

The Leadership Advantage

Korn Ferry leadership qualities drive Drucker Institute organizational rankings



Korn Ferry’s measures of leadership qualities—including traits, drivers, and competencies—involve science that links these qualities to what matters most for success in certain roles, cultural contexts, and types of organizations. We have also linked leadership assessment scores to long-term job performance, and to financial outcomes for CEOs.

In order to prioritize the leadership qualities that matter most, it is essential to have an outcome in mind. This is how we match a leader’s profile to role requirements. Financial performance is the holy grail of outcomes metrics—including revenues growth and profitability growth—but there are other components that matter for long-term organizational effectiveness.

One of those holistic measures of organizational effectiveness is the Drucker Institute’s statistical model, which serves as the foundation for the Management Top 250, an annual ranking produced in partnership with the Wall Street Journal. Based on Peter Drucker’s most essential principles, it evaluates a company’s “effectiveness”—that is, “doing the right things well.” The 2019 list was published last November.

In all, the Drucker Institute analyzed 820 large, publicly traded companies through the lens of 34 indicators across five dimensions: customer satisfaction, employee engagement and development, innovation, social responsibility, and

Korn Ferry measures a leader’s traits, drivers, and competencies.

- *Traits are preferences core to who a person is*
- *Drivers are what motivates someone*
- *Competencies are observable skills that may come naturally but can also be acquired and sharpened with experience.*

financial strength. To then be ranked, a company had to have at least two valid indicators for each of the five categories; 640 companies met this requirement.

Meanwhile, as part of a much larger database, Korn Ferry has measured the presence of 56 different traits, drivers, and competencies among more than 8,639 CEOs, other C-suite officers, and executives running business units at 515 of those 640 companies.

This research study answers two key questions:

1. Which Korn Ferry leadership qualities are most positively or negatively related to Drucker Institute's overall organizational effectiveness rankings?
2. What are the most important leadership qualities for Drucker Institute's five factors of customer satisfaction, employee engagement and development, innovation, social responsibility, and financial strength?

By correlating the two sets of data (the average leadership scores for the 515 companies and the company scores that determine the Drucker rankings), a clear picture emerged: the leaders of the best performing companies overall, and in each of the five dimensions covered by the Drucker rankings, exhibit many common qualities from among the 56 qualities measured by Korn Ferry.

This isn't entirely surprising given that the Drucker model rests on the belief that all five dimensions are interrelated and influence each other. But the amount of overlap is notable, nonetheless.

Tolerance of Ambiguity, Adaptability, and Curiosity are essential leadership qualities for driving organizational effectiveness that pertain to a learning orientation, intellectual openness, and the ability to adjust and respond with nimbleness.

Builds Effective Teams, Trust, Openness to Differences, and Engages and Inspires are all positively correlated with overall effectiveness. Taken together, these paint a profile of a person who leads with heart—creating a trusting, inclusive, and inspiring climate that brings out the best in people and what teams can accomplish together.

The most highly ranked companies on Drucker Institute's index have senior leaders who are driven by Independence and Power. Combined with Risk-taking, these senior leaders are ready to take on big challenges with new thinking, untethered by tradition, regulation, or convention. (Power, it should be noted, does not describe a leader who favors a command-and-control approach; rather, it refers to an executive driven by responsibility and influence.)

Leadership qualities most highly correlated with overall organizational effectiveness showed strong overlap with the five factors, with the exception of customer satisfaction, where distinguishing leadership qualities included: Communicates Effectively, Collaboration, Values Differences, and Affiliation (a preference for aligning with a larger team toward a mutual goal).

Qualities negatively correlated with overall organizational effectiveness included Focus, marked by a fondness for detail and exactitude, and Structure, in which someone is motivated by process and procedure. This is not a surprising finding. Although such tendencies have their place in highly regulated industries or among deep technical experts, executives of the most highly ranked companies must be comfortable with haziness and react with nimbleness—hallmarks of an effective leader that earns employees' and shareholders' trust in our turbulent times.

We know, from Korn Ferry Institute's research on organizational transformation, that the difference in financial performance is strongly associated with how much people trust senior leaders in a company. In fact, 25% of the difference in financial performance among highly transformational companies over a 5-year period was related to trust in leadership.

Great leaders build great companies, equipped for the long-haul. These findings show the strength of the relationship between a company's leadership qualities and the company's Drucker score. It is reasonable to suggest that if a company invests in its leadership, through development and hiring, that company could see its Drucker effectiveness score increase enough to move up several positions in the rankings. Rankings which signify a resilience and readiness for long-term organizational performance.

What makes an effective leader?

Of the 56 leadership qualities that Korn Ferry tests for, these are the top 10 found among senior executives at companies ranked highest by the Drucker Institute's measure of corporate effectiveness.

Overall Effectiveness	Customer Satisfaction	Employee Engagement and Development	Innovation	Social Responsibility	Financial Strength
Tolerance of Ambiguity	Independence	Power	Tolerance of Ambiguity	Tolerance of Ambiguity	Tolerance of Ambiguity
Adaptability	Adaptability	Tolerance of Ambiguity	Risk-taking	Adaptability	Independence
Risk-taking	Risk-taking	Trust	Adaptability	Openness to Differences	Adaptability
Independence	Affiliation	Curiosity	Openness to Differences	Power	Risk-taking
Openness to Differences	Builds Effective Teams	Independence	Independence	Risk-taking	Trust
Trust	Tolerance of Ambiguity	Communicates Effectively	Trust	Trust	Power
Power	Engages and Inspires	Adaptability	Power	Curiosity	Openness to Differences
Curiosity	Collaborates	Openness to Differences	Curiosity	Affiliation	Curiosity
Builds Effective Teams	Values Differences	Risk-taking	Builds Effective Teams	Engages and Inspires	Builds Effective Teams
Engages and Inspires	Communicates Effectively	Builds Effective Teams	Engages and Inspires	Builds Effective Teams	Communicates Effectively

Notes: Results are based on an analysis by Korn Ferry Institute data scientist Yu-Ann Wang, who used Korn Ferry psychometric assessments of 8,639 individual senior executives conducted by Korn Ferry at 515 of the 640 companies ranked in 2019 by the Drucker Institute. Correlation values range from R=0.20 to R=0.54, p<.01. *Affiliation* is a preference for aligning with a larger team or organization toward a common goal. *Power* means driven by high degrees of responsibility and visibility, along with the influence that accompanies status.

Sources for the Drucker Institute's measure of corporate effectiveness: American Customer Satisfaction Index, Burning Glass Technologies, Clarivate Analytics, CSRHub, Glassdoor, HIP Investor, ISS EVA, J.D. Power, kununu, Prof. Dimitris Papanikolaou of Northwestern University and Prof. Amit Seru of Stanford University, PayScale, Supply Chain Resource Cooperative, Sustainalytics, Thomson Reuters Eikon and wRatings.

References

Blazek, S., et. al. (2017). *Predicting financial gains: Rigorous assessment of key CEO leadership qualities can predict company financial performance—before a CEO is hired*. Korn Ferry: Los Angeles. <https://www.kornferry.com/institute/CEO-readiness-assessment-performance>

Lewis, J., Blazek, S., Jones, J., & Orr, J.E. (2020). *Predictive Power: Leadership qualities Korn Ferry measures today predict performance one year later*. Korn Ferry: Los Angeles. <https://www.kornferry.com/insights/articles/predictive-power-leadership-assessment>

Authors

Evelyn Orr

VP, COO, Korn Ferry Institute

Yu-Ann Wang

Data Scientist, Korn Ferry Institute

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.

About the Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.