

UNLOCKING CEO SUCCESS

Thought Leadership



Korn Ferry's assessments give companies the keys to decoding which leaders will drive exceptional results over their seasoned tenure.

In today's dynamic business environment, the role of a CEO has never been more crucial. The choices made by these enterprise leaders not only shape the trajectory of their organizations but also have far-reaching implications for stakeholders, including shareholders, and the broader economy. They can either represent a welcomed boon or bring substantial risk to long-term stability and growth.

This is why selecting the right CEO stands as one of the most consequential decisions a board can make. After all, CEO succession is more than replacing the current executive. When organizations choose a new leader, they're seeking someone who can greatly influence and, in some cases, pivot the company strategy, culture, and performance to positive effect.

The transition period, in other words, is a time when a new CEO shapes the future of the company. Yet, despite the decision's critical importance, the CEO selection process often resembles a high-stakes gamble, fraught with uncertainty and risk.

It doesn't have to be this way. Korn Ferry has new evidence based on longitudinal research that reveals the keys to CEO success, giving organizations a clear pathway to identifying a CEO who can drive exceptional results through their impactful tenure.

Our recent outcomes reports—drawn from analyzing the financial performance of more than 100 publicly traded companies and leadership

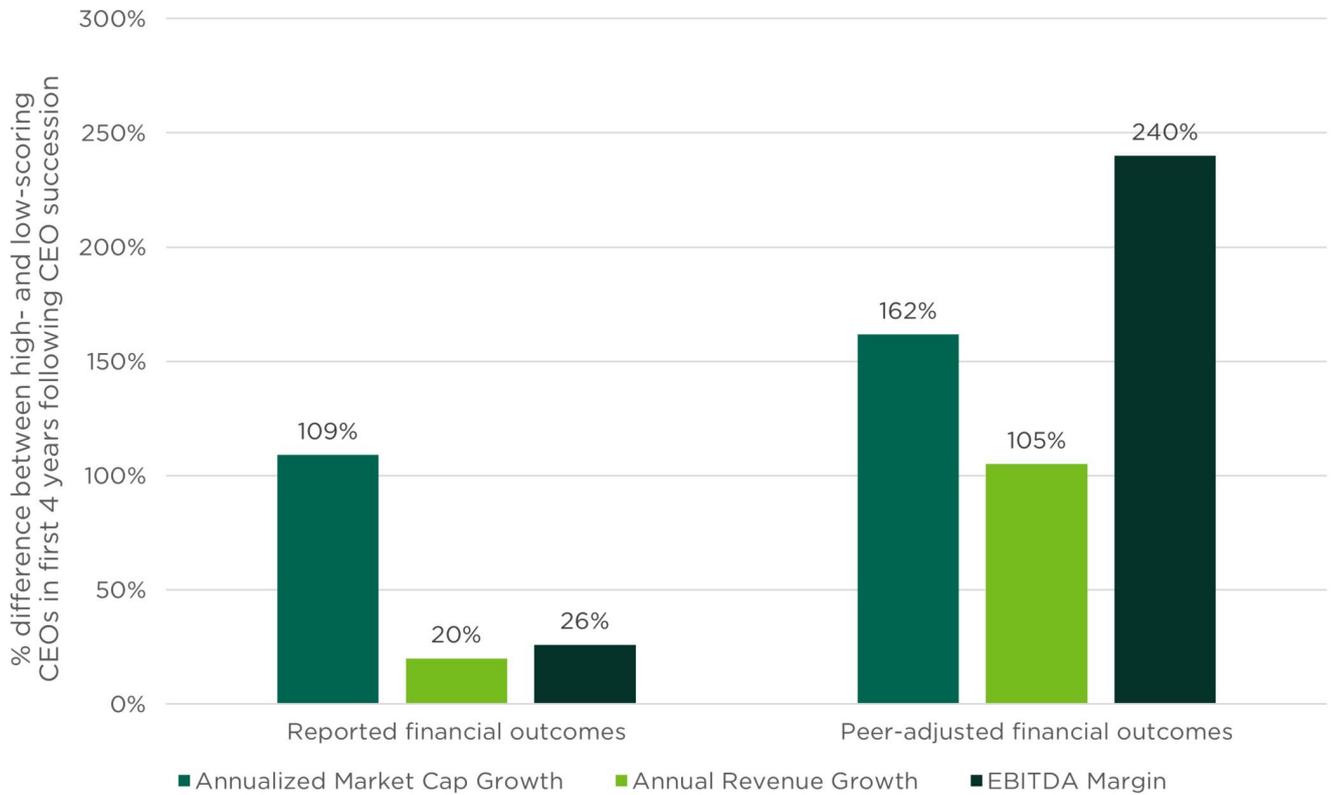
transitions in over 500 public and private firms—offer compelling confirmation that a thorough, scientific assessment process can greatly increase the likelihood of finding the right CEO to lead the business forward. According to our findings, insights from Korn Ferry CEO assessments can help boards **increase financial performance, doubling growth in market cap, in the first four years** following a CEO's appointment, as well as **reducing turnover by half during the initial three years** of a CEO's tenure.

Indeed, CEOs who scored high on Korn Ferry's assessments showed remarkable financial performance. According to our findings, these leaders more than doubled the annualized market capitalization growth over four years, generating 109% more than those who scored low. They also achieved a 20% higher annual revenue growth and a 26% higher EBITDA margin than their low-scoring counterparts.

The analyses also showed that CEOs who scored high outperformed their industry peers, while those who scored low were surpassed. After adjusting for peer company performance, the differences between high- and low-scoring CEOs became even more remarkable. Over their first four years, CEOs with high scores on Korn Ferry's assessment achieved about 162% higher annual growth of market cap for their companies, about 105% higher annual revenue growth, and 240% higher EBITDA margin, compared to CEOs with low scores.

Figure 1

Increased value created by CEOs who scored high on Korn Ferry assessments over those who scored low.



What's more, our analysis revealed that CEOs recommended by Korn Ferry after a rigorous proprietary assessment were less likely to leave their company by the third year, with less than 18% departing; while for the general CEO population, that number sits closer to 34%. This means using these assessments led to a 47% drop, reducing CEO turnover by nearly half compared to the average. (It's worth mentioning the CEOs assessed by Korn Ferry but not recommended showed an attrition rate closer to the average.)

However, our understanding of executive leadership goes beyond outcomes. The analysis also highlights key inputs - qualities that define successful CEOs—both in terms of tenure and financial performance. Longer-serving CEOs, we've discovered, lead with a purpose-driven strategy, focusing on overarching goals that benefit the entire organization, rather than personal ambitions. They also engage in inclusive decision-making by valuing different perspectives and encouraging collaboration.

In particular, we found three competencies to be associated with *reduced CEO attrition: Manages Conflict, Balances Stakeholders, and Builds Networks*. Compared to those who scored high, CEOs who have scored low on these three competencies are 54% more likely to depart from their hiring organizations within three years. *Builds Networks* is also among the eight competencies that emerged as having the most impact on financial outcomes; compared to low-scoring leaders, CEOs with high scores on *Builds Networks* generated 111% more annualized growth in the market capitalization in the first four years of their tenure.

Seven other competencies stood out as essential for strong organizational performance: *Global Perspective, Strategic Vision, Aligns Execution, Drives Results, Engages and Inspires, Communicates, and Persuades*. These competencies, along with *Builds Networks*, align well with the four Enterprise Leader capability areas: Strategic, Results, People, and Ecosystem. This is an important finding, as Enterprise Leadership [symbolizes the leadership of tomorrow](#).

Instead of the archetypal “heroic leader,” Enterprise Leaders embrace a more inclusive approach. They run the business and change the business—balancing driving performance with driving transformation to create enduring value for the entire enterprise and its ecosystem.

As the CEO role becomes more complex and demanding, it will be crucial for leaders to not only cultivate their Enterprise Leadership skills but also enhance their emotional intelligence to enable a successful transition. We know from our decades of research that effective leadership depends on high emotional intelligence—like self-awareness, adaptability, and empathy. To this end, our recent analysis discovered that the trait **Empathy** plays a vital role in CEO tenure: CEOs who scored low on this trait are 94% more likely to leave their roles within three years than those who scored high.

When a new CEO is appointed, it signals a move toward the future. If done right, this transition can result in refreshed strategies benefiting both short-term performance and long-term transformation. CEOs who lead through transformation tend to stay in their position longer, and rigorous assessments help companies identify those candidates who can execute strategic plans and drive significant changes.

The message is crystal clear: boards and organizations can break away from conventional approaches to CEO selection and embrace a more comprehensive evaluation process with more predictable outcomes. While past achievements and experience remain important, they alone cannot predict future success. What’s needed is a deep dive into a candidate’s enterprise leadership qualities, enabling companies to find leaders capable of steering their organizations through future opportunities and challenges.

As the business landscape evolves, the need for effective leadership has never been greater. It is time for organizations to prioritize CEO progression as a strategic imperative, recognizing the immense influence that assessing and developing the right leaders can wield over serving all stakeholders and sustaining success.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.

Business Advisors. Career Makers.