

## Proof Point

# A BETTER RETURN ON SELF-AWARENESS

Companies with higher rates of return on stock also have employees with few personal blind spots

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#### The concept:

High levels of self-awareness, long acknowledged as contributing to individual effectiveness and good leadership, also correlate with corporate performance.

#### Measured with:

Korn/Ferry's online ProSpective Assessment and financial data on public companies.

#### Important because:

Self-awareness—knowledge of one's strengths and weaknesses, ability to admit mistakes, and tendency to reflect—can be developed in leaders. Fostering a healthy culture of feedback might be one way to leverage human capital to drive corporate performance.

Self-awareness — a characteristic essential to career success and improved executive leadership — also appears to correlate with overall company financial performance. A new analysis of results from Korn/Ferry International's ProSpective Assessment shows that public companies with a higher rate of return (ROR) also employ professionals who exhibit higher levels of self-awareness.

Korn/Ferry searched a total of 6,977 self-assessments from professionals at 486 publicly traded companies to identify the "blind spots" in individuals' leadership characteristics — revealed by a disparity between answers in two separate parts of the test. The frequency of such blind spots was then gauged against the ROR of those companies' stock. The analysis demonstrated that, on average:

- Poorly performing companies' employees had 20 percent more blind spots than those working at financially strong companies.
- Poor-performing companies' employees were 79 percent more likely to have low overall self-awareness than those at firms with robust ROR.

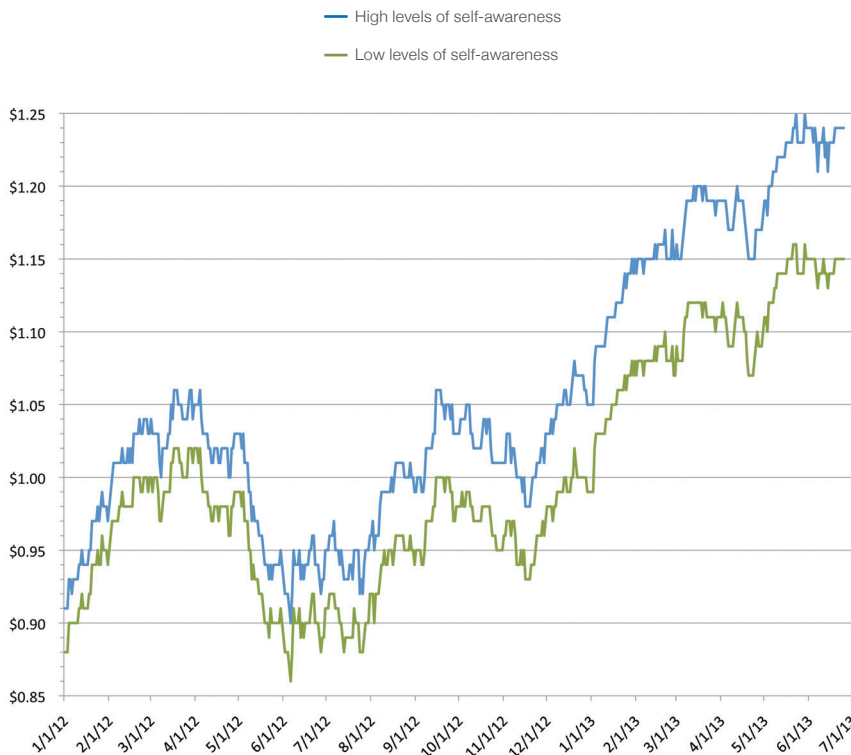
Stock performance was tracked over thirty months, from July 2010 through January 2013. During that period the companies with the greater percentage of self-aware employees consistently outperformed those with a lower percentage.

Despite its close association with high performance and career success, self-awareness is generally in short supply (Orr et al 2010). Initial outcomes from the ProSpective Assessment in 2012 revealed that 79 percent of those evaluated online had at least one blind spot – a skill that an employee counted among his strengths when coworkers cited that same skill as one of his weaknesses (Orr 2012). For this new study, Korn/Ferry considered people exhibiting three or more blind spots to have low self-awareness.

Self-awareness has generally been viewed as an individual attribute. Daniel Goleman (1998) pioneered the idea that “the ability to recognize and understand your moods, emotions, and drives, as well as their effect on others,” was a hallmark of effective leaders. Self-awareness can directly translate into better professional and personal choices, and result in more fulfilling careers. On the other hand, those with low self-awareness tend to scramble the messages they receive concerning improvement, interpreting

### Model stock returns based on self-awareness

Korn/Ferry created an aggregate model of how companies with highly self-aware employees performed over 30 months compared with those whose workers have more blind spots. The chart below illustrates the final 18 months of the model.



them as a threat rather than an opportunity. Even in these cases, a person's level of self-awareness can be increased through 360-degree performance appraisals paired with effective coaching. This in turn drives improved performance and greater work satisfaction (Luthans and Peterson 2003).

Korn/Ferry's findings further broaden the potential importance of self-awareness. Addressing blind spots and increasing self-awareness have long been seen as positives for individuals. Now we have statistical findings that suggest benefits also exist at the macro level of an organization. Leaders with higher self-awareness not only have greater job satisfaction and commitment to their employer personally, but that effect also appears to trickle down to a manager's direct reports (Luthans and Peterson 2003). In the constant drive for competitive advantage, it turns out that helping employees to better understand themselves and fostering a culture of healthy feedback could also help to improve an organization's overall performance.

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The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

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