Korn Ferry Readiness Assessment

Description and technical brief
# Table of contents

- **Introduction** .................................................................................................................................................................................. 1
- **Business need, conceptual overview, and KF4D** ............................................................................................................................... 1
- **Assessment overview: The science of the Korn Ferry approach** .................................................................................................. 3
- **The Korn Ferry mixed-model approach applied** ............................................................................................................................ 4
- **The Korn Ferry scenario design** ......................................................................................................................................................... 6
- **Success Profiles – Linking the assessment to job performance** .................................................................................................. 6
- **Process standardization and evaluation guides** ............................................................................................................................... 7
- **Assessor qualifications, training, and calibration** ............................................................................................................................. 8
- **Multiple assessors** .............................................................................................................................................................................. 9
- **Scoring** ............................................................................................................................................................................................... 9
- **Norming** ......................................................................................................................................................................................... 9
- **Reporting** ........................................................................................................................................................................................... 9
- **The Korn Ferry validity record** .......................................................................................................................................................... 11
- **Additive nature of validity** ................................................................................................................................................................. 12
- **Financial outcomes and CEOs** ........................................................................................................................................................... 13
- **Assessments and CEO failure** ........................................................................................................................................................... 14
- **Virtual vs. in-person simulations** .................................................................................................................................................... 15
- **Fairness** .............................................................................................................................................................................................. 16
- **Sub-group differences** ....................................................................................................................................................................... 17
- **Participant satisfaction** .................................................................................................................................................................... 17
- **References** ....................................................................................................................................................................................... 19
Introduction

This manual provides an overview of the Korn Ferry Readiness Assessment (KFRA). The KFRA comprises a suite of tests, interviews, and high-fidelity “year in a day” simulations designed to predict the performance of leaders and senior professionals at all levels. It has been used for five decades to help organizations accurately identify individuals who are ready to perform as effective, higher-level leaders and provides organizations and individuals the insight to help successfully meet the challenges of new or existing roles.

The Korn Ferry Readiness Assessment is a high-touch, simulation-based assessment founded on the “assessment center method.” Assessment center (AC) technology is widely and effectively used (Jackson, Lance, & Hoffman, 2012). ACs have been authoritatively described as “valid, fair, legally defensible, and acceptable to candidates and other stakeholders in a wide variety of jobs” (Thornton & Gibbons, 2009).

Business need, conceptual overview, and KF4D

The value of correct decisions for a succession pool or a top-quality senior-level hire is incalculable. The cost of decision errors can exceed hundreds of thousands or millions of dollars and include:

- The cost of an improper hire on revenue, profit, and total shareholder value.
- Search fees and internal recruitment costs of a failing executive’s hire.
- Severance, HR, and legal costs associated with the departure.
- Search, relocation, interim leadership associated with filling the vacancy.
- Loss of leadership productivity during absence and time for the new executive to join and integrate into the environment of a new role.
- Loss of momentum, opportunities, progress toward objectives, and prior investment in the executive.
- Team inefficiencies resulting from the departure.
- Decreases in moral, motivation, productivity, overall employee engagement, satisfaction, and retention in the unit.
The foundation of Korn Ferry assessments is the Four Dimensions of Leadership and Talent. Performance in the workplace is governed by the four dimensions: Competencies, Experiences, Traits, and Drivers. All four of these critical dimensions are part of the Korn Ferry Readiness Assessment. Research shows these four areas to be highly predictive of performance differences and correlated with key organizational outcomes: engagement, retention, productivity, leadership effectiveness, and leadership potential.

**Competencies**
Skills and behaviors required for success that can be observed.

FOR EXAMPLE: Decision quality, strategic mindset, global perspective, and business insight.

**Experiences**
Assignments or roles that prepare a person for future roles.

FOR EXAMPLE: Functional experiences, international assignments, turnarounds, and fix-its.

**Traits**
Inclinations and natural tendencies a person leans toward, including personality traits.

FOR EXAMPLE: Assertiveness, risk taking, and confidence.

**Drivers**
Values and interests that influence a person’s career path, motivation, and engagement.

FOR EXAMPLE: Power, status, autonomy, and challenge.
The primary client questions addressed by KFRA are Readiness and Fit, though longer-term Potential and Derailment risk are also addressed in reporting.

<table>
<thead>
<tr>
<th>Performance</th>
<th>Potential</th>
<th>Readiness</th>
<th>Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>How effective is a person in their current role?</td>
<td>Does a person have the future capacity to be effective in a more challenging role at a higher level?</td>
<td>How prepared is a person in the near-term to perform in a more challenging role or level?</td>
<td>How well suited is a person to the specific role, business context, and culture?</td>
</tr>
</tbody>
</table>

What to assess for:

- **C**: Competencies and Traits needed for current role.
- **E**: Experiences, Traits, and Drivers needed for broader, deeper, or more complex roles or higher levels in the future.
- **T**: Competencies and Experiences needed for broader or next level roles soon.
- **D**: Competencies, Experiences, Traits, and Drivers needed now for a specific role, business context, and culture.

The Korn Ferry philosophy and approach to high-touch simulation-based assessments have been described elsewhere (Bank, Brock, Ramesh, & Hazucha, 2012; Connelly, Ones, Ramesh, & Goff, 2008; Hazucha et al., 2011), and much of that content will be recapped only briefly here. In short, from a technical perspective, Korn Ferry designs and executes its simulation-based assessments to maximize the retrieval of competency-related variance from unique high-fidelity business simulations, interviews, and tests. This valid variance derives and accumulates from individual display carefully selected, well-designed, high-fidelity business simulations, interview, and psychometric-based tests selected to predict performance on those competencies. Multiple unique sources of valid variance form the foundation of Korn Ferry assessments.

**Assessment overview: The science of the Korn Ferry approach**

The assessment center method is a class of assessments which, in application, vary in their execution and effectiveness. Modern assessment centers generally share the following features:

- Multiple simulation exercises tailored to job requirements.
- Recording of scores on multiple competency dimensions.
- Multiple assessors for behavioral observation.
- Integration of behavioral observations across assessors into overall ratings.

ACs vary greatly in specifics of design, assessor role, assessor training, assessment process, and scoring.
Kuncel and Sackett (2014) have described the ratings in assessment centers as unique pieces of complementary competency information collected across relevant situations, which, when aggregated, form cumulative competency variance, which, in turn, forms the basis of assessment center validity. In fact, other research using, in part, Korn Ferry data suggests that simulation dissimilarity contributes to greater overall assessment validity (Speer, Christiansen, Goffin, & Goff, 2014). They describe this capture of unique competency variance from dissimilar simulations as “situational bandwidth.” A similar perspective has been captured also by Hoffman, Melchers, Blair, Kleinmann, and Ladd (2011) in the aptly titled “Exercises and Dimensions Are the Currency of Assessment Centers.” They describe the internal structure of assessments as comprised of general performance, dimension-related variance, and simulation-related variance—all of which can contribute to assessment validity.

Lievens (2009) has noted that the criterion validity of assessments can be well understood if we assume: dimensions are competencies conditional on situational activation as opposed to stable traits; exercises are situational cues as opposed to parallel measures; candidate behavior is variable as opposed to stable; and assessors are accurate as opposed to flawed. In fact, Cahoon, Bowler, and Bowler (2012) analyzed 23 previously published studies of multi-trait multi-method (MTMM) matrices of assessment structure. They found more than half of the variance, 55.89%, in the matrices was person-related, that is, general person performance, competency-related, person x competency, or person x exercise. Far from being construct impoverished, assessments are apparently rich in person-related variance relevant to the competencies and business challenges incorporated in the simulations.

Korn Ferry’s historic and current philosophy on assessment is that all person-related variance in the assessment—whether general person performance, competency-related, person x competency, or person x exercise—has the potential to be valid variance for prediction of performance. Our challenge is to capture that valid variance from all sources.

The Korn Ferry approach has always been to design assessments such that performance in the assessment is displayed in the context of diverse exercises, interviews, and tests that elicit behaviors founded in individual difference constructs represented by the competencies. It is an interactionist perspective designed to capture valid variance. Our focus on multiple specific behaviors for each competency in each simulation and in interviews allows the collection of many more data points than overall judgment ratings of dimensions. Combined with careful design and selection of simulations, we strive to enable accumulation of more general and unique valid variance for prediction of performance.

**The Korn Ferry mixed-model approach applied**

Korn Ferry simulation-based assessments are “mixed-model” assessments (Bank et al., 2012). Mixed-model refers to selection of both the competencies to assess and the simulations to apply based on performance demands and expectations of the role, as understood in the Success Profile.
Concerning the relative merits of a competency vs. exercise-based approach to ACs, we believe it is not an either/or proposition. It is the interaction of the person and situation that will determine success. Our mixed-model approach supports criterion validity and face validity, and both are relevant to our clients’ acceptance of the assessment process and results. Our mixed-model approach designs an assessment based on the job and business challenges of a client. The exact competencies to assess and the simulations to be used vary, depending on these challenges. This ensures alignment with the performance expectations of the client for the role. Often, simulations will be designed specifically to meet the needs of a client or to reflect the specifics of a client’s competency model. An illustrative structure of an assessment is shown in Table 1 and reflects a subset of the competencies and simulations available in our library of content.

Table 1. Assessment structure

<table>
<thead>
<tr>
<th>Competency</th>
<th>Behavioral interview</th>
<th>Psychometric-based testing</th>
<th>Business review exercise</th>
<th>Direct report meeting</th>
<th>Peer meeting</th>
<th>Boss meeting</th>
<th>Customer meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manages complexity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Decision quality</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Balances stakeholders</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Global perspective</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cultivates innovation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Strategic mindset</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Plans and aligns</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ensures accountability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Drives results</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Collaborates</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Builds networks</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Develops talent</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Builds effective teams</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Persuades</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Drives vision and purpose</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Courage</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Instills trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manages ambiguity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Situational adaptability</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Note: For the Korn Ferry Readiness Assessment at CEO and SE levels, four of the competency titles are labeled as follows:

- Strategic mindset changed to Strategic vision
- Plans and aligns changed to Aligns execution
- Builds networks changed to Navigates networks
- Drives engagement changed to Engages and inspires
The Korn Ferry scenario design

The scenario design process includes careful and exhaustive elaboration of the history, business status, strategy, competitive landscape, talent situation, and the immediately challenging business issues facing a leader in a fictitious Global 1000 company. The design then deploys these aspects of the business scenario embedded in high-fidelity simulations crafted to elicit the specific behaviors which will differentiate high competency from lower competency performance—those necessary for success in similar situations in the new role.

A clear understanding of job tasks and evaluating their criticality for success on the job are the foundation of the assessment design. Simulations are developed to represent a variety of very challenging high-fidelity business situations in the context of a simulated company and for various levels of leadership. These challenging situations will tease apart differences in behavioral performance that less carefully designed simulations are unlikely to capture. The competencies, interviews, tests, and simulations all capture the key characteristics and competencies that differentiate participant performance in the real world. Multiple sources of data and consistent process are critical.

Success Profiles – Linking the assessment to job performance

The Korn Ferry process starts with a Success Profile. A Success Profile provides insight into a specific job, job family, or level within an organization. It is a snapshot into critical components for success—a comprehensive view on what it takes to be successful in that environment. It lists specific competencies and points out those that are critically important for success.

Success Profiles identify:

- Specific leadership challenges for this job or level.
- Specific business challenges for this job or level.
- Critical competencies.
- Critical experiences.
- Potential derailers that might interfere with success.
- Leadership style and values that are important to the culture.
- Career options and rewards associated with this job or level.

To put each of the specific components into greater organizational context, the profile also includes the organizational vision, mission, and strategy.

We use Success Profiles to configure the “right” assessment solution. For example, if we discovered through the Success Profile process that a key business challenge is to work cross-functionally in a matrix environment, it would make more sense to include a peer meeting that deals with a cross-functional initiative rather than include a direct report meeting about process optimization. A boss meeting may focus on formulating, initiating, and executing strategies. This may be particularly useful for a firm which has rapid strategic change as a business challenge. Another role at a different firm may focus on process execution and margin control. This focus may mean we incorporate a business process exercise and a direct report meeting. Some of the same competencies may be included in each simulation, and many of the same behaviors, if the content is designed to elicit them. In some cases, different behaviors representing a competency may be in some simulations, depending on the content of the simulation.
In each case, though, the job requirements drive the decision to use specific simulations and drive competencies to be assessed in the design. We understand the context in which these leaders face different leadership challenges, perform key responsibilities, and demonstrate key skills or behaviors.

Typically, clients choose two to four simulations to include with the interviews and tests in the assessment. It is critical to choose the right configuration for the client’s time, budget, and business need. While the configuration of assessments may be different for each client and role, the process of design and delivery of each assessment is extraordinarily consistent as described below.

**Process standardization and evaluation guides**

Korn Ferry’s processes and simulations are designed to be highly standardized so that participants in Dallas, Tokyo, or Bratislava, whether delivery is in-person or virtual, all get the same experience and challenges across geography and language. Standardized interview and simulation evaluation guides are used exclusively to collect ratings of the specific behaviors that each interview and simulation is designed to capture. The behavioral standards are identical in each instance of an assessment configuration.

In each simulation, the target competencies are each assessed with 3 to 5 behaviors. Simulations typically include 40–50 behaviors. Behaviors are evaluated using Behaviorally Anchored Rating Scales (BARS) so that the same behaviors are evaluated and rated exactly the same way for each assessment participant. Table 2 is an example of one of the hundreds of BARS included in each assessment.

**Table 2. Behaviorally Anchored Rating Scales**

<table>
<thead>
<tr>
<th>Competency: Persuades</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly effective (5)</td>
</tr>
<tr>
<td>Expresses views with powerful conviction and provides abundant rationale.</td>
</tr>
<tr>
<td>Meets expectations (3)</td>
</tr>
<tr>
<td>States position with conviction and backs up messages with persuasive rationale.</td>
</tr>
<tr>
<td>Needs improvement (1)</td>
</tr>
<tr>
<td>Asserts positions with limited conviction and struggles to build a case that is persuasive to others.</td>
</tr>
</tbody>
</table>

A variety of behaviors could be described for each competency. Our approach is to develop behavior items relevant to a competency that are specifically expected to be elicited by the challenges contained in each simulation. For example, the same basic behaviors specific and core to the competency “Persuades” may vary slightly in details if designed to be elicited in a direct report meeting vs. a boss meeting, such as the BARS example above. The context of each simulation shapes the BARS used, and they are designed to be observable and evaluable in the context of each simulation.
Assessor qualifications, training, and calibration

Korn Ferry assessors engage in rigorous training and ongoing calibration designed to ensure that any assessor will provide the same rating for the same level of behavioral performance and that each participant will receive a fair and complete evaluation of their competencies. Here is a brief review of the steps Korn Ferry takes to ensure a high standard of assessor qualification for its high-touch assessments:

- Korn Ferry assessors typically have graduate degrees in psychology, human development, business, or related fields. Many also have extensive applied experience in business.
- Assessors study standardized materials on every aspect of the assessment process, including: determining job requirements; interviewing; observing, recording, categorizing, and evaluating behavior; conducting job simulations; recording the data; delivering feedback; report writing and interpreting test data.
- Assessors watch videotapes of simulations to practice observing and rating performance. Then they compare their scores to expert scores.
- During training, new assessors shadow expert assessors for each part of the assessment process, each time comparing their scores to the expert’s scores.

After training, new assessors perform the simulation shadowed by experts to ensure consistency in our process and in our ratings.

During training, assessors are required to demonstrate mastery in all areas of the assessment they participate in.
Multiple assessors

Korn Ferry uses multiple assessors in each assessment. Different assessors role play and rate each simulation. Each source of data is independent, which means scores on one simulation are not available to the assessors in other simulations and do not contaminate them. In contrast to many assessment providers, overall competency scores are not arrived at during a discussion at a consensus meeting. We do not believe that the dynamics of achieving group consensus is helpful to objective rating and valid variance. We believe that, typically, some valid variance is lost in the process of consensus meetings. Rather, scores remain independent until they are combined algorithmically as described below.

Scoring

We aggregate our clear and specific BARS observations into competency ratings for each simulation or interview, then to overall competency ratings, and finally to overall assessment performance. A combination of scores at each step is completed algorithmically as opposed to relying on clinical judgment to integrate the ratings across simulations or competencies into an overall score. The algorithm is the same mathematical approach for each assessment configuration. Academic and internal Korn Ferry research shows consistent advantages in validity from algorithmic compilation of scores (Grove & Meehl, 1996; Kuncel, Klieger, & Ones, 2014). Algorithmic scoring of competencies benefits from the very large number of data points available from rating at the behavior level, far more than can be gathered in shorter or less demanding assessments, or those assessments which rely on holistic assessor judgments about competencies. In addition, independence of scores ensures that variance unique to each simulation is additive and that variance in scores is not lost.

Norming

We dynamically adjust our norms to match the exact configuration of the assessment provided for a participant. This is accomplished by accumulating the data available for the relevant norm group for each of the components of the assessment. Means and standard deviations for each competency within each assessment component (interviews, tests, and simulations) as well as the intercorrelations among variables are used to create a synthetic database which replicates these data characteristics of the norm group. For each assessment, this database is queried to calculate the appropriate norm for the unique combination of simulation component and competency content included in an assessment. This allows us to accurately estimate the ranking of their candidates relative to the talent pool using the same assessment configuration as that faced by the participant.

Reporting

Reporting is available in various formats to meet client needs. These may include focused client dashboards to elaborated and descriptive custom reports. A conversation between lead assessors and the client’s hiring manager or committee is also available. Each report contains some core components.

Leadership Competency Index

The Leadership Competency Index ranges from 1 to 99 and is an aggregate competency performance as percentile relative to the dynamically adjusted norm described above. A participant with a value of 79 performed better than 79% of the normative group.
Scores for each competency
We have described the use of Behaviorally Anchored Rating Scales (BARS). Performance on each competency is reported as an aggregate score across all of the behaviors and simulations included in the assessment. Each is reported in a range from 1 to 5 in half-point increments. A value of 5 indicates highly effective behaviors observed throughout the assessment. A score of 3 indicates solid performance meeting expectations for the challenges. Lower scores indicate shortcomings in performance relative to the behavioral performance standards.

Readiness recommendation
Readiness focuses on how prepared an individual is to perform a specific role. Readiness recommendations consider all of the data in the assessment and careful consideration of the Success Profile for the role. Particular attention is paid to critical Competencies and Experiences. Our experienced lead assessors provide recommendations in four clear categories.

- **Ready now** – Has the required capabilities and attributes needed to perform effectively and be successful in the target role or level, with only minor gaps that can be addressed during the transition. Can likely move into the role immediately or within the next 3 months.

- **Ready soon** – Has many of the required capabilities and attributes needed to perform effectively and be successful in the target role or level, but has some gaps that should be addressed first. With focused development, can likely be ready within the next 12 months.

- **Ready later** – Has some of the capabilities and attributes needed to perform effectively and be successful in the target role or level, but still needs to grow in current role and/or close important gaps. May have potential, but will likely not be ready for 1-3 years.

- **Develop in place** – Has significant gaps in the capabilities and attributes needed to perform effectively and be successful in the target role or level—gaps which will be difficult to close in the desired time frame. May have limited potential, and is likely well-placed in current role or at current level.

Potential recommendation
The Potential recommendation is based primarily on Traits and Drivers known to differentiate those who have advanced repeatedly in organizations from those who have not advanced.

- **Very strong** – Is highly agile and flexible, showing significant aptitude for a bigger, more demanding role. Has a track record of experiences that prepares them for a variety of challenging assignments, in a range of different functions. Is highly aware of own strengths and weaknesses. Is driven to continuously learn and take on any challenge they face.

- **Strong** – Handles new and different situations well. Willing to take on bigger challenges and is capable of branching out into unfamiliar areas. Has a strong track record of experiences that has helped them develop a range of capabilities. Shows a good level of self-awareness.

- **Mixed** – Has an expert-based approach. Willing to be involved in temporary assignments in different areas, but prefers to progress in existing area of expertise or function. May have some blind spots regarding own approach and capabilities.

- **Weak** – Has had a focused and specific range of experiences that aligns with current role and responsibilities. Prefers to develop expertise in a familiar, specific area. Does not demonstrate aptitude or motivation to progress into a bigger, more challenging role.
Derailment risk recommendation
Derailment risk is indicated by configurations of Traits, Drivers, and Competencies which suggest difficulties of an interpersonal or self-regulatory nature that may lead to particular challenges in leadership. Gaps in key Experiences may also indicate possible failure in future roles.

- **Minimal** – Is open and willing to act upon feedback. Has had a wide range of experiences relevant to achieving high standards in the role. Course corrects and adapts well to changing situations and demands. Fits well into the organizational culture.

- **Low** – Has a good sense of own strengths and weaknesses. Is fallible and prepared to admit mistakes. Is able to adapt to a range of situations, given time and guidance. Experiences, motivations, and aspirations align well with the requirements of the role and organization.

- **Moderate** – Has gaps in understanding own strengths and weaknesses. May approach situations over-confidently. Has difficulty shifting mindset in line with the changing demands of the role. Career goals or motivations are not fully aligned with development trajectory or the organizational culture.

- **High** – Demonstrates weakness in essential competencies. Lacks fundamental experiences required to meet the challenges of the role. Has an inflated sense of own capabilities. Struggles to adapt to a wide variety of situations.

The Korn Ferry validity record
The relationship between a predictor (the assessment) and criterion (e.g., job performance) is known as a validity coefficient. Once the validity coefficient is known, a variety of other practical implications, such as return on investment and improved hiring decision making, can be examined. The validity coefficient gives insight into:

- The effectiveness of performance predictions.
- The relationship between what we learn before we hire and what we see in performance after we hire.
- Talent risk and return.

In a review of the assessment center literature, Gaugler, Rosenthal, Thornton, and Bentson (1987) found the average assessment center validity coefficient meta-analytically to be .37. A meta-analysis reviewing post-1987 studies (Hermelin, Lievens, & Robertson, 2007) found an average validity coefficient of .28. Each of these meta-analyses report coefficients corrected for restriction of range and for unreliability of boss ratings of performance.

Korn Ferry has conducted several studies in recent years in collaboration with its clients. Table 3 describes each of the six studies. They vary in the population participating and in the assessment components included. All studies used standard Korn Ferry assessment components available at the time of the assessments. For instance, the Financial Services Executive level population was based on a standard Korn Ferry executive assessment configuration partially customized for the client’s competency model. The Energy Hi-Potential Mid-level study used a standard Korn Ferry mid-level assessment configuration and the standard Korn Ferry competency configuration with the competencies and exercises selected to reflect the business challenges of the client. These studies share the rigor of the assessment processes described above. Included in each were tests, behavioral interviews, and simulations.
In all cases, the on-the-job outcome measure was a composite of confidential boss ratings of performance, potential, and derailment risk collected approximately 12–24 months post assessment. The predictor was the algorithmically derived overall score for the assessment. Statistical corrections were completed using the methods Thorndike (1949) “Case II” correction for direct restriction of range only, and Schmidt, Oh, and Le (2006) “Case IV” to correct for reliability of boss ratings of performance and for direct and indirect restriction of range due to selection.

Table 3. Characteristics of companies and assessments in the studies

<table>
<thead>
<tr>
<th>Company</th>
<th>Size</th>
<th>Population</th>
<th>N</th>
<th>N Sims</th>
<th>Raw r</th>
<th>Case II corrected r</th>
<th>Case IV corrected r</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Global 50</td>
<td>Hi Po Mid-level</td>
<td>134</td>
<td>4</td>
<td>.36</td>
<td>.43</td>
<td>.60</td>
</tr>
<tr>
<td>Business Services</td>
<td>Mid-size &gt; $1B</td>
<td>Hi Po Mid-level</td>
<td>87</td>
<td>3</td>
<td>.26</td>
<td>.32</td>
<td>.45</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Fortune 100</td>
<td>Mid-level</td>
<td>120</td>
<td>2</td>
<td>.39</td>
<td>.46</td>
<td>.63</td>
</tr>
<tr>
<td>Medical</td>
<td>Fortune 100</td>
<td>Director level</td>
<td>142</td>
<td>3</td>
<td>.28</td>
<td>.35</td>
<td>.48</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Fortune 100</td>
<td>Executive level</td>
<td>53</td>
<td>3</td>
<td>.28</td>
<td>.35</td>
<td>.49</td>
</tr>
<tr>
<td>Medical</td>
<td>Fortune 100</td>
<td>Director level</td>
<td>106</td>
<td>2</td>
<td>.27</td>
<td>.33</td>
<td>.46</td>
</tr>
<tr>
<td>N Weighted Summary</td>
<td></td>
<td></td>
<td>642</td>
<td></td>
<td>.33</td>
<td>.41</td>
<td>.55</td>
</tr>
</tbody>
</table>

Boss ratings of performance in studies have been shown to vary widely in reliability. In this analysis, a best estimate value for reliability of boss ratings was used based on the meta-analytic research of Viswesvaran, Ones, and Schmidt (1996), which estimated $r_{xx} = .52$. Restriction of range due to selection is unknown, so a conservative assumption was adopted, that selection (direct restriction of range) was made from the top two-thirds of candidates. In practice, we would normally recommend a higher threshold for selection. Case II can be considered a minimal correction assuming only direct restriction of range and perfect reliability of boss criterion ratings. Case IV corrects more appropriately, using a meta-analytic assumption for criterion reliability and a conservative estimate for direct restriction of range to generate a correction for all sources of error except reliability of the predictor.

Regardless of correction methodologies, Korn Ferry’s raw and corrected correlations are substantially higher at any comparable level of correction than those reported in Gaugler et al. (1987) and Hermelin et al. (2007) meta-analyses of assessment center validities. We attribute these superior results to rigor in design and training, standardization of process, capture of unique and general valid variance from each assessment component, and algorithmic aggregation of results.

Additive nature of validity

We have described the assessments as containing testing, interview, and simulation components. Each contributes to the overall validity of the assessments. Using the six studies described in Table 3 above, Table 4 below illustrates the increasing validity available through aggregating data from diverse sources, which adds to the strength of our assessment process.
Table 4. Additive effect of assessment components

<table>
<thead>
<tr>
<th>Component</th>
<th>Raw r</th>
<th>Case II corrected r</th>
<th>Case IV corrected r</th>
</tr>
</thead>
<tbody>
<tr>
<td>Testing mean</td>
<td>.10</td>
<td>.13</td>
<td>.19</td>
</tr>
<tr>
<td>Interviews + tests</td>
<td>.19</td>
<td>.23</td>
<td>.33</td>
</tr>
<tr>
<td>Sims alone</td>
<td>.24</td>
<td>.30</td>
<td>.42</td>
</tr>
<tr>
<td>Tests, interviews, sims</td>
<td>.33</td>
<td>.40</td>
<td>.55</td>
</tr>
</tbody>
</table>

Weighted $r$, six studies, $N = 642$

We find that using additional simulations also increases the validity strength. In some studies we have one simulation, in some two simulations, in others three simulations, and some four simulations—different configurations and different simulations. Many clients choose the number of simulations, depending on the role.

We looked at these six studies for correlations for available combinations of zero, one, two, three, and four simulations. Raw correlations were weighted for $N$ using the $r$ to $z$ transform, and then transformed back to $r$ and an average correlation predicting performance was computed for each number of simulations. In Table 5 below, $N$ is the number of cases in each set of correlations; $k$ is the number of correlations.

You can see that as we add simulations, the correlations with performance increase, on average—as expected. This is because unique and valid variance is added by each simulation challenge.

Table 5. The additive value of additional simulations

<table>
<thead>
<tr>
<th></th>
<th>$N$</th>
<th>$k$</th>
<th>Mean weighted $r$ with performance</th>
<th>Case IV corrected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test and interview only</td>
<td>642</td>
<td>6</td>
<td>0.204</td>
<td>0.359</td>
</tr>
<tr>
<td>Add one sim</td>
<td>1,634</td>
<td>17</td>
<td>0.242</td>
<td>0.421</td>
</tr>
<tr>
<td>Add two sims</td>
<td>1,679</td>
<td>19</td>
<td>0.268</td>
<td>0.461</td>
</tr>
<tr>
<td>Add three sims</td>
<td>868</td>
<td>10</td>
<td>0.295</td>
<td>0.502</td>
</tr>
<tr>
<td>Add four sims</td>
<td>221</td>
<td>2</td>
<td>0.327</td>
<td>0.549</td>
</tr>
</tbody>
</table>

Financial outcomes and CEOs

We studied 162 leaders who participated in the Korn Ferry CEO Readiness Assessment and who later became CEOs. The purpose was to evaluate whether CEOs’ scores on competencies in the assessment were related to financial outcomes. Over the CEOs’ tenures, the companies of leaders who scored the highest across 17 measured competencies outperformed their competitor companies on percent change in market cap; earnings per share (EPS); earnings before interest, taxes, depreciation, and amortization (EBITDA); and total shareholder return (TSR).
Companies relying on the Korn Ferry Readiness Assessment to guide their CEO succession decisions may see significant gains compared with the competition. Figure 2 displays that the difference can be as high as a 102% increase in market cap compared with competitors’ average of 67%, and a 53% increase in EPS compared with competitors’ average of 26%. Gains are also seen in TSR and EBITDA outcomes. The companies whose CEOs scored highest on the Korn Ferry Readiness Assessment outperformed their competitors and lower-scoring CEOs.

**Assessments and CEO failure**

With two out of every five CEOs (40%) failing in the first 18 months (Ciampa, 2005), it is imperative for boards of directors to weigh even more precisely what type of CEO they desire and who best fits their organizations’ needs. Research by the Korn Ferry Institute (KFI) underscores the value of the Firm’s Readiness Assessments in helping boards discern these key factors among elite candidates for CEO. Among the highest scorers on Korn Ferry’s CEO Readiness Assessment, fewer than 2% left the CEO role within 18 months. Even low scorers showed much lower failure rates than average: just 9%, suggesting that intense feedback and coaching of CEO candidates can help remedy early failure (see Table 1). CEOs who scored the highest across the 17 competencies assessed stayed, on average, two years and five months longer than CEOs who scored lower (Blazek, Jones, Lewis, & Orr, 2015).
Virtual vs. in-person simulations

Until the advent of technology that enabled remote simulations, Korn Ferry administered in-person leadership assessments comprised of interviews, tests, and a variety of live interactive business simulations. We have done so with outstanding client outcomes. However, the in-person assessments can be both expensive and time consuming, particularly for global organizations wishing to assess employees from all over the world. Korn Ferry has administered virtual assessment increasingly in recent years, wherein at least some components of the assessment, such as an interview or a simulation, are administered via two-way video or telephone connection. This provides clients and participants increased flexibility along with decreased costs, and thus may be a great alternative to face-to-face assessments. It is important to ensure that assessment scores and candidate reactions are not influenced adversely as a result of a different mode of assessment.

Korn Ferry recently examined the effect of virtual versus in-person assessment modes on assessment results and participant satisfaction on a sample of 1,115 employees from a large global communications company, finding evidence favoring the use of virtual assessments. The sample included 168 face-to-face participants and 947 virtual participants. Assessment mode differed only in the direct report meeting and the interview, which were virtual. A composite of these two scores served as the outcome variable of interest. Several of the assessment components were completed in a consistent fashion via computer, regardless of the participant’s face-to-face versus virtual simulation status, including personality and derailing trait measures, an in-basket exercise, and a participant background questionnaire. These component scores served as controls. Hierarchical regression results showed that virtual assessments are comparable to face-to-face assessments.

**Table 6. Remote vs. in-person mode variance**

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Multiple R</th>
<th>$R^2$</th>
<th>$\Delta R^2$</th>
<th>$F$</th>
<th>$df_1$</th>
<th>$df_2$</th>
<th>Sig. $F$ change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personality, Derailer traits</td>
<td>0.158</td>
<td>.025</td>
<td>.025</td>
<td>9.26</td>
<td>3</td>
<td>1,087</td>
<td>.000</td>
</tr>
<tr>
<td>Education, Management level</td>
<td>0.159</td>
<td>.025</td>
<td>.000</td>
<td>0.12</td>
<td>2</td>
<td>1,085</td>
<td>.884</td>
</tr>
<tr>
<td>In-basket score</td>
<td>0.294</td>
<td>.086</td>
<td>.061</td>
<td>72.65</td>
<td>1</td>
<td>1,084</td>
<td>.000</td>
</tr>
<tr>
<td>Remote vs. In-person mode</td>
<td>0.299</td>
<td>.090</td>
<td>.003</td>
<td>3.88</td>
<td>1</td>
<td>1,083</td>
<td>.049</td>
</tr>
</tbody>
</table>

The largest single predictor of interview and direct report meeting scores was a consistent mode competency simulation, the in-basket. After considering individual differences in other performance-relevant characteristics (personality, derailer traits, education, management level) that were measured consistently via computer, virtually none of the variation in the interactive simulation scores was related to the mode of assessment, ~ 0.3% of the variance. This means assessing participants virtually or face-to-face will result in comparable scores.
Fairness

Korn Ferry works to help clients make informed, accurate decisions about individuals’ readiness for key jobs. At the same time, we work to ensure individuals assessed by Korn Ferry are evaluated fairly, that is, in an unbiased and objective way. We accomplish these things in several ways:

1. **Ensure job relatedness.** We create a close match between the content of our assessment and the content of the job. We assess the competencies and behaviors that are most important for success in the job. In addition, we use assessment tools that research has proven to be most effective in predicting performance.

2. **Ensure fairness.** We use a standardized set of tools, procedures, and evaluation standards in our assessments so that each participant is treated equally. We use well-trained staff who evaluate participants in an objective way. We inform each participant of their rights in the process and do not proceed without their informed consent, and we have procedures for addressing any of their concerns.

3. **Communicate appropriately.** We work with our clients to position the process positively, communicate openly and frequently about the purpose and process, and protect the confidentiality of the results.

In addition, the assessment center (AC) technology underlying our assessments has a strong track record of fairness. Research has consistently shown it to be fair to women and minorities. The courts have looked so favorably on AC technology that they have often recommended that organizations use it to “level the playing field” in response to past acts of discrimination/adverse impact. Fairness and adverse impact issues go beyond the assessment process itself. They involve the organization's fair employment, diverse representation, and job performance concerns as well. These operate within the public policy environment provided by the 1991 Civil Rights Act (which prohibits the use of score adjustments for preferential hiring of any group) and the EEOC four-fifths rule for possible evidence of adverse impact.

Small differences do not indicate systematic discrimination or adverse impact for a selection procedure, but may indicate the effects of random and idiosyncratic characteristics of the labor pools (e.g., education, time in management), the impact of recruiting efforts, or other unique aspects of the overall selection system. These same factors dictate that adverse impact cannot be completely evaluated outside of the context of the hiring practices of a particular firm and for a particular job. So, while the assessment ratings for different sub-groups may or may not differ, discrimination comes into play most often in how clients use the results, i.e., in the relative selection ratios of the various sub-groups. Other sources of valid information should always be considered to maximize on-the-job performance at client firms. It is also important to note that adverse impact is allowable if the job relatedness of the selection practice is well supported. This goes back to our earlier point: Korn Ferry works to ensure our assessment processes are job related and valid. Our most recent data which relates to adverse impact shows the various impact ratios that would result if clients used our recommendations.
Sub-group differences

An important question to examine is how various sub-groups score on assessment tools. This helps to anticipate the expected effect of using the tools on the demographics of the workforce.

Fairness of assessments is an important objective of Korn Ferry, and assessments are designed not to disadvantage any group. Adverse impact occurs when employee selection procedures used in making employment decisions have the effect of selecting persons belonging to a historically disadvantaged group at a rate that is substantially lower than that of the group with the higher selection rate. Adverse impact may occur due to the characteristics of an assessment tool or other components included in the selection process, or due to characteristics of the labor pool, recruitment practices, or other process factors.

Korn Ferry has carefully evaluated the Korn Ferry Readiness Assessment for differences among sub-groups. Adverse impact is often represented as a ratio of the proportion of a historically disadvantaged group passing a cut score vs. the proportion of white or female candidates. This is the EEOC’s four-fifths rule calculation that evaluates whether the passing rates exceed 80% for any historically disadvantaged group.

The Korn Ferry Readiness Assessment yields results which classify individuals in increasing order of higher scores as Develop in place, Ready later, Ready soon, and Ready now. Table 7 below shows the total N and the proportion passing each threshold and the impact ratio for cutoffs at Ready later, Ready soon, and Ready now cutoffs.

<table>
<thead>
<tr>
<th>Table 7. Group differences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
<tr>
<td>Ethnic background</td>
</tr>
<tr>
<td>Black/African American</td>
</tr>
<tr>
<td>Asian/Pacific Islander</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
</tr>
<tr>
<td>White/Caucasian</td>
</tr>
</tbody>
</table>

As can be seen in Table 7, across the various cutoffs, there is not a general trend that is likely to systematically and consistently disadvantage any group.

Participant satisfaction

In addition to being valid and fair, individual participants in Korn Ferry simulation assessments report a high degree of satisfaction with the experience. Assessment participants were surveyed, with 7,419 participants responding, and found that 95.0% agreed or strongly agreed that the assessment was a high-quality experience; 99.3% agreed or strongly agreed that Korn Ferry staff treated them with consideration and respect throughout the process; 92.1% found the assessment to be highly engaging; and 96.7% of the sample felt that the assessment would lead them to do things differently to increase their effectiveness.
References


Blazek, E. S., Jones, J., Lewis, J., & Orr, E. (2015). 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 led. 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.

Visit kornferryinstitute.com for more information on thought leadership, intellectual property and research.

© Korn Ferry 2017. All rights reserved.