SUPERIOR PERFORMANCE MODEL

TECHNICAL REPORT
Table of contents

The Korn Ferry Superior Performance Model ........................................................................................................ 1

SPM five major components: ........................................................................................................................................ 1
  Superior performance .................................................................................................................................................. 2
  Leadership ........................................................................................................................................................................ 2
  Discretionary energy ...................................................................................................................................................... 2
  Organization enablers ................................................................................................................................................... 4
  People drivers ............................................................................................................................................................... 7

Conclusion ............................................................................................................................................................................ 11

References ............................................................................................................................................................................. 13
The Korn Ferry Superior Performance Model

The purpose of this report is to discuss and explicate the details and utility of the Korn Ferry Superior Performance Model (SPM). The SPM (Figure 1) is a multifaceted conceptual overview showing organizational and people components that improve key organizational outcomes—including growth, productivity, and profitability—by increasing enterprise-wide employee engagement and discretionary effort (Sorenson, 2013; O’Boyle & Harter, 2013). Korn Ferry products and services are aligned to SPM components, supporting organizational success.

Figure 1. The Superior Performance Model.

The demonstrable assumption underlying the SPM is that organizations that take a deliberate and premeditated approach to organizational design, talent, and leadership generally outperform their competitors and foster a workforce much more likely to exert discretionary energy in pursuit of organizational goals. To these ends, Korn Ferry provides products and services that facilitate organizations’ purpose and vision and their choice and focus, as well as enhance organizational accountability and fairness. Korn Ferry services and intellectual property help to provide clarity to organization members in terms of objectives and expectations. They help to align talent and talent capability with business objectives and reward structures in ways that optimize goal attainment and foster commitment and buy-in among personnel. In the sections that follow, we discuss each component of the SPM, reviewing both our own research and literature-based research that speak to the organizational impact of aligning to best practices in these critical areas.

The SPM has five major components:
- Superior performance
- Leadership
- Discretionary energy
- Organization enablers
- People drivers

Much of this report focuses on organization enablers and people drivers, clarifying what they are and summarizing how they contribute to organizational success. Before turning to this analysis, however, we briefly describe superior performance, leadership, and discretionary energy to provide context for our review.
Superior performance
In the SPM, performance is broadly defined, encompassing a variety of positive outcomes at multiple levels of analysis. At the individual level, examples of superior performance include exceptional task and contextual performance, as well as conscientious behavior and very low organizational withdrawal (e.g., turnover, intent to turnover, low engagement). At the organizational level, superior performance indices include financial performance metrics, such as revenue, growth, and profitability, along with other indicators of success, including market share, service level, and client or environmental impact. Our broad definition recognizes that meaningful indicators of performance vary somewhat by organizational type, industry, and purpose. For example, financial performance data are a significant benchmark for publically traded corporations, but are likely to be of limited value in determining how well public service organizations or government agencies are performing.

Our approach to conceptualizing superior performance also recognizes that markers of superior performance are interrelated. For example, in their meta-analysis of human capital and firm performance relationships, Crook, Todd, Combs, Woehr, & Ketchen (2011) observed that operational performance metrics partially mediated the relationship between human capital and global firm performance. Therefore, consistent with Korn Ferry practices and solutions, throughout this report we discuss the impact of organizational and people components on a variety of individual and organizational performance metrics that are interrelated.

Leadership
Korn Ferry research shows that leadership accounts for 70% of the variance in organizational climate, while positive climates increase bottom-line performance metrics, in some instances by as much as 30% (Hay Group, 2015a). As such, in the SPM, leadership is depicted and conceptualized as outlining and encompassing other model components. This highlights the multifaceted influence of leaders on organizational success. Leaders, both individually and collectively, shape and are shaped by organization enablers. Leadership decisions establish, refine, and change organization enablers. Leadership also constructs people drivers, both by disseminating organization enablers through action and communication and by explicit development of talent and talent management systems. In turn, leaders are affected by the organization enablers and people drivers that are embedded in their organizations. Research on the relationship between leadership and other SPM components is woven throughout this report.

Discretionary energy
Central to the SPM is the notion of discretionary energy, which can be conceptualized in part as employee engagement and/or discretionary effort (e.g., Meyer & Herscovitch, 2001). Although engagement has been diversely defined, a common foundational theme is that engagement is a motivational concept reflecting employees’ active allocation of their personal cognitive, emotional, and physical resources at work (Christian, Garza, & Slaughter, 2011). With roots in theory and research on employee attitudes, it is not surprising that engagement has large positive relationships with attitudinal measures, including job satisfaction, organizational commitment, and job involvement (Christian et al., 2011). Nevertheless, evidence suggests that engagement offers incremental utility over job attitudes in predicting a variety of aspects of work performance (Christian et al., 2011; Rich, Lepine, & Crawford, 2010). Throughout this report, we draw on theory and research on engagement, work attitudes, and work motivation to explain the connections between organization enablers, people drivers, and superior performance.
Employees who are engaged and exert discretionary effort work harder than is required of them. They work beyond their job descriptions, tend to persist in the face of challenges, and tend to be more emotionally attached to their roles and organizations. At the team and organizational level, measures of collective engagement and discretionary effort have been characterized as team and/or organizational effectiveness and health indicators (see Schaufeli & Bakker, 2010 for an overview)—and for good reason. Teams and individuals with elevated scores on measures of discretionary effort are more committed and proactive at work (Langford, 2010). They show higher levels of job satisfaction, positive affect, dedication, vigor, and intention to stay in their jobs. They are more productive, more innovative, and stronger performers overall. Engaged employees also influence their colleagues and boost team performance (Bakker, Van Emmerik, & Euwema, 2006). Business units with high collective engagement have greater customer satisfaction or loyalty, less staff turnover, and better safety outcomes (Harter, Schmidt, & Hayes, 2002). Similar relationships have been observed between business unit level satisfaction and unit level productivity, performance, citizenship behaviors, withdrawal, and customer satisfaction (Whitman, Van Rooy, & Viswesvaran, 2010).

Korn Ferry research further illustrates the power of engagement in predicting critical individual outcomes. In a case study with a major health insurer, the proportion of employees exceeding performance expectations was up to 1.5 times higher among employees who reported high engagement. In addition, 78% of high-performing employees who were both engaged and well supported in their roles intended to stay with the organization for five years or until retirement. In contrast, only 24% of high-performing employees who were low on engagement and support intended to stay. Consistent with this pattern, at a leading financial services firm, engagement was a strong predictor of turnover in the two quarters following measurement in an employee survey (Masson & Royal, 2009). Similarly, Korn Ferry research demonstrates that highly engaged individuals are between 10% and 50% more likely to exceed performance expectations. Companies with high engagement have employee turnover rates between 40% and 54% lower than companies with low engagement (Royal, 2012).

Given the relationship between engagement and person/team outcomes, it is not surprising that engagement also has financial implications for companies. For example, Korn Ferry found levels of engagement were linked to indices of sales (vs. target) and cost of operations (vs. target) across the 100 largest stores of a major food retailer in the UK (Masson & Royal, 2009). Another report (Royal, 2012) indicated that organizations in the top 25% on a measure of engagement showed revenue growth 2.5 to 4.5 times greater than companies in the bottom 25%. For a company with $5 billion in revenues, this translated into revenue increases as high as $1.8 billion. The same report noted that companies with high levels of engagement had ROI, ROA, and ROE that were 40% to 60% higher than industry averages. Elsewhere, Langford (2010) estimated that a 5% increase on measures of engagement can be expected to increase revenues and decrease costs associated with a single employee by more than 10% in the favorable direction. Xanthopoulou, Bakker, Demerouti, and Schaufeli (2009) similarly showed significant and notable financial effects of engagement for customer service roles. Overall, across companies, meta-analytic evidence shows that greater collective overall job satisfaction and employee engagement at the business unit level is associated with greater unit productivity and profit (Harter et al., 2002). Interestingly, engagement also has implications for general and national productivity. Recent studies by Korn Ferry and others have shown that 36% or fewer employees globally are highly engaged (Crandell & Korn Ferry Institute, 2016). In the United States, this results in an estimated nationwide productivity loss of as much as $550 billion annually (Gallup, 2013).
Organization enablers

Purpose & Vision (P&V). Purpose and vision represent organizations’ aspirations. An organization’s purpose is its core enduring aim and represents the reason why the organization exists. Purpose shapes the organization’s vision, which is its target future state. Examples of company P&V include building the best product in an industry, delivering exceptional customer service, improving the environment, or even sending people to Mars. P&V is closely linked to the core values of an organization and provides a basis for its culture. Organizational P&V also ultimately provides the direction for formal representations like mission statements and expressions of core values designed for both external and internal visibility. Companies with a clear and effective P&V ingrain their core values into company actions, employee expectations, employee behaviors, and strategic planning. Alignment between a company’s stated P&V and the messages top leadership send throughout the organization has wide implications for company outcomes and measurable benefits for ROI, profits, and venture growth (Hay Group India, 2012; O’Boyle & Harter, 2013; Baum & Locke, 2004). Similarly, the strength and clarity with which a company’s P&V is communicated and woven into organizational practices is positively predictive of employee and customer engagement (Groscurth, 2014; Nanus, 1992; Steele, Reynolds, & Langford, 2011). When employees adopt a strong and clear sense of shared mission, they are more productive and more likely to be committed, embedded, engaged, and to feel responsible for the organization and its image and outcomes (Gallup, 2013; Parkes, 2010; Parkes & Langford, 2008). Moreover, congruence between organization and employee values is predictive of the most adaptive kinds of employee motivation (Ryan & Deci, 2000) which boost engagement, job involvement and organizational commitment, and are also tied to better quality of performance (Gagné & Deci, 2005; Rich et al., 2010).

Research conducted at Korn Ferry illustrates the financial relevance of employee alignment with company direction. Based on employee engagement and enablement scores, 97 companies were classified into four groups. Employees at detached companies had above average enablement, but below average engagement. They were engaged with their individual tasks or roles, but were not aligned with the company direction. These organizations had lower average return on equity and average return on assets than effective organizations where employees were highly aligned with both their roles and the organization, fully motivated, and highly productive. Similarly, a Korn Ferry study of over 900,000 employees shows that companies with high performance on financial measures are notably more likely to have employees who understand, endorse, and know how their roles within the company contribute to accomplishing company P&V (Hay Group, 2015c). Finally, a recent study of over 670,000 respondents working for 112 organizations shows that companies that are in the top quartile in terms of the extent to which employees understand, endorse, and know how their roles contribute to accomplishing company P&V have a workforce that is 16% to 20% more highly engaged compared to companies in the bottom quartile. Moreover, employees who understand, endorse, and know how their roles contribute to accomplishing company P&V are 2x less likely to turnover.

Effective P&V does not typically emerge naturally, nor is it a result of consensus. Rather, effective P&V is typically deliberate and originates from organizational founders and/or top leadership teams. In fact, one indicator of top team effectiveness is the extent to which leaders establish and communicate P&V and provide leadership and structures that reflect and are aligned with it (Lencioni, 2002). P&V is a major component of strategy formulation and, when effective, is aligned with it. Adoption or deliberate (re)alignment efforts involving company P&V can lead and inform turnaround efforts and bring clarity to high-stakes decisions (Pelletier, 2013). Alignment is also informed by the market and can succeed or fail according to its alignment with the market. As such, derailing companies often turn to P&V—whether in terms of redefining it or realigning with it—as a guiding light for getting back on track.
P&V is often deliberate and actively attended to, and P&V development is best when there is a formal and structured effort to design, measure, and optimize it (Collins & Porras, 1996; Collins & Porras, 2004). At Korn Ferry, these efforts are often undertaken in conjunction with wider efforts targeting organizational strategy and structures, operations, and compensation. Understanding the connection between P&V and personnel is crucial for fostering commitment and promoting high levels of employee engagement (Masson & Royal, 2009).

**Choice & Focus.** To achieve their organization’s P&V, leaders need to systematically direct their resources and organize their employees. Executives choose what two or three things the organization will focus on that will deliver success and what to say no to. These decisions are documented and disseminated in the organization’s strategy. For example, a strategy may articulate the decision to compete through innovative product development rather than moving into new geographic markets. To effectively execute the strategy, leaders also make critical choices about the organization’s operating model and structure. Operating models specify ways of executing strategy to realize P&V. For example, leadership in one organization may opt for a decentralized approach, while another may choose centralization. Organizational structure is closely linked to the nature of services, products, and processes and, as such, can be designed in ways that best facilitate business operations and execution upon company strategy (Thompson, Strickland, & Gamble, 2009). Organizational structures facilitate and help define the way individuals relate to each other. They define reporting relationships, fit people to roles, and help to inform choices around technologies and processes. They also have implications for how people are promoted and rewarded and for understanding what it means to be successful at the individual and collective level.

Of the many types and sub-types of organizational structures that companies employ, the most traditional evoke phrases like “chain of command,” and operate hierarchically and often bureaucratically. Despite being increasingly described as outdated, traditional hierarchical structures remain effective in many cases—particularly when organizational strategies emphasize standardization, predictability, and efficiency in (often large scale) production and service (Cameron, Quinn, Degraff, & Thakor, 2014). Today’s business organizations are increasingly complex, being less commonly purely hierarchic and increasingly “horizontal,” “flat,” and matrixed, with more complexity and fewer levels of hierarchy between decision makers and task-oriented contributors. These structures emphasize collaboration and collective ownership and responsibility. They are best suited to strategic goals involving innovation and creativity, wherein teams are granted autonomy in terms of how and sometimes what work will get done (Morgan, 2014). In general, organizational structures interact with strategic priorities in ways that can be optimized or problematic, depending on design. Stated differently—organizational structures are good or bad according to their degree of alignment with goals and strategies (Rothmann & Cooper, 2013).

Organizational structures are commonly overlooked by companies and may be seen as simply inherent or naturally emerging (Corkindale, 2011). As such, structures, and even ineffective structures, can suffer from resistance to change as organizational players get comfortable with common ways of getting work done. Over time, inert and ineffective structures can impede growth by limiting decision-making discretion and creating approval chokepoints, which are sometimes signaled when organizations are not able to seize what they know are clear and otherwise suitable business opportunities (Sisney, 2012). Companies experiencing this kind of inertia, or that find themselves in times of rapid transition, sometimes turn to formal services to assist in designing and optimizing their organizational structures—and for good reason. Research has shown that ineffective team and reporting structures (that impede cross-team interactions), for example, can have strong implications for product development speed and success or lack thereof (Sosa, Eppinger, & Rowles, 2004). Sound organizational structures cut costs and promote growth. Ineffective and misaligned structures are associated with increased employee turnover, decreased employee engagement, and
difficulty in securing and retaining top talent for needed roles (Magloff, n.d.; Parkes, 2011; Cale, n.d.). Deliberate and effective organizational structure design has been shown to save thousands of man hours annually, many of which are largely based on creating more effective communication channels (Human Concepts, 2007).

Korn Ferry offers consulting and benchmarking services that enable organizations to choose the right structures to help organizations meet their goals. For example, Korn Ferry recently helped three retailers to redesign their structure with an emphasis on head office support functions, including headcount numbers based on global benchmarks. In each case, the organization design criteria were based on the organization's strategy. The first restructuring followed a merger and improved cost competitiveness. The second case supported a major turnaround aimed at becoming more customer focused to rekindle growth. The last case involved designing a new structure to enable the company to triple in size in four years.

**Accountability & Fairness.** Accountability, fairness, and reward structures are closely linked, and employees are increasingly aware of how these practices affect their overall work experience. When organizations are deliberate in their approaches to these areas, they maximize opportunities to boost company and individual outcomes (Jensen, McMullen, & Stark, 2007). Consider that people who are, and perceive that they are, paid fairly are more than twice as likely to be highly engaged and exert discretionary effort toward their careers. They are also less likely to suffer from problematic work-related stress, less likely to report intent to leave, and more likely to be healthy and satisfied with their jobs and lives (Szypko, 2014). Pay fairness and related perceptions occur in both absolute and relative terms, and both have impact on employee outcomes (Takei, Sakamoto, & Murase, 2009). This means that systematic efforts to ensure fair pay should also include rationale as to why given jobs warrant given pay in terms of overall accountability and accountability relative to others. Pay should also be linked to market forces and comparability. When gathered systematically, related information provides organizations and management ways to explicate pay fairness to employees. When employees understand how pay is determined, when they believe that pay is related to performance, and when they know what is required of them to earn pay increases, they are far more likely to perceive their pay as fair and just (Rasch & Szypko, 2013).

When jobs are designed systematically and job accountability is explicated clearly, not only are pay scales well informed, but employees and companies also generally benefit. In fact, clear accountabilities and expectations have been characterized as basic needs and necessary antecedents to engagement and discretionary effort for employees (Crowley, 2013). Systematic job design facilitates autonomy and a clear sense of agency in particular roles, and related support from leaders encourages employee self-initiation behavior, self-monitoring, adaptive motivation, sense of personal ownership, and increases in work quality and performance (Gagné & Deci, 2005). When leaders can clearly explicate the purpose of a role, the outcome expectations, the magnitude of responsibility, the reporting relationships, and the degree of autonomy granted, and they are clear concerning the knowledge skills and abilities required for a role, they facilitate person-job fit and engagement. They also increase the likelihood that workers will adopt the most adaptive motivational orientations to their roles. This, in turn, has a direct impact on task and contextual performance (Piccolo & Colquitt, 2006; Christian et al., 2011; Shantz, Alfes, Truss, & Soane, 2013; Lewis, Goff, Jones, Hezlett et al., 2015). A robust system for creating and maintaining a well-designed, lucid, and actionable set of job descriptions is a core organizational enabler that sets the foundation for people drivers and discretionary effort, in addition to facilitating human capital acquisition and allocation in general.

Job measurement tools can be employed to design and determine a job’s scope and level of accountability. At Korn Ferry, these and other questions are systematically targeted using the Job Evaluation Manager (JEM). The JEM helps to characterize and structure jobs and job accountabilities,
and assigns formal scores to jobs that can inform pay grades, company structures, succession, and hiring plans and needs. It also addresses key organizational questions concerning whether job functions are aligned with overall company strategy and whether accountabilities are duplicated or underrepresented. Job measurement can be used in conjunction with Korn Ferry market pay databases, which are comprised of more than 20 million incumbents from 24,000 organizations in over 110 countries. These databases are mined and employed to inform fair and competitive pay using the Korn Ferry PayNet application and direct consulting.

To illustrate, Korn Ferry helped define jobs and establish a consistent and fair salary system for a diversified organization conducting business within multiple industries. This diversity had resulted in independent business lines, each with its own compensation programs, processes, and grade structures. Partnering with the organization, Korn Ferry created common job family models across more than 50 different job functions, defining the levels of work, expectations of each employee, and job requirements. Then the project team defined salary ranges, common compensation policies, and administration procedures. A consistent management incentive program also was established. The outcome was a common, integrated framework that crossed the boundaries of the organization, facilitating employees’ movement from business unit to business unit to take advantage of the huge number of career opportunities available. It also created efficiency and the potential for cost savings by reducing duplicate, parallel processes.

**People drivers**

*Clarity.* When companies have strong leadership, purpose, strategy, and accountability aligned with sound organizational structures, they create conditions to maximize clarity throughout the organization (Sisney, 2012; Hay Group, 2003). Role clarity is a key component of team and individual success and involves the extent to which individuals and teams are clear in terms of expectations, duties, and how they contribute to the organization’s success. Multiple motivational theories examine and explain relationships between employee clarity, motivation or engagement, and performance outcomes. It is well established, for example, that individuals who are committed to specific and difficult goals perform better than those who have vague, unclear goals to “do your best” (Locke & Latham, 2002; 2006).

Clarity can be conceptualized and measured as a component of organizational climate (Hay Group, 2000) and is markedly correlated with a variety of outcomes and leadership qualities. Climates characterized as having high clarity tend to see increases in profits (Hay Group, 2002). Korn Ferry researchers have demonstrated clarity’s strong association with increases in net operating income and profits with effect sizes as high as 41% and 34% of the variance, respectively (Watkin & Hubbard, 2003). When leaders create clarity, they and their teams are more likely to exceed performance targets and monetary goals (Sala, 2002). Korn Ferry research has also found that schools with leaders who create a climate of high clarity for faculty and staff perform notably higher on formal national measures of school performance (Barnard & Lees, 1999). Climates with higher levels of clarity are also associated with general ratings of business unit performance in hospitals and elsewhere (Mulrooney & Sala, 2002). For individuals, role clarity is positively associated with measures of job performance, engagement and job satisfaction, organizational commitment, and higher idealization of one’s own job (Hartenian, Hadaway, & Badovick, 1994; Mingo & Langford, 2008).

At Korn Ferry, climate can be formally evaluated among business unit leaders and contributors. Climate is conceptualized as largely a result of leaders’ management styles and when positive—including high marks on measures of clarity—team climate positively impacts team performance, individual motivation, and business financial outcomes (Hay Group, 2015b). The Korn Ferry Leadership Styles and Climate (S&C) assessments (Wolff & Schoell, 2009) systematically examine,
among other things, the extent to which leaders are creating positive climates that foster clarity. The S&C tool is based on Korn Ferry’s talent databases of more than 400,000 leaders and 1.8 million subordinate assessments. It can be used as part of consultative interventions and leadership effectiveness audits that target problems involving lack of clarity, and underscore and facilitate development—including leadership development—in areas where team performance or productivity is lagging.

**Capability.** “Whether a company is a Fortune 500 corporation or a small restaurant, its success is closely tied to the quality of its employees” (Breaugh, 2012). This is how Breaugh prefaced his contribution in the *Oxford Handbook of Personnel Assessment and Selection* (2012, p. 68). Talent and workforce capability are perhaps the cornerstone of organizational effectiveness, and researchers note that human capital concerns increasingly trump even concerns over financial capital in organizations.

The capabilities that directly determine work performance are job-relevant experience, knowledge, skills, and motivation. These, in turn, are shaped by indirect determinants of performance, including situational factors such as education and experience, and individual characteristics such as traits and abilities (Campbell, 2012). For example, it is well established that general cognitive ability strongly and positively influences the acquisition of job knowledge which, in turn, strongly and positively influences job performance (Hunter & Schmidt, 1996; Schmidt & Hunter, 2004). These relationships hold across numerous jobs, including leadership roles. Cognitive ability is also positively related to leaders’ emergence and effectiveness (Judge, Colbert, & Ilies, 2004), as are personality traits (Judge, Bono, Ilies, & Gerhardt, 2002). Traits comprising the Five-Factor Model—which is a focus of many Korn Ferry assessments—are related to diverse metrics of employee motivation and engagement and, in turn, performance. Individuals higher on Emotional Stability and Conscientiousness, for example, are more likely to be adaptively motivated, as measured with concepts grounded in three major motivational theories of work performance: goal setting, expectancies, and self-efficacy. Extraversion is also robustly related to self-efficacy (Judge & Ilies, 2002), as well as engagement (Christian et al., 2011). Conscientiousness, as well as proactive personality, is positively related to engagement (Christian et al., 2011). As mentioned previously, well-established theories and research on work motivation have demonstrated strong ties between motivation and performance. In addition, engagement and stable drivers or motivation (e.g., Accomplishment Striving, Status Striving) also mediate the relationship between traits and performance (Barrick, Stewart, & Piotrowski, 2002; Christian et al., 2011).

Classic approaches to examining the relationship between capabilities and work performance have emphasized main effects and, to a lesser extent, interactions between abilities and traits. Although the generalizability of the predictive power of some traits and abilities across many jobs has been established, it also has been widely accepted practice and wisdom that capabilities must be relevant to the role, and that specific role requirements are highly variable across jobs. Theories of fit suggest that individual differences also interact with organizational features. For example, Attraction-Selection-Attrition (ASA) theory holds that individuals are attracted to, select, and remain in roles aligned with their values (e.g., Chatman, 1989). Our research supports the importance of considering organizational and job features when making decisions about people and individual fit for roles. In some instances, the relationships between leader capabilities and outcomes are moderated by job and organizational characteristics. In a recent study, for example, we found that evaluating the moderating effects of job and organizational factors on traits’ predictive utility resulted in models predicting up to a 13x increased likelihood of high engagement among leaders (Lewis & Jones, 2016). Elsewhere, we found that certain traits such as composure and detail orientation are markedly more salient for success among leaders whose roles are more tactical, stable, and expert-oriented in nature, whereas measures such as curiosity, tolerance of ambiguity,
and adaptability are far more salient for roles characterized by strategic decision making and volatile objectives (Lewis, Goff, Jones, & Hezlett et al., 2015).

There are many ways to assess the capabilities of employees and leaders. Interviews, recruiter expertise, resume review, and background checks continue to serve an invaluable purpose in identifying the right pool of candidates for particular roles, promotions, and succession opportunities. Organizations are also increasingly turning to behavioral, cognitive, social, competency, and psychological assessments in order to help identify, develop, and/or deploy capable employees. Related assessments are employed to inform succession planning, selection and recruitment, potential, readiness, and developmental efforts. Our research has demonstrated the positive impact of using Korn Ferry individual assessments and leadership development programs on superior performance. For example, in examining high-touch simulation assessments, we found that leaders completing a Korn Ferry CEO simulation and declared “ready” averaged nearly 2.5 years longer tenure than leaders about whom Korn Ferry expressed reservations or did not recommend. Recommended candidates also had an average tenure of six years (or more, as a majority were still in their jobs when the research was conducted), which exceeds the average tenure of Fortune 500 CEOs today (4.6 years). With estimates of the costs of CEO departure at $12 million for a small-cap company and $52 million for large cap, choosing a CEO is a high-stakes decision (Blazek, 2015).

Elsewhere, we found that the companies of CEOs who performed the best on Korn Ferry’s Readiness Assessment had stronger financial performance across the three outcomes (Market Cap, Stock Price, and Revenues) than did the companies of CEOs who performed less well on the assessment. High-scoring CEOs’ companies also outperformed peer groups of competitor companies (Blazek, Jones, Lewis, & Orr, 2016).

The benefits of Korn Ferry leadership simulations extend to multiple levels of leaders. Korn Ferry correlated 642 leaders’ assessment results with boss performance ratings collected 12 to 24 months later. We found that when executive teams hire a candidate who is “strongly recommended” by Korn Ferry (based on test, interview, and simulation), they are eight times more likely to hire a top performer. Similarly, rejecting a candidate who is “not recommended” according to Korn Ferry assessment reduces the risk of hiring a bottom-quartile performer by a factor of eight. When Korn Ferry assessments and interviews are used by themselves, their capacity to predict performance is 18% more accurate than the average assessment center. When simulations are also used in the assessment process, Korn Ferry assessment validity jumps to 96% above average (Goff, 2014).

Korn Ferry is a leader in evaluating and developing capabilities, particularly in the areas of recruiting, high potential identification, and leadership development. We offer state-of-the-art, fake-resistant assessments that measure critical capabilities known to be related to performance and potential. These capabilities include the Four Dimensions of Leadership and Talent: Competencies, Experiences, Traits, and Drivers. We also offer assessment centers to provide more high-touch assessment of senior leaders’ capabilities. With assessment data on over 5 million leaders, we help organizations recruit and select the talent that is best aligned with their needs. We also help organizations develop the capabilities of their talent through a variety of products and services, including 360-degree feedback assessments, developmental assessment centers, executive coaching, and a broad array of leadership development programs.

**Commitment.** Job and organizational commitment are sometimes characterized as components, correlates, or antecedents to employee engagement and discretionary effort (Christian et al., 2011; Meyer & Herscovitch, 2001). Commitment can be emotional; it can be linked to a sense of reciprocal obligation; and it can result from perceptions of the quality of the employee-employer relationship (Jaros, 2007; Allen & Meyer, 1990). Committed employees, particularly those who are emotionally committed, are more engaged and invest more discretionary effort in their roles. They are also
less likely to leave the organization or be absent, more likely to report clarity in their roles, and are notably more likely to be high performers (Hay Group 2015b; Goffin & Gellatly, 2001; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Memari, Mahdieh, & Marnani, 2013). Companies with a greater percentage of committed employees show greater relative performance and profitability within their industries (TNS Intersearch, 2003). Korn Ferry research has shown that CEOs who effectively foster team commitment have increases in net operating income and profits, with effect sizes of 46% and 8% of the variance, respectively (Watkin & Hubbard, 2003). Elsewhere, Korn Ferry has observed strong associations between top team commitment and gross margin ($r = .66$) and between top team commitment and profits ($r = .61$) (Hay Group, 2002).

At Korn Ferry, commitment and engagement are seen as human potential factors—especially when combined with enablement and key organizational supports. Enablers include aforementioned factors and others such as clarity, strong purpose and vision, aligned organizational structures, clear accountabilities, pay fairness, and person-job fit (Hay Group, 2015b). Employees are also more committed when they trust their organization and when they perceive good working conditions, quality performance feedback, and have clear paths to rewards (Meyer et al., 2002; Chughtai & Zafar, 2006). In the absence of these key environmental enablers, engaged employees still generally perform better than other employees, but they can also be among the more likely to leave the organization due to frustration resulting from inhibited and unsupported desire to contribute and help the organization succeed. In general, committed employees stay longer in the organization and, therefore, lower the cost of hiring and training of new staff. These costs can be significant: more than 5% of the operating budget in the healthcare industry, for example (Waldman, Kelly, Arora, & Smith, 2004). Lower turnover also prevents disruption of teams and lower morale among fellow employees.

Korn Ferry provides services that help organizations leverage employee input to enhance performance. Solutions for gathering feedback across the employee life cycle support ongoing monitoring of employee engagement—and the extent to which work environments enable motivated people to perform at their best. The Korn Ferry Engaged Performance Framework and Survey allows benchmarking against an employee opinion normative database comprised of responses from over 6 million employees in leading organizations worldwide (Hay Group, 2015b). Studies have shown the ROI associated with enhancing employee engagement and enablement to be in the hundreds of thousands or even millions of dollars. Engaged performance services impact revenues, retention, and costs associated with employee turnover and low employee performance (Hay Group, 2015b).

For example, Korn Ferry worked with a service organization with a largely remote-based workforce to identify the connections of engagement and enablement with three sets of performance outcome data: employee (retention), customer (service quality, retention), and financial (gross margin, revenue growth, etc.). Through a two-phased analytic approach, Korn Ferry estimated how changes in survey responses predict subsequent changes in the key performance outcomes. For example, a 1 percentage point increase in survey responses assessing employee engagement was linked to just under a .40% increase in the retention of sales employees, and a 1 percentage point increase in survey responses measuring enablement was associated with about a .50% gain in gross margin. As a result, the organization is enabled to prioritize where it can achieve the best return on investment in its people.
Conclusion

In this report, we have provided an overview of the scientific foundations of the Korn Ferry Superior Performance Model (SPM). Although simple, the SPM is grounded in a diversity of theories and complex research results on individual and organizational performance. By shaping, refining, and improving diverse organizational and people enablers of superior performance, organizations are able to realize their full potential, meet new market pressures with agility and ingenuity, and are positioned to dominate in the highly competitive and fast-changing economic landscape that lies ahead.
References


Blazek, E. S., Jones, J. A., Lewis, J. L., & Orr, J. E. (2016). Leading indicators. Ensuring the right mix of a CEO’s competencies can result in longer tenures, and play a key role in how organizations are guided well. Proof Point. Minneapolis, MN: Korn Ferry.


About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group and Futurestep divisions. Visit kornferry.com for more information.