shared with participants quickly and without in-depth background. Results can then be used to set expectations, foster discussion about desired norms or even shape future expectations together (the latter is a key recommendation for the use of this tool from Cameron and Quinn). The survey results also create accountability and can be used as a coaching tool. Finally, the instrument is easy to use while still providing a significant depth of insight. The psychometric tool presents a consultant with a myriad of ways to step into a situation (both internal and external consultants), assess the culture, and then begin to work with a leader or team to create a preferred culture.

### Perspective 3: The Coach

While this consulting relationship was not of a coaching or mentoring capacity, the results revealed several ways that it could be of high value in this setting. Coaching could be applied in several different forms: coach to leader, coach to team, leader to subordinates or leader to

organization. As stated above, the simplicity, measurability, and accountability provided by the instrument make it easy to apply. Coaching goals could be developed to assist the leader in steering cultural change or working with team members to help them affect change, especially if cultural views within the organization are different. Finally, a coach could work with the leader to help him develop his team as organizational coaches to lead organizational change. This exercise demonstrated strong value as a coaching tool.

### **Further Research**

Findings from this preliminary research demonstrate value for the OCAI for new leaders and new team development. However, continued research is needed to validate this and explore questions which this project did not answer.

First, the significant differences between preferred futures over a year revealed that new teams may not be able to set realistic cultural preferences without a context of how things will operate under a new leader. Further research could help determine if this is typical or not. Second, several employee transitions occurred under this new leader over the period of a year. As a result, studies about how the loss and addition of new employees and how this affects the assessment process could be insightful. Third, further research could take a longer timeframe snapshot (two to three years) to determine if there are normative cultural development patterns over time. Ideally, it would be helpful to do this with multiple teams in order to determine if patterns exist in different situations. Further research could also occur to assess how gender affects culture and how the specific context of higher education normalizes to other categorical segments.

### **Conclusion**

This project revealed that the use of the OCAI with a new leader and his team provides considerable benefits. In addition to the intended benefits this tool provides, new leaders can specifically benefit from an early identification of the culture they are stepping into. Furthermore, they can then assess whether they will be encountering alignment or misalignment in the future. The tool has usefulness in coaching situations and can be an effective way for consultants to help an organization achieve changes. These conclusions would benefit by further longitudinal research, breadth of research with other new leaders, and the analysis of how accurate a new team's projections of desired culture can be. However, even without further study, Cameron and Quinn's Organizational Cultural Assessment Instrument is a useful tool for new leaders as they seek to evaluate and affect organizational culture in order to achieve desired goals.

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### **About the Author**

Jeff Suderman owns a consulting company that works with businesses and non-profit organizations. He focuses his work on diagnosing business problems and developing solutions to help achieve mission effectiveness. His specialties lie in the area of strategic planning, strategic foresight, leadership development, and enhancing team effectiveness. He is especially passionate about the need to use foresight to enhance the limitations of traditional strategic planning. Mr. Suderman has also spent over 20 years as an administrator in Post-Secondary Education industry.

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