The Southern African Journal of Entrepreneurship and Small Business Management
ISSN: (Online) 2071-3185, (Print) 2522-7343

Creating and maintaining a commercially viable executive coaching practice in South Africa

Authors:
Nicky H.D. Terblanche[1]
Rajesh J. Jock[1]
Marius Ungerer[1]

Affiliations:
[1]University of Stellenbosch Business School, University of Stellenbosch, Cape Town, South Africa

Corresponding author:
Nicky Terblanche,
nickyt@usb.ac.za

Dates:
Received: 10 May 2018
Accepted: 04 Dec. 2018
Published: 17 Apr. 2019

How to cite this article:
Terblanche, N.H.D., Jock, R.J. & Ungerer, M., 2019, 'Creating and maintaining a commercially viable executive coaching practice in South Africa', *Southern African Journal of Entrepreneurship and Small Business Management* 11(1), a192. https://doi.org/10.4102/sajesbm.v11i1.192

Background: The executive coaching industry is growing internationally and in South Africa. As is typical of small businesses, many struggle to survive. Factors contributing to small business success have been researched, but research in the context of the executive coaching industry in South Africa is sparse.

Aim: The aim of this study was to investigate the factors that contribute to creating and maintaining a commercially viable executive coaching practice by examining executive coaching businesses through the lens of a standard business model template consisting of value network, value architecture, value proposition and value finance dimensions.

Method: A qualitative methodology was followed to gather data from executive coaches in South Africa. Data from two focus groups (eight participants) and four semi-structured interviews were analysed using deductive content analysis to ascertain the nature of executive coaching practices in terms of a standard business model template.

Results: The most significant factors contributing to a successful executive coaching business include forming alliances, leveraging previous experience, employing multiple income streams and evolving as business owner. Significant factors that present challenges include the lack of a business strategy, finding clients and underestimating earnings potential. These findings could assist aspiring and established executive coaches to plan and structure their coaching business. Executive coach training providers could incorporate these findings into their curricula to prepare new coaches for the realities of running a coaching business.

Conclusion: Empirical evidence of factors that contribute to successful executive coaching businesses may help guide coaches to a more realistic view of the profession, in the process contributing to the maturing of the growing executive coaching industry in South Africa.

Keywords: Executive coaching; business models; small business management; commercial viability; coaching practice.

Introduction

Executive coaching is a fast-growing industry, yet many executive coaching businesses struggle to survive (Cavett 2015). Coaching in the business context, referred to as executive coaching (and used interchangeably with the term 'coaching' in this article), can be defined as a confidential, individually tailored engagement designed to meet the needs of both the executive being coached and the organisation paying for the service (Coutu & Kauffman 2009). The executive coaching industry has witnessed rapid growth internationally and in South Africa. It is estimated that in 2016 there were 53 000 coaches worldwide, with a growth of 1500 coaches per year for the last 4 years (Forbes.com 2017). In South Africa, the two main governing bodies for coaching, Coaches and Mentors of South Africa (COMENSA) and the International Coach Federation (ICF), claim to have approximately 1200 (J. Myburg [COMENSA] pers. comm., 10 April 2018) and 389 (ICF 2018) members, respectively. Executive coaching is popular because it has been shown to deliver improved management performance, help executives manage business complexity, accelerate leadership development, improve team performance and encourage self-reflective awareness through challenge existing mental models (Coutu & Kauffman 2009; Freedman 2011; Kombarakaran et al. 2008).

Many people are drawn to the executive coaching profession by the promise of increased freedom, balanced lifestyle, self-control and a reprieve from corporate politics, bureaucracy and pressure (Fairley & Stout 2004; Passmore 2015). Setting up a coaching practice typically requires training as a coach, which can be expensive (Sparrow 2009), but many aspiring coaching business owners are ambitious and optimistic that the return on investment will be worth their investment. The reality is somewhat different.

Cavett (2015) cites a study conducted by Newton (2013) in the UK in which they claim that of 400 business coaches surveyed, 25% have earned less than £5000 from coaching per year since 2009. The ICF found that 70% of coaches earn less than $50 000 per year (Grodzki & Allen 2005). Statistics for South Africa are difficult to find, but anecdotal evidence suggests that the picture is similar and that earning a living from the business of coaching is not easy.

The problem seems to be that coaches often embark on small business initiatives without adequate preparation or information. Similar to other small business owners, some coaches lack the skills, knowledge and strategies to succeed in business (Van Eeden, Viviers & Venter 2003). Whilst many regard small businesses as the backbone of the South African economy, there has been recognition of the high failure rate among these small businesses (Nieuwenhuizen & Kroon 2002; Pretorius & Le Roux 2011; Van Eeden et al. 2003). Business failure occurs when a business owner files for bankruptcy, ceases operations or is breaking even with neither a liveable income nor a fair return to the investors from the business (Ropega 2011). According to Forbes, 8 out of 10 entrepreneurs who start businesses fail within the first 18 months (Forbes.com 2015), whilst Pretorius (2009) states that between 50% and 90% of entrepreneurial ventures fail. Circumstantial evidence suggests that coaching businesses in South Africa appear not to be exempt from the spectre of start-up failures. The reasons are unclear, but could be related to the fact that coaching businesses face similar challenges to typical start-ups (Cavett 2015). Given the growing trend of the coaching industry in South Africa, this gap in knowledge creates an opportunity to conduct empirical research into the dynamics of coaching businesses to identify the factors that contribute to create and maintain a successful coaching practice.

One approach to understand the dynamics of a business is to study its functioning in terms of a business model (BM) template (Zott & Amit 2013). A firm's BM is the layer between a business strategy and business processes that implement the strategy (Casadesus-Masanell & Ricart 2010; Teece 2010). Osterwalder et al. (2010:14) describe a BM as being the 'rationale of how an organisation creates, delivers, and captures value'. A BM template seems to hold promise for understanding the aspects that contribute to an organisation's short-term profitability and long-term sustainability. It appears therefore that insight may be gained into the factors that contribute to the success of coaching businesses in South Africa, if the manner in which these businesses create, deliver and capture value, can be understood in terms of a BM template. Thus, the research question that guided this study was the following: what are the factors that contribute to creating and maintaining a commercially viable executive coaching practice in South Africa as seen through the lens of a standard business model template? The aim of this research was to explore the factors that promote and inhibit successful executive coaching businesses using a BM template as a classification framework.

This article first sets the context for the research by reviewing the literature relating to the challenges facing coaching as an instance of a small to medium enterprise, as well as the theory of BMs. Next, the research design is explained, followed by the presentation and discussion of the findings. The article concludes by highlighting the practical implications and limitations of this research and suggestions for further research.

Literature review

Small- and medium-sized enterprises in South Africa

In South Africa, small- and medium-sized enterprises (SMEs) make up an estimated 91% of formalised businesses and provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of gross domestic product (GDP) (Banking Association South Africa 2016). In terms of doing business in South Africa, the *National Small Business Amendment Act 26 of 2003* (RSA 2003) would classify a coaching practice under one of two categories: (1) finance and business services or (2) community, social and personal services. A coaching practice would be characterised as either a medium, small, very small or micro enterprise, depending on (1) the total full-time equivalent of paid employees and (2) the total annual turnover.

Smith and Watkins (2012) describe the South African entrepreneurial landscape as a milieu in which SMEs operate in the same environment without adequate resources. These enterprises encounter increasing competitive pressure fuelled by globalisation, legislation, relaxing trade barriers and an increase in market expansion because of emerging technologies and innovation. Regardless of the support provided by government, small businesses operate under the strain of fluctuating exchange rates, high interest rates and inflation (African Development Bank Group 2014), which could affect the potential effectiveness of various business strategies they employ. Coaching businesses are no exception and share certain challenges with other small enterprises including a lack of management skills and inadequate skilled labour, finance and obtaining credit, access to markets, developing relationships with customers, recognition by large companies and government bureaucracy (Banking Association South Africa 2016).

Because of these and other challenges, small businesses often fail owing to financial disaster, strategic inability to compete and the loss of key customers (Cortez 2010). These types of failures can be linked to inability to anticipate obstacles (Timmons & Spinelli 2007). From this perspective, the failure of a business can rarely be attributed to forces not under the control of management, such as recession, interest rate changes, government policy changes or new competition. Timmons and Spinelli (2007) conclude that most causes of failure are found within the company's management, which they classify into three broad areas: (1) inattention to strategic issues, (2) general management problems and (3) poor financial or accounting practices. Adding to this, Naqvi (2011) points out that one should not dismiss the individual characteristics of owners as they play a significant role in the success of the business as they benefit from the owner's previous experience.

To survive these challenges, SMEs are advised to develop sound business strategies, which could mean the difference between failure and success (Thompson, Bounds & Goldman 2012). However, Thompson et al. (2012) suggest that SMEs are not well versed in strategic planning. Typical SME strategic planning seems to ignore non-financial aspects and focus mostly on budgets, financial forecasts and cash flow. Furthermore, the planning time frames do not exceed 1 year, perhaps because of the dynamic nature of SME businesses. Small- and medium-sized enterprises also do not make sufficient use of technology innovation, and research has shown that they do not possess adequate information and communication technology (ICT) skills to leverage free social media platforms that could increase their market exposure (Antonites & Kliphuis 2011).

Coaching business as an instance of a small- and medium-sized enterprises

Starting a coaching business presents additional challenges to the ones mentioned above. Coaching is a non-regulated industry, which means that anyone can call himself or herself a coach. This presents a challenge to trained coaches as reflected in an ICF survey, where 43% of coaches rated 'untrained people who call themselves coaches' as the biggest threat to the coaching industry (ICF 2012). Fairley and Stout (2004) elaborate on challenges that coaching businesses face: coaches often compete with more sophisticated players such as consultants and companies with large marketing budgets. Furthermore, the slow corporate decision-making process implies long sales cycles, which, in turn, leads to time spent without compensation, given that executive coaches are typically paid per hour. Corporate expenditures on coaching services are dependent on company performance and a drop in profit typically means a cut in spending on perceived non-essential services such as coaching (Fairley & Stout 2004).

The conclusion drawn from this review is that in addition to typical challenges faced by SMEs, coaching businesses face a number of unique challenges, which add up to a demanding environment in which to achieve business success.

Business model templates

Osterwalder et al. (2010:14) define a BM as being the 'rationale of how an organization creates, delivers, and captures value'. To explain the function of organisations as dynamic and interactive processes, Zott, Amit and Massa (2011) contend that the BM is a new unit of analysis. This unit of analysis is in addition to the product, firm, industry or network levels. A BM offers a systematic perspective on how to do business, encompassing organisational activities and provides a view on the process of value creation and value capture. Zott and Amit (2010:1) thus define a BM as: 'a system of interdependent activities that are performed by the firm and by its partners and the mechanisms that link these activities to each other' and 'a template that depicts the way the firm conducts its business' (Zott & Amit 2013:404).

The BM is a broadly discussed concept in academia and practice. The term 'business model' has become prominent and has been widely used since the boom of the Internet in the late 1990s, originating in Internet entrepreneurship and e-commerce and then evolving into business and strategy research. In their seminal book *Business Model Generation*, Osterwalder et al. (2010) conclude that it represents the firm's money-earning logic. Within the architecture of the firm, a BM is located between the strategic and operational layers (Osterwalder 2004). In their review, Zott et al. (2011) reveal a strong consensus that the BM revolves around customer-focused value creation.

During the last decade and a half, the BM as a construct has become useful to researchers and practitioners alike for coming to grips with the new realities of doing business in a highly interconnected world. A BM is pertinent to new ventures or innovation-driven industries. Most research on BMs lies in the literature on strategy and competitive advantage and focuses on its role as descriptors of actual phenomena that characterise different categories of a business (Baden-Fuller & Mangematin 2013). There is transformed behaviour in start-ups that utilises a BM approach. Ries (2011) states that a BM seems *a priori* for a young business that needs sustainability designed at its core. What the BM methodology delivers is repeatable, actionable processes for building products whilst minimising on waste. This allows for making start-up decision-makers more perceptive to further related opportunities or places them in a better position to cope with delays from the environment (Maurya 2012).

Using a business model template to understand small- and medium-sized enterprises

Given the pertinent insight that BMs provide on the success factors of a business, it would appear that the use of a BM template could provide useful insight into coaching businesses. For the purpose of this study, the four generic BM components (Ranerup, Zinner Henriksen & Hedman 2016) as originally proposed by Al-Debei and Avison (2010) from their unified framework of the BM concept were used as a lens to examine the experiences of running a coaching business from the perspective of owner-coaches. The core value chain components of the BM (Al-Debei & Avison 2010:362) are the following:

- value proposition (VP): factors related to the offer of services, products and activities that create value for users
- value architecture (VA): factors related to how resources (tangible or intangible) are constructed to create value for

users (e.g. technological configurations and organisational structure)
- value network (VN): factors related to decision-makers (internal and external) and their roles in transactions and collaboration
- value finance (VF): factors related to finance, ownership and costs.

Value network

The VN building block outlines the links between the firm and the customer interface. It portrays the necessary networks of agreements with partners (or stakeholders) to facilitate the transfer of value to the client (Zott & Amit 2013). For any small to medium business, the multitude of stakeholders and the resulting complexity can detract from a focus on key feedback loops between the firm and its clients. Therefore, this model includes only key stakeholders such as suppliers, employees and partners. The VN component includes structure, which refers to the party or parties that participate in coaching, their links and the way they choose to operate. Ideally, the more value the firm can create for its clients and key stakeholders, the higher the value it captures for itself (Zott & Amit 2013).

Value architecture

In contrast to other service enterprises, the business of coaching involves principally two types of individuals: those whose behaviour affects the BM (the coach) and those who are affected by the BM (the client). The VA describes elements of this relationship – the underlying logic and strategic choices that the firm makes in creating and delivering value to this relationship. Value architecture comprises 'the mechanisms the firm uses to deliver its product or service to the customer or each of the customer groups' (Baden-Fuller & Mangematin 2013:421), including flows of information and governance of linkages (Amit & Zott 2001). It explains the inherent environment, with an emphasis on resources, focused on value creation.

Value proposition

The VP denotes the value offered by a firm to its clients. It refers to the firm's offering over time (Abdelkafi & Täuscher 2015). The VP component includes the content of transactions, which comprises the coaching service and the resources and capabilities required. For a coaching firm, the VP is interacting with clients to solve specific problems, as with consulting firms (Davies & Brady 2000), so that the project (solving specific problems utilising creativity and sensing) is the primary unit of delivery.

Value creation develops from the knowledge, capabilities and resources of the firm, which are built up through the execution of such projects. Accordingly, such value creation derives from a firm's capacity to operationalise its key resources and processes (Abdelkafi & Täuscher 2015).

Value finance

The VF component answers the following question: what is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost (Zott & Amit 2013)? By detailing the various costs of the coaching offering, as well as costs associated with running the business, the VF building block gives the revenue flows for profit making.

Monetisation is a key part of value capture and Baden-Fuller and Mangematin (2013) state that it involves more than just pricing, but includes systems determining timings of payments and methods of collecting revenues. It also distinguishes between charging all users the same price (as in grocery supermarkets) and negotiated prices (Baden-Fuller & Mangematin 2013).

In summary, from the preceding review of literature, it seems that the BM value chain of Al-Debei and Avison (2010), when applied as an analysis template, may provide insights into the dynamics of an executive coaching practice. These insights may contribute to the understanding of the factors that play a role in starting and maintaining a successful coaching business in South Africa. It was this approach that was used in this research.

Research design

Research approach

The research followed a qualitative research methodology of an explanatory and descriptive nature. This approach endeavours to make sense of the world through the view of the participants (Babbie & Mouton 2014). The aim was to collect data that were rich in description with the purpose of understanding the practices involved in creating commercially viable coaching businesses in South Africa (Fossey et al. 2002).

Sampling

Data were gathered from two focus groups and one set of interview participants. The one focus group represented currently practising executive coaches (five participants, referred to as 'FG1'), whilst the second focus group represented former executive coaches who were not practising anymore (three participants, referred to as 'FG2'). Four participants from the focus groups were selected for interviews (referred to as 'I'). By separating the two focus groups, the researcher was able to acquire a wider range of perspectives.

Purposeful, non-probability convenience sampling was used to recruit the focus group participants. Inclusion criteria required participants to have been schooled as an executive coach at some stage, must have operated a coaching business for a minimum of 18 months and have experienced the phenomenon under investigation. The researcher approached participants individually, using the social platform on Facebook Messenger, WhatsApp and through e-mail. For the interviews, the researcher asked for volunteers from the focus groups who were willing to share more detailed, personal insights of the aspects that were uncovered during the focus group discussions.

Data collection

Data were obtained from the participants during the focus-group discussions using an unstructured interview guide. The questions centred on the participants' motivation for starting a coaching business, challenges faced and strategies employed to overcome these challenges. The questions where used to facilitate a group discussion (Simon 2010). The duration of the focus groups was approximately 2 h each. Semi-structured interviews, with the use of open-ended questions, were conducted with focus group participants to obtain detailed information. The interviews served to probe for a more revealing understanding of issues, specific factors and influential opinions that surfaced during the focus-group discussions. The interviews lasted between 1 and 2 h each. Data for the focus-group discussions, as well as the interviews included audio recordings, field notes and photographed sticky notes.

Data analysis

The five-step qualitative analysis process of Taylor-Powell and Renner (2003) was used to analyse the data collected from the focus and interview groups. These steps are (1) knowing the data, (2) focusing the analysis, (3) categorising information, (4) identifying patterns and connections and finally (5) interpreting the results.

In focusing the analysis and categorising the information, the researcher applied the approach of directed content analysis to group the themes that emerged from the focus group discussion and in-depth interviews in terms of the four BM template dimensions (Hsieh & Shannon 2005). The ATLAS.ti computer software programme was used to assist with data analysis.

Research quality assurance

A multi-method approach, using focus groups and in-depth interviews, was undertaken to control bias and provide corroboration and supportive evidence. This elevated the degree of confirmability for the study (Lofgren 2014). As a technique of establishing dependability, the researcher reviewed the transcript after having the recorded interviews transcribed into text documents (Lincoln & Guba 1985).

Findings and discussion

The findings presented and discussed here are the results of the deductive content analysis performed on the focus groups and interview data. The aim was to understand the challenges and success strategies of coaching businesses at the hand of the four dimensions of the chosen BM template: VN, VA, VP and VF. The results are summarised in Figure 1. Each BM dimension yielded a number of themes that are discussed in more detail. Based on the sentiment of the theme as judged by the researcher, the themes are classified as being a significant positive factor (indicated by a '+'), significant negative factor ('-') or providing valuable information ('i').

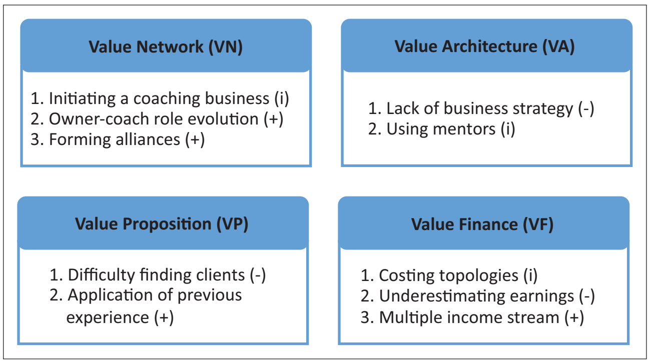

FIGURE 1: Themes relating to the four business model dimensions.

Value network

This aspect of the BM template deals with decision-making, the positioning of the organisation in the value chain, relationships with stakeholders, roles and actors (Zott & Amit 2013).

Theme 1 – Initiating a coaching business

The analysis revealed that family and close friends are often crucial in the early stage of participants' new coaching business launch. Coaches' motivation for setting up a coaching business was accounted for by both 'push' (moving away from unpleasant situations) and 'pull' (being drawn towards enticing situations) factors (Ram & Jones 2008).

Factors that pushed individuals into setting up their own coaching businesses include redundancy, burnout and frustration at being overlooked for promotion:

> 'Time spent at work has a detrimental effect on my social and family life and working in a corporate business consumed my whole life.' (FG2-2, female, previous owner-coach)

Some coaches, especially women and previously disadvantaged individuals, launched a coaching business initiative because of perceived barriers in the traditional work environment.

Pull factors shared by the participants included seeking a greater degree of independence, keeping the rewards of one's own efforts and perceived greater earning potential. This aligns with Fairley and Stout (2004) who emphasise autonomy as a key consideration for coaches to start their own practices.

The reasons for starting a business played a critical role in the continued sustainability in the business of certain participants. Participants relied on their past experience and connections to exploit opportunities:

> 'We have positioned ourselves to work primarily in the public management space and in the development sectors. We have a background there, we have been there, we have the experience there, we understand those sectors, we are passionate about it, and we want to make change in those sectors.' (I-2, female, owner-coach)

Theme 2 – Owner-coach role evolution

Some coaches claimed to be able to evolve as their business evolved, that is, their role in the coaching from the inception phase of the business to the growth phases changed, particularly because of the involvement of more role players. A consistent role between these phases was activities such as continuously seeking and exploiting opportunities. What was clear is that owners in the mature stage of their firms were more focused on managing and communicating, as opposed to start-up owners who were more focused on actual coaching and doing day-to-day operations, which accords with the findings of Gibb and Scott (1985).

An important phenomenon was that coaches who were themselves in 'a circle of other experienced coaches' found that it had a positive influence on their productivity and ability to sustain their business; for example, the experienced coach would highlight the pitfalls to avoid in a business proposition or the detriments of certain approaches to doing things. Martinez and Aldrich (2011) concluded that strong, diverse ties, associated with networking, reduced uncertainty, contributed to the knowledge of small business owners, increased information on other markets, reducing uncertainty and enhanced knowledge of business owners on sources of available capital. Inevitably, the role of the owner-coach in more mature coaching businesses centred around building these alliances.

Theme 3 – Forming alliances

Linked to the previous theme, participants emphasised the importance of alliance formation and saw it as a consequence of their networking efforts. Alliance formation involved creating strong relationships with various stakeholders, such as other coaches, consultants, non-government or not-for profit organisations, suppliers, retailers and civil servants. These alliances, formed nationally, were used to collaborate on certain objectives or to form partnerships to achieve certain outcomes. This finding is in line with other research, suggesting that businesses do not function in isolation, but form part of the larger universe, and in order to survive, a firm must interact with its environments (Van Eeden et al. 2003).

Some participants stated that they were sceptical and resisted networking as it consumed too much time and did not automatically lead to new business opportunities. Participants cited that marketing was both a financial and a time challenge. Interestingly, one participant approached the marketing from a coaching perspective:

> 'When we meet a client for the first time, we apply all the skills: rapport, non-judgement, listening, collecting information. We let them have a coaching experience. That for me is vital. Whenever anybody meets us, they have a coaching experience. So we never have to sell coaching.' (I-4, female, owner-coach)

Certain risk-taking behaviours were attributed to the fact that strong alliances were built, for example, one participant advanced a sizeable capital investment into a multi-party project. This is in line with Kumar, Scheer and Kotler (2000) who argue that risk-taking is part of an entrepreneurial mindset.

Value architecture

This aspect of the BM template relates to the application of resources for the purpose of creating value (Zott & Amit 2013).

Theme 1 – Lack of business strategy

Almost all participants reported having a vision for their business, but only a limited number had concretely expressed this in a BM, business strategy or business plan. The majority had a vision statement, mission statement and values statement purely for credibility; for example, it was a proposition on their websites or Facebook sites or in marketing material. There was evidence that participants' personal values focused and guided the visions for their business to the extent that these statements were not only opportunity-based explanations of why they were in business but also what value they had to offer. This is in line with Keeney's (1992) proactive approach to value-focused thinking that captures the essence of how vision statements involve beginning with where you want to end up.

All participants valued the notion of a business strategy, but for various reasons, such as a lack of time, participants did not devote as much effort as they would like towards formalising their strategic plans. They regarded the process of management itself as being strategic, which was more important than the actual formal plans and written documentation:

> 'What gets me fired up is the art and craft of coaching. The act of designing transformational learning experiences. The business part is so far outside my area of knowing. It is so far outside my comfort zone that it takes work and discipline to stay in that part of it. It doesn't come naturally to me.' (FG1-2, female, owner-coach)

Owners expressed that they used intuitive thinking for strategising on their coaching business. Most owners stated that they do take into consideration the external environment in the way they formulate and structure the business. This is concerning given that a sound business strategy is an important contributor to business success (Thompson et al. 2012).

Theme 2 – Using mentors

In terms of external resources, participants valued working with a mentor after graduating from their coaching training. One interviewee argued that mentorship sometimes borders on consultancy, which seeks to provide protégés with readymade answers to specific problems; for example, in technical fields such as marketing and sales. Even so, a combination of mentoring and consultancy may not provide novice business owners with specific skills to address specific needs, for example, accounting skills and business writing skills.

In describing the ideal mentor or advisor, participants stated that they preferred someone who would be familiar with the world of small business, be able to think and behave like an entrepreneur and have the qualities of a coach; for example, being empathic and having the ability to listen. This finding is in line with the notion that the selection of the appointed advisor must be based on the new business owner's real needs, and this requires a good preliminary diagnosis of his or her problems (Matabooe, Venter & Rootman 2016).

Value proposition

This aspect of the BM template relates to the offering of services, products and activities that create value for users (Zott & Amit 2013).

Theme 1 – Difficulty finding clients

Most participants concurred that finding clients was a daunting prospect. Evidence suggests that acquiring clients in the beginning was a basic reality check for many:

> 'In the beginning I really struggled to get clients, which was surprising because my background was sales and marketing. I thought I used to sell a multimillion-rand software system so I figured that selling coaching for a few thousand rands would be a piece of cake. I was wrong. I really struggled to sign up coaching clients.' (FG2-3, female, previous owner-coach)

To overcome this challenge, participants noted the importance of defining their market clearly and paying attention to the details of client needs. Fairley and Stout (2004) highlight the importance of finding your coaching niche.

Participants operating successful firms aimed for a modest market share within a well-defined niche. Firms had two ways to discover their niche. During the inception stage of the business, the firm targeted as many markets as possible; coaching and providing its value offering as broadly as possible, with the aim of refining its strengths and identifying weaknesses in the different market segments. Being in several markets gave the owner some intelligence to understand what the different markets required and whether or not the firm had the resources and capabilities to sustain itself in those areas. By gradually unbundling their broad approach, the participants stated that they used the intelligence they had acquired to settle into a niche they believed the firm could be competitive in.

The other strategy was to start with a niche and gradually find complementary clients:

> 'The main journey I've been on to get this to be a successful practice is really defining my niche. I've known from the beginning that I've wanted to work with women, but that is not a niche, that's still 50% of the population. I had to narrow it down.' (FG1-4, male, owner-coach)

After having defined their market, the vast majority of owners acquired business through their networks instead of marketing their business. Participants repeatedly emphasised the importance of network, relationships and associations. Benzing, Chu and Kara (2009:85) concluded that membership of associations is key to business success, as 'business associations provide the structure and support for successful lobbying activities' and training. This sentiment was echoed by one of the participants:

> 'To be quite honest, it has been word of mouth and relationships that has helped us continuously along the way.' (FG1-1, female, owner-coach)

Finding clients emerged as one of the most challenging factors in building a coaching business.

Theme 2 – Application of previous experience

Participants noted that general business education and knowledge acquired through previous experience had a positive impact on their performance as owner-coaches. Skills obtained in the areas of finance, strategic planning, marketing (particularly sales) and operations management helped owners to cope with problems and correcting deficiencies in the business. One participant stated that owners need training in these essential business skills:

> 'I'm very under-skilled at things like selling, marketing and negotiations. I realise I have to get much more skilful at them.' (FG1-2, female, owner-coach)

Owner-coaches reported that further education had no impact on them acquiring business. Participants indicated that different knowledge serves different purposes. Participants emphasised that prior industry knowledge gets you going, whilst business knowledge makes a person agile and cognisant of what needs to change:

> 'What I didn't really realise, which is based on 20–20 hindsight, was that the people that run successful coaching practices are coming out of the corporate world. They are able to slot back into the corporate world because they have the credibility, experience and language that corporates operate in.' (FG2-3, female, previous owner-coach)

The participants took information and knowledge from industry to their new trade as coaches and used those competencies together with their coaching talent and knowledge to create new services and opportunities. This finding is in line with that of Naqvi (2011) who emphasised the role of the owner's previous experience in business success. However, there was no relationship between having previously worked in the same industry and profitability or sustainability. There was, however, consensus that there is a relationship between people factors, such as skill and personality, and firm performance.

Value finance

This aspect of the BM template relates to underlying economic logic of the enterprise (Zott & Amit 2013).

Theme 1: Costing topologies

In explaining how their businesses made money, owner-coaches offered several business-pricing typologies to clients. The first typology exchanged the coaches' time for a set fee. The second involved package-based dynamics with total revenue exchanged for the value offerings in the package. The third typology was to work within the prescribed consultancy rates of the hiring company; for example, those owner-coaches doing business with the state had to use the published scales for professional and specialised services. The final typology was to offer free and low-cost coaching.

The first typology offered very little in terms of value capture, as participants indicated that there were too few clients in a day and too few hours available in a day to maximise on the earning potential of such an arrangement. Seeing a single client for 2 h a day, twice a month was described as not being sustainable in the long term. Even with a best-case scenario where a coach had four clients in a day, participants indicated that this would be extremely tiring and psychologically taxing to sustain day after day. According to Hall and Duval (2004), coaches need to have good levels of awareness, concentration, being present to the client and matching and pacing the client. In addition, for every coaching session, there has to be preparation time and debriefing time. Participants explained that this typology was advantageous only when a coach retained a few very high paying clients at any one point.

The second typology has more of a multiplier notion in that there are tiers in the service offering for which the coach charges the client a single package price. Packages change depending on the client segment. Tiers can be added or removed, contingent on the needs of the client and paying capacity. Generally, the tiers comprise some combination of diagnostic analysis, training, workshops, coaching and consultancy. Whilst packages are mainly applicable to corporate clients, owner-coaches have found innovate ways of offering a combination of coaching, wellness camps and workshops to individuals. Other options have a spirituality component instead of wellness.

To satisfy the procurement systems of government or the public sector, coaches were required to structure their offerings within the prescribed fee thresholds for professionalised and specialised services. This third typology requires the coach to establish the target price first and then work backward to bundle a value offering within the prescribed price ceiling of the client. Usually, government paid only on receipt of the outcomes or final deliverables from the service offering, that is, payment would only be received as per periodic agreed milestones or at the conclusion of the contract. This contrasts with the private sector, where payments can be structured weekly and monthly, including pre-payments or advance payments and retainer fees.

Finally, free and low-cost coaching was done either as part of a firm's corporate social responsibility drive or as a teaser to attract new clients. New coaches who were still striving to achieve their benchmarks undertook a great deal of free and low-cost coaching in order to increase their skill levels. Participants clearly agreed that discounts could be offered on packages, but were critical of providing only low-cost coaching, as it required the same level of energy and commitment from the coach. Participants described this typology as devaluing the intensity of the value offering and that it amounted to some form of exploitation of the coaching firm, even under conditions of severe price competition. Because of it being unsustainable, the participants classified it as a disabler, citing this as one of the reasons why so many coaches have exited the profession.

Theme 2: Underestimating earnings

Participants stated that their goal was to bring in sufficient income to cover basic living expenses and the costs of running the business. Most owners with non-economic personal agendas did not want to grow the business and were happy with staying small, as long as they could remain gainfully employed.

Whilst this requirement seemed reasonable and relatively straightforward, they had overestimated the literal time spent on coaching:

> 'I entered the coaching profession thinking that my success would be directly proportional to how good a coach I was. But it didn't work that way. Very few people hired me. I was getting exhausted and overwhelmed.' (FG2-1, female, previous owner-coach)

Those coaches who had exited the profession provided emotional testimonies of financial hardship in trying to succeed alone. This hardship took many forms such as the excessive withdrawal of funds from the business that profit could not offset, rising level of business debt and reduced cash flow. Participants who had exited the coaching business reported unrealistic expectations about sustainability after start-up, for example, overestimating the rate of growth and the profit margins.

Theme 3: Multiple income streams

Many participants explained that coaching services formed part of a portfolio of services, characterised by a high degree of interaction between the coach and client(s). Participants explained that it is essential to adapt coaching service offerings to specific client needs, and the outcome of the full service provision may sometimes only be apparent a whilst after the assignment has been completed. Owner-coaches experimented and ultimately expanded their portfolios as per these examples:

> 'Okay, executive coaching is definitely the area that is my money generator. In addition to that, I do a lot of coaching with educators. I've launched some programs for parents. Also linking with my daughter who's now also come through coaching, we've launched some programs for teens. Together with another coach, we also launched a mother-daughter retreat.' (FG1-1, female, owner-coach)

> 'First it started off with the coaching, then the coaching led me into the health and wellness business. Trying to get more clients into coaching, I had to have something more. I've added massage, yoga, good eating, there's walks on the beach and then there's coaching. So we have actually brought the two together.' (FG1-4, Male, Owner-coach)

Practical implications

This research identified a number of factors that assist and hinder coaching business success as illustrated in Figure 1. Aspiring coaches should take heed of these findings to help them create a realistic view of their prospective coaching businesses and to help them plan the inception of their coaching business. Established coaches could adapt their approach to their coaching businesses by incorporating the findings from this research to their strategy and operations. Coaching training providers are encouraged to expose coaching students to the findings of this research as part of preparing them not only as coaches but also as SME business owners.

Limitations and recommendations for future research

The sample size used in this research was limited and could have been increased to include more perspectives including the clients of coaching businesses. The BM template that was used presents one view of a business and using other BM templates may have yielded different insights. Future research could make more explicit use of a BM template in the data gathering stage to enquire directly about the level of adherence to the template. A quantitative study using a survey created from the findings of this research may also assist in obtaining a more general view of the nature of coaching business practices.

Conclusion

This research set out to identify factors that contribute to creating and maintaining commercially viable executive coaching practices in South Africa. By using a standard BM template, a number of factors that play a role in running a successful coaching business were identified. Positive factors that contribute to success are forming alliances, leveraging previous business experience, employing multiple income streams and evolving as a business owner together with the business. Significant factors that prevented coaching business success include the lack of a clear business strategy, the difficulty of findings coaching clients and underestimating the earnings potential of a coaching business.

To the knowledge of the authors of this article, this is the first empirical research that aims to understand the factors that contribute to a successful coaching practice in South Africa. It is hoped that the findings presented here will be of practical value to the coaching industry, as well as to lay the foundation for future research.

Acknowledgements

All participants signed an informed consent form prior to participating in the study. The participants also received verbal explanations regarding the research purpose, process, their rights and their expected involvement. Data were treated as anonymous and confidential. The researcher kept all interview transcripts in a locked and safe place. The ethical review committee of the researcher's institution also provided approval for this research projects.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contribution

N.H.D.T. authored the article, R.J.J. conducted the research and M.U. supervised the research.

References

Abdelkafi, N. & Täuscher, K., 2015, 'Business models for sustainability from a system dynamics perspective', *Organization Environment* 29(1), 74–96. https://doi.org/10.1177/1086026615592930

African Development Bank Group, 2014, *South Africa economic outlook*, viewed 16 February 2018, from http://www.afdb.org/en/countries/southern-africa/south-africa/south-africa-economic-outlook/

Al-Debei, M.M. & Avison, D., 2010, 'Developing a unified framework of the business model concept', *European Journal of Information Systems* 19, 359–376. https://doi.org/10.1057/ejis.2010.21

Amit, R. & Zott, C., 2001, 'Value creation in e-business', *Strategic Management Journal* 22, 493–520. https://doi.org/10.1002/smj.187

Antonites, A. & Kliphuis, W., 2011, 'An exploratory study on the potential value add of social networking to the entrepreneurial process', *The Southern African Journal of Entrepreneurship and Small Business Management* 4, 1–23.

Babbie, E. & Mouton, J., 2014, *The practice of social research*, 15th edn., Oxford University Press, Cape Town.

Baden-Fuller, C. & Mangematin, V., 2013, 'Business models: A challenging agenda', *Strategic Organization* 11, 418–427. https://doi.org/10.1177/1476127013510112

Banking Association South Africa, 2016, *SME enterprise*, viewed 08 March 2018, from http://www.banking.org.za/

Benzing, C., Chu, H.M. & Kara, O., 2009, 'Entrepreneurs in Turkey: A factor analysis of motivations, success factors and problems', *Journal of Small Business Management* 47(1), 58–91. https://doi.org/10.1111/j.1540-627X.2008.00262.x

Casadesus-Masanell, R. & Ricart, J.E., 2010, 'From strategy to business models and onto tactics', *Long Range Planning* 43, 195–215. https://doi.org/10.1016/j.lrp.2010.01.004

Cavett, B.E., 2015, 'Book review', *International Journal of Evidence Based Coaching and Mentoring* 13(1), 2013–2015.

Cortez, A., 2010, *Risk management: The complete idiot's guide*, Penguin Group (USA) Inc., Alpha.

Coutu, D. & Kauffman, C., 2009, 'What can coaches do for you?', *Harvard Business Review* 87(1), 91–97.

Davies, A. & Brady, T., 2000, 'Organisational capabilities and learning in complex product systems: Towards repeatable solutions', *Research Policy* 29, 931–953. https://doi.org/10.1016/S0048-7333(00)00113-X

Fairley, S.G. & Stout, C.E., 2004, *Getting started in personal and executive coaching: How to create a thriving coaching practice*, John Wiley & Sons, Hoboken, New Jersey.

Forbes.com., 2015, *Five reasons 8 out of 10 businesses fail*, viewed 18 April 2018, from http://www.forbes.com/sites/ericwagner/2013/09/12/five-reasons-8-out-of-10-businesses-fail/

Forbes.com., 2017, *The success and failure of the coaching industry*, viewed 09 May 2018, from https://www.forbes.com/sites/forbescoachescouncil/2017/10/05/the-success-and-failure-of-the-coaching-industry/#3239dbdb6765

Fossey, E., Harvey, C., McDermott, F. & Davidson, L., 2002, 'Understanding and evaluating qualitative research', *Australian and New Zealand Journal of Psychiatry* 36, 717–732. https://doi.org/10.1046/j.1440-1614.2002.01100.x

Freedman, A., 2011, 'Some implications of validation of the leadership pipeline concept: Guidelines for assisting managers-in-transition', *The Psychologist-Manager Journal* 14, 140–159. https://doi.org/10.1080/10887156.2011.570146

Gibb, A.A. & Scott, M., 1985, 'Strategic awareness, personal commitment and the process of planning in the small business', *Journal of Management Studies* 22(6), 597–631. https://doi.org/10.1111/j.1467-6486.1985.tb00014.x

Grodzki, L. & Allen, W., 2005, *The business and practice of coaching*, W.W. Norton, New York.

Hall, L.M. & Duval, M., 2004, *Meta-coaching volume 1: Coaching change*, Neuro-Semantics Publications, Clifton, CO.

Hsieh, H.-F. & Shannon, S., 2005, 'Three approaches to qualitative content analysis', *Qualitative Health Research* 15, 1277–1288. https://doi.org/10.1177/1049732305276687

ICF, 2012, *Global coaching study*, viewed 04 May 2018, from http://icf.files.cms-plus.com/includes/media/docs/2012ICFGlobalCoachingStudy-ExecutiveSummary.pdf

ICF, 2018, *Member fact sheet*, viewed 05 May 2018, from https://coachfederation.org/app/uploads/2018/03/March2018_FactSheet.pdf

Keeney, R.L., 1992, *Value-focused thinking. A path to creative decision making*, Harvard University Press, Cambridge, MA.

Kombarakaran, F., Yang, J., Baker, M. & Fernandes, P., 2008, 'Executive coaching: It works!', *Consulting Psychology Journal: Practice and Research* 60(1), 78–90. https://doi.org/10.1037/1065-9293.60.1.78

Kumar, N., Scheer, L. & Kotler, P., 2000, 'From market driven to market driving', *European Management Journal* 18(2), 129–142. https://doi.org/10.1016/S0263-2373(99)00084-5

Lincoln, Y.S. & Guba, E.G., 1985, *Naturalistic inquiry*, vol. 75, SAGE Publications, New York.

Lofgren, O., 2014, 'Routinising research: Academic skills in analogue and digital worlds', *International Journal of Social Research Methodology* 17(1), 73–86. https://doi.org/10.1080/13645579.2014.854022

Martinez, M.A. & Aldrich, H.E., 2011, 'Networking strategies for entrepreneurs: Balancing cohesion and diversity', *International Journal of Entrepreneurial Behaviour & Research* 17, 7–38. https://doi.org/10.1108/13552551111107499

Matabooe, M.J., Venter, E. & Rootman, C., 2016, 'Understanding relational conditions necessary for effective mentoring of black-owned small businesses: A South African perspective', *Acta Commercii* 16, 1–11. https://doi.org/10.4102/ac.v16i1.327

Maurya, A., 2012, *Running lean: Iterate from plan A to a plan that works*, O'Reilly, Sebastopol, CA.

Naqvi, S.W.F., 2011, 'Critical success and failure factors of entrepreneurial organizations: Study of SMEs in Bahawalpur', *Journal of Public Administration and Governance* 1(4), 96–100.

Nieuwenhuizen, C. & Kroon, J., 2002, 'Creating wealth by financing small and medium enterprises of owners who possess entrepreneurial skills', *Management Dynamics: Contemporary Research* 11(1), 21–28.

Osterwalder, A., 2004, *The business model ontology: A proposition in a design science approach*, University of Lausanne, Lausanne, Switzerland.

Osterwalder, A., Pigneur, Y., Clark, T. & Smith, A., 2010, *Business model generation: A handbook for visionaries, game changers, and challengers*, Self-published.

Passmore, J. (ed.), 2015, *Excellence in coaching: The industry guide*, Kogan Page Publishers, London.

Pretorius, M., 2009, 'Defining business decline, failure and turnaround: A content analysis', *The Southern African Journal of Entrepreneurship and Small Business Management* 2, 1–16.

Pretorius, M. & Le Roux, I., 2011, 'Successive failure, repeat entrepreneurship and no learning: A case study', *SA Journal of Human Resource Management* 9(1), 1–33. https://doi.org/10.4102/sajhrm.v9i1.236

Ram, M. & Jones, T., 2008, 'Ethnic-minority businesses in the UK: A review of research and policy developments', *Environment and Planning C: Government and Policy* 26, 352–374. https://doi.org/10.1068/c0722

Ranerup, A., Zinner Henriksen, H. & Hedman, J., 2016, 'An analysis of business models in public service platforms', *Government Information Quarterly* 33, 6–14. https://doi.org/10.1016/j.giq.2016.01.010

Republic of South Africa (RSA), 2003, *National Small Business Amendment Act (26 of 2003)*, viewed 20 March 2018, from http://www.thedti.gov.za/business_regulation/legislation.jsp

Ries, E., 2011, *The lean startup: How today's entrepreneurs use continuous innovation to create radically successful businesses*, Crown Publishing, New York.

Ropega, J., 2011, 'The reasons and symptoms of failure in SME', *International Advances in Economic Research* 17, 476–483. https://doi.org/10.1007/s11294-011-9316-1

Simon, M.K., 2010, 'Dissertation & scholarly research: A practical guide to start & complete your dissertation, thesis, or formal research project: Recipes for success, CreateSpace, n.p.

Smith, Y. & Watkins, J.A., 2012, 'A literature review of small and medium enterprises (SME) risk management practices in South Africa', *African Journal of Business Management* 6(21), 6324–6330.

Sparrow, S., 2009, 'Becoming a coach', *Training & Coaching Today*, January, 2009, p. 20.

Taylor-Powell, E. & Renner, M., 2003, *Analyzing qualitative data*, 20 April 2018, from http://learningstore.uwex.edu/assets/pdfs/g3658-12.pdf

Teece, D.J., 2010, 'Business models, business strategy and innovation', *Long Range Planning* 43, 172–194. https://doi.org/10.1016/j.lrp.2009.07.003

Timmons, J.A. & Spinelli, S., 2007, *New venture creation: Entrepreneurship for the 21st century*, 7th edn., McGraw Hill, New York.

Thompson, C., Bounds, M. & Goldman, G., 2012, 'The status of strategic planning in small and medium enterprises: Priority of afterthought?', *The Southern African Journal of Entrepreneurship and Small Business Management* 5(1), 34–53.

Van Eeden, S., Viviers, S. & Venter, D., 2003, 'A comparative study of selected problems encountered by small businesses in the Nelson Mandela, Cape Town and Egoli metropoles', *Management Dynamics: Journal of the Southern African Institute for Management Scientists* 12, 13–23.

Zott, C. & Amit, R., 2010, 'Business model design: An activity system perspective', *Long Range Planning* 43, 216–226. https://doi.org/10.1016/j.lrp.2009.07.004

Zott, C. & Amit, R., 2013, 'The business model: A theoretically anchored robust construct for strategic analysis', *Strategic Organization* 11, 403–411. https://doi.org/10.1177/1476127013510466

Zott, C., Amit, R. & Massa, L., 2011, 'The business model: Recent developments and future research', *Journal of Management* 37(4), 1019–1042. https://doi.org/10.1177/0149206311406265