

KORN FERRY INTERNATIONAL

Form 10-K

June 28, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2016

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL

(Exact Name of Registrant as Specified in its Charter)

**Delaware
(State or Other Jurisdiction of**

Incorporation or Organization)

1900 Avenue of the Stars, Suite 2600,

Los Angeles, California

**95-2623879
(I.R.S. Employer**

Identification Number)

90067

(Address of principal executive offices)

(Zip code)

(310) 552-1834

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares outstanding of our common stock as of June 22, 2016 was 57,304,202 shares. The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant on October 31, 2015, the last business day of the registrant's most recently completed second fiscal quarter, (assuming that the registrant's only affiliates are its officers, directors and 10% or greater stockholders) was approximately

\$1,896,696,482 based upon the closing market price of \$36.37 on that date of a share of common stock as reported on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2016 Annual Meeting of Stockholders scheduled to be held on October 6, 2016 are incorporated by reference into Part III of this Form 10-K.

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PART I.

**Item 1. *Business*
About Korn Ferry**

Korn/Ferry International (referred to herein as the Company, Korn Ferry, or in the first person notations we, our, and us) is the preeminent global people and organizational advisory firm. We opened our first office in Los Angeles in 1969 and currently operate in 150 offices in 52 countries. We have the ability to deliver our solutions on a global basis, wherever our clients do business. As of April 30, 2016, we had 6,947 full-time employees, including 488 Executive Search, 562 Hay Group (formerly known as Leadership & Talent Consulting (Legacy LTC) which was combined with HG (Luxembourg) S.à.r.l (Legacy Hay Group) in December 2015), and 114 Futurestep consultants who are primarily responsible for client services. Our clients include many of the world's largest and most prestigious public and private companies, middle market and emerging growth companies, as well as government and nonprofit organizations. We have built strong client loyalty with 84% of our assignments performed during fiscal 2016 on behalf of clients for whom we had conducted assignments in the previous three fiscal years (without giving effect to Legacy Hay Group assignments). We have made significant investments in Korn Ferry Hay Group with the acquisitions PDI Ninth House and Global Novations in fiscal 2013, Pivot Leadership in fiscal 2015, and Legacy Hay Group in fiscal 2016. These acquisitions have strengthened our intellectual property, enhanced our geographical presence, added complimentary capabilities to further leverage search relationships and broadened the capabilities for assessment and development. They also improved our ability to support the global business community not only in attracting top talent and designing compensation and reward incentives, but also with an integrated approach to the entire leadership and people continuum.

We were originally formed as a California corporation in November 1969 and reincorporated as a Delaware corporation in fiscal 2000.

The Korn Ferry Opportunity

Historically, the HR industry has offered piecemeal views of people based on inconsistent processes, technologies and measurement. Korn Ferry is disrupting the traditional approach and has assembled intellectual property which we bring to market through a holistic framework that sits at the intersection of an organization's strategy and its people.

Superior performance happens when an organization establishes the conditions for success and when the right people are enabled and engaged, sitting in the right seats and are developed and rewarded. We can help operationalize a client's complete strategy or address any combination of six broad categories:

Organization Design

We establish the conditions for success by clarifying strategy; designing an operating model and organization structure that aligns to it; and defining a high performance culture. We enable strategic change by engaging and motivating people to perform.

Talent Strategy and Work Design

We map talent strategy to business strategy and help organizations put their plan into action. We make sure they have the right people, in the right roles, engaged and enabled to do the right things.

Rewards and Benefits

We help organizations align reward with strategy. We help them pay their people fairly for doing the right things with rewards they value at a cost the organization can afford.

Assessment and Succession

We provide actionable, research-backed insights that allow organizations to understand the talent they have, benchmarked against the talent they need to deliver on the business strategy.

Our assessments allow leaders to make the right decisions about their people for today, and to prepare the right leaders to be ready when and where they are needed in the future.

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Executive Search and Recruitment

We integrate scientific research with our practical experience and industry-specific expertise to recruit professionals of all levels and functions at organizations across every sector.

Leadership Development

We combine expertise, science, and proven techniques with forward thinking and creativity to build leadership experiences that help entry to senior-level leaders grow and deliver superior results.

About Our Intellectual Property and Technology

Korn Ferry is increasingly a knowledge-based company with deep intellectual property (IP) and research that allow us to deliver meaningful outcomes for our clients. We understand what makes a great leader, the competencies they possess that distinguish them from others, as well as the potential shortcomings that can damage their careers as well as their organization's performance. Today, our talent data includes over 4.4 million assessments and profiles of seven million candidates. This database provides the insight and intelligence for Korn Ferry's team of social scientists to determine the true drivers of leadership and performance and how any individual or organization measures up. With the addition of Legacy Hay Group, we can now expand our solutions which incorporates IP about people with data about organizations and rewards. These solutions help to deliver on Korn Ferry's holistic framework that sits at the intersection of an organization's strategy and its people.

Our vast library of proprietary tools and techniques has been developed through research by our scientists, statisticians and IP development specialists. It underpins all of our services, giving us unique insight into how strategic talent decisions help contribute to competitive advantage and success. We continue to add more discipline and scientific research into the recruitment and talent management process, with emphasis shifting from candidate identification to candidate assessment, fit and attraction and now adding the Legacy Hay Group focus on organizations and rewards. Driving this focus is our enhanced technology, as the power of the Internet, databases and online talent communities make it possible to efficiently identify greater numbers of qualified candidates. Innovative technology, when combined with world-class intellectual property and thought leadership, creates a compelling set of tools to manage the process of identifying, assessing and recruiting the most desirable candidates.

In the fiscal year ahead, we will continue to place a strong focus on our talent intelligence engine introduced in 2015 Korn Ferry's Four Dimensions of Leadership & Talent, which harnesses all of our IP and provides organizations with robust diagnostics at both the individual and enterprise levels. We will focus on integrating the assessment and leadership development IP from Legacy Hay Group into the KF4D talent intelligence engine. We have identified four crucial areas that matter most for individual and organizational success. The analytics we collect enable us to help organizations accentuate strengths and identify areas to develop, as well as understand how they stack up against their competition:

Competencies the skills and behaviors required for success that can be observed.

Experiences assignments or roles that prepare a person for future opportunities.

Traits inclinations, aptitudes and natural tendencies a person leans toward, including personality and intellectual capacity.

Drivers values and interests that influence a person's career path, motivation, and engagement.

Korn Ferry's Four Dimensions of Leadership & Talent will serve as the assessment engine for the Company's executive search and professional recruiting processes, leadership development and consulting, and recruitment process outsourcing engagements, as well as internal hiring and leadership development efforts.

We will also begin to integrate rewards and measurement data from Legacy Hay Group into our recruiting solutions and offer to provide a unique and differentiating perspective on organizations, reward and leaders to Korn Ferry clients.

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About Our Business Segments

Korn Ferry solutions and intellectual property are delivered through the following business segments:

Executive Search: Korn Ferry Executive Search helps clients attract the best executive talent for moving their companies in the right direction. The business is managed by geographical region leaders who focus on recruiting board-level, chief executive and other senior executive positions for clients predominantly in the consumer, financial services, industrial, life sciences/healthcare provider, technology and educational/not-for-profit industries. The relationships that we develop through this business allow us to add incremental value to our clients through the delivery of our other people and organizational advisory solutions.

Our executive search services concentrate on searches for positions with annual compensation of \$300,000 or more, or comparable in foreign locations, which may involve board-level, chief executive and other senior executive positions. The industry is comprised of retained and contingency recruitment firms. Retained firms, such as Korn Ferry, typically charge a fee for their services equal to approximately one-third of the first year annual compensation for the position being filled regardless of whether the position is filled. Contingency firms generally work on a non-exclusive basis and are compensated only upon successfully placing a recommended candidate.

Hay Group: Korn Ferry Hay Group helps an organization to align its people to their strategy – developing, engaging, and rewarding them to reach new heights. The business segment is divided into two areas – Advisory and Productized Services. Our Advisory business addresses how people work, and how to reward, develop, engage and motivate them so that strategies succeed. We deliver solutions that capitalize on the breadth of our intellectual property, service offerings and expertise to do what is right for the client. Our Productized Services business combines our proven methodology and decades of insight and packages them into a range of new tools, supporting recurring HR processes in the domains of Pay, Talent, and Engagement. Our Hay Group services are delivered by an experienced team of consultants and the richest and most comprehensive people data and insights in the world.

Futurestep: Korn Ferry Futurestep draws from Korn Ferry’s four decades of recruitment experience to offer fully scalable, flexible services that help organizations attract top people while reducing expenses and time to hire. Our portfolio of services includes Recruitment Process Outsourcing (RPO), Project Recruitment, Professional Search, Talent Consulting and Talent Communications.

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (the SEC), pursuant to the Securities Exchange Act of 1934 (the Exchange Act). You may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. Our reports, proxy statements and other documents filed electronically with the SEC are available at the website maintained by the SEC at www.sec.gov.

We also make available, free of charge on the Investor Relations portion of our website at www.kornferry.com, our annual, quarterly, and current reports, and, if applicable, amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC.

We also make available on the Investor Relations portion of our website at www.kornferry.com earnings presentation and other important information, which we encourage you to review.

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Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the Audit Committee, Compensation and Personnel Committee, and Nominating and Corporate Governance Committee of our Board of Directors are also posted on our website at <http://ir.kornferry.com>. Stockholders may request copies of these documents by writing to our Corporate Secretary at 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067.

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Industry Trends

In this competitive global economic environment, our clients are seeking new pathways to drive sustainable profitable growth. CEOs are increasingly demanding an agile workforce that can innovate and drive growth across borders. We believe Korn Ferry is uniquely positioned to help leaders and organizations succeed by releasing the full power and potential of people.

Consolidation of Talent Management Solution Providers In choosing recruitment and human resource service providers, we believe:

Companies are actively in search of preferred providers in order to create efficiencies and consolidate vendor relationships;

Companies that can offer a full suite of talent management solutions are becoming increasingly attractive; and

Clients seek trusted advisors who understand their business and unique organizational culture in order to manage the multiple needs of their business on a global scale.

Skills Gaps There are not enough highly skilled people coming into the labor market to fill open jobs. Particularly at the senior management levels, the available talent pool is inadequate. New leaders must step into bigger, more complex, and more global roles faster and with less experience than their predecessors. Given this, learning agility one's ability to solve complex problems, easily adapt in a constantly changing world and drive change is more important than ever. We believe employers will increasingly seek service providers who can help them find, develop and retain highly qualified, learning agile talent that secures a competitive advantage.

Human Capital Is One of the Top CEO Challenges The people, the minds, the alliances and the culture that can create and then nurture innovative ideas are seen as central to CEOs. In fact, according to the Conference Board, human capital how best to develop, engage, manage and retain talent is the single biggest challenge facing CEOs in 2016.

Talent Analytics Companies are increasingly leveraging big data and predictive analytics to measure the influence of activities across all aspects of their business, including HR. They expect their service providers to deliver superior metrics and better ways of communicating results. Korn Ferry's go-to-market approach is increasingly focused on talent analytics. Leveraging a large set of data on talent accumulated over decades of research, we have cataloged the elements of talent and isolated the most potent facets. The result, Korn Ferry's Four Dimensions of Leadership & Talent, is the talent intelligence engine that powers many of our solutions and products. Through our combination with Legacy Hay Group, we now also possess several of the richest HR databases in the world, so our clients can benchmark salaries, performance, leadership and other HR data by industry at a global and country level.

Increased Outsourcing of Recruitment Functions More companies are focusing on core competencies and outsourcing non-core, back-office functions to providers who can provide efficient, high-quality services. Third-party providers can apply immediate and long-term approaches for improving all aspects of talent acquisition. Advantages to outsourcing part or all of the recruitment function include:

Access to a diverse and highly qualified pool of candidates, which is refreshed on a regular basis;

Reduction or elimination of the costs required to maintain and train an in-house recruiting department in a rapidly changing industry;

Ability to use the workflow methodologies we have developed over tens of thousands of assignments, which allows clients to fulfill positions on a streamlined basis;

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Ability to quickly review millions of resumes and provide the right fit for the client;

Access to the most updated industry and geographic market information;

Access to cutting-edge search technology software and proprietary intellectual property; and

Ability to maintain management focus on core strategic business issues.

Other Industry Trends In addition to the industry trends mentioned above, we believe the following factors will have a long-term positive impact on the talent management industry:

Increasing demand for professionals with not just the right technical skills, but also the right leadership style, values and motivation to meet the specific requirements of the position and organizational culture;

Decreasing executive management tenure and more frequent job changes;

Retiring baby boomers, creating a skills gap in the workforce;

Shifting balance of power towards the employee as more people take charge of their own careers, and the new norm of employee-driven development;

Increasing importance of talent mobility in engaging and developing people within an organization;

Increased attention on succession planning due to heightened scrutiny on CEOs, pressure to generate growth, shorter CEO tenures and the emphasis being placed on making succession planning a systemic governance process within global organizations; and

Executive pay and governance practices under more scrutiny than ever.

Growth Strategy

Our objective is to expand our position as the preeminent global people and organizational advisory firm. In order to meet this objective, we will continue to pursue five strategic initiatives:

1. Drive an Integrated, Solutions-Based Go-to-Market Strategy

Differentiating Client Value Proposition Korn Ferry offers its clients a total approach to talent. Historically, the HR industry has offered piecemeal views of people based on inconsistent processes, technologies and measurement. Korn Ferry seeks to disrupt the traditional approach and has assembled intellectual property that we bring to market through

a holistic framework that sits at the intersection of an organization's strategy and its people.

In analyzing talent management across the entire value chain, Korn Ferry has developed a robust suite of offerings and leverages our market-leading position in executive search to extend the value we bring our clients through our diversified capabilities along the rest of the talent lifecycle through our Hay Group and Futurestep businesses.

Our synergistic go-to-market strategy, utilizing all three of our business segments, is driving more integrated, scalable client relationships, while accelerating our evolution to a consultative solutions-based organization. This is evidenced by the fact that approximately 62% of our revenues come from clients that utilize multiple lines of business.

We are an increasingly diversified enterprise in the world of human capital services and products, an industry that represents an estimated \$600 billion global market opportunity.

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In an effort to gain operational efficiencies and drive superior performance, we expect that multinational clients increasingly will turn to strategic partners who can manage their people and organizational advisory needs on a centralized basis. This will require vendors with a global network of offices and technological support systems to manage engagements across geographical regions. We established our Marquee Accounts program to act as a catalyst for change as we transform our Company from individual operators to an integrated talent solutions provider, in an effort to drive major global and regional strategic account development as well as to provide a framework for all of our client development activities. Today, the program consists of global colleagues from every line of business and geography. We are cascading this methodology throughout every market, country and office.

2. Deliver Unparalleled Client Excellence

World-class Intellectual Property Korn Ferry continues to scale and more deeply embed our industry-leading intellectual property within the talent management processes of our global clients.

Our IP-driven tools and services are being utilized by our clients for everything from organizational development and job profiling to selection, training, individual and team development, succession planning and more. Our subscription services that are delivered on-line are products that help us generate long-term relationships with our clients through large scale and technology-based HR programs on an annuity basis. We continue to seek ways to scale our product offering to our global clients.

Global organizations utilizing our Company's validated assessment capability are realizing the power and benefits of Korn Ferry IP in their people processes. Our assessment capability is currently utilized by more than 70% of our Executive Search clients. We have observed that candidates who utilize our on-line assessment tools stay longer with an organization and are promoted more frequently.

Our IP orientation is further expanded by our acquisitions of Legacy Hay Group, Pivot Leadership, PDI Ninth House and Global Novations. By acquiring these firms, we now offer a variety of pay, leadership development, coaching and assessment solutions for different organizational levels, as well as technology-driven talent management solutions. We possess several of the richest HR databases in the world, spanning 114 countries including reward data on 20 million professionals, engagement data on 6.0 million professionals and assessment data on 4.4 million professionals.

Technology Information technology is a critical element of all of our businesses. In fiscal 2016, we continued to invest in enhanced tools and knowledge management to gain a competitive advantage. We enhanced our technology platform to support delivery of *Korn Ferry's Four Dimensions of Leadership (KF4D)*, our newest and most robust assessment for Executive Search, Hay Group and Futurestep. We enhanced our global SAP and Salesforce enterprise systems to support the integration of Legacy Hay Group into Korn Ferry, providing globally consistent finance, HR, business development and operations processes. We continued to invest in our IT security infrastructure in an effort to protect the Company's assets against today's cyber-security threats.

In fiscal 2016, we further enhanced our scalable intellectual property content repository, which we are leveraging across all products and services. This enables us to continue to integrate services provided across the entire Hay Group portfolio, as well as Executive Search and Futurestep, and we have continued work on a unified talent analytics layer to support Korn Ferry's strategy to address this key industry trend.

Information technology is a key driver of Futurestep's growth in RPO, project recruitment and search. Database technology and the Internet have greatly improved capabilities in identifying, targeting and reaching potential candidates. In fiscal 2016, we continued the integration of advanced, Internet-based sourcing, assessment and selection technologies into the engagement workflow. We expanded the use of *Foresight*, our data aggregation

warehouse for analytical reporting of Futurestep recruiting activities across internal systems and clients' external applicant tracking systems.

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We will continue to enhance our technology in order to strengthen our relationships with clients, expand our markets through new delivery channels and maintain a competitive advantage in offering the full range of executive talent management services.

3. Extend and Elevate the Korn Ferry Brand

Next to our people, the Korn Ferry brand is the strongest asset of the Company. Since inception, Korn Ferry has always maintained an aggressive stance in building our global presence and supporting our vision and ongoing growth through a comprehensive marketing approach. At the highest level, we will continue to extend and elevate the Korn Ferry brand to raise awareness and drive higher market share within each of our lines of business.

Our leadership in executive search enables us to grow our business by increasing the number of recruitment assignments we handle for existing clients. We also believe that our strong relationships and well-recognized brand name will enable us to bring a broader base of solutions and services to our existing client base and to potential new clients, while allowing us to build communities of candidates to whom we can directly market our services.

For example, we will leverage the work our Board & CEO Services practice recently enhanced by the addition of Legacy Hay Group's Executive Pay and Governance capabilities performs at the top of our clients' organizations to promote awareness of our various solutions. We believe these engagements will create trickle-down revenue opportunities across all of our lines of business and lead to the expansion of other high-level, consultative relationships within the board and CEO community.

We drive additional awareness and brand equity through a global marketing program that leverages Korn Ferry Institute-generated thought leadership (whitepapers, bylined articles, and our award-winning *Briefings* periodical), aggressive media relations, social media, a sophisticated demand generation platform and other vehicles that include sponsorships, speaking opportunities, advertising and events.

4. Advance Korn Ferry as a Premier Career Destination

As our business strategy evolves, so should our talent strategy in order to drive the growth we need and the culture we want, at a pace we can absorb. Our talent strategy is what allows us to build and attract the best talent for ourselves (and, by extension, for our clients) to achieve our business potential.

Our goal is to become the premier career destination for top talent through offering a client-focused culture, promotional/developmental opportunities and compensation that aligns employee behavior to corporate strategy.

In fiscal 2017, we will launch a new professional development program called *Reimagine* for our consultants and client-facing practitioners to train them on our strategy, our various solutions and a systematic approach for broadening the conversations, and subsequently, the relationships with our clients. Additional initiatives include aligning workforce and leadership competencies to our strategy, enhancing performance practices, continuing to develop succession slates across the Company, and evolving our rewards system.

5. Pursue Transformational Opportunities Along the Broad Human Resources Spectrum

We have an unrivaled ability to address the entire talent continuum, delivering solutions and products in the following areas:

Strategy Execution and Organization Design

Talent Strategy and Work Design

Rewards and Benefits

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Assessment and Succession

Executive Search and Recruitment

Leadership Development

We will continue to internally develop and add new products and services that our clients demand while pursuing a disciplined acquisition strategy. We have developed a core competency in the identification, acquisition and integration of M&A targets that play a significant role in the attainment of our strategic objectives. As we look forward, we will continue building Korn Ferry as the leading authority on driving business performance through people. Our disciplined approach to M&A will continue to play a vital role in this journey.

Our Services and Organization

Organization

The Company operates in three global business segments: Executive Search, Hay Group, and Futurestep. Our executive search business is managed on a geographic basis throughout our four regions: North America, Europe, the Middle East and Africa (EMEA), Asia Pacific and Latin America. Hay Group and Futurestep are managed on a global basis with operations in North America, Europe, Asia Pacific and Latin America.

We address the people and organizational advisory needs of our clients through our three business segments:

Executive Search

Overview Korn Ferry Executive Search helps clients attract the best executive talent for moving their companies in the right direction. Our services are typically used to fill executive-level positions, such as board directors, chief executive officers, chief financial officers, chief operating officers, chief information officers and other senior executive officers. As part of being retained by a client to conduct a search, we assemble a team comprised of consultants with appropriate geographic, industry and functional expertise. Our search consultants serve as management advisors who work closely with the client in identifying, assessing and placing qualified candidates. In fiscal 2016, we executed 8,375 executive search assignments.

We utilize a standardized approach to placing talent that integrates research based IP with our practical experience. Providing a more complete view of the candidate than is otherwise possible, we believe our proprietary tools generate better results in attracting the right person for the position.

We emphasize a close working relationship with the client and a comprehensive understanding of the client's business issues, strategy and culture. The search team consults with its established network of resources and searches our databases containing profiles of approximately five million executives to assist in identifying individuals with the right background, cultural fit and abilities. Through this process, an original list of candidates is carefully screened through phone interviews, video conferences and in-person meetings. Client and candidates complete *Korn Ferry's Four Dimensional Executive Assessment*. Launched in fiscal 2015 and powered by Korn Ferry's Four Dimensions of Leadership & Talent, this tool gives clients insights about each candidate's competencies, personality traits, drivers, and past experiences that are aligned to the role. We conduct due diligence and background verification of the candidates throughout this process, at times with the assistance of an independent third party. Beginning in fiscal 2017, we will offer Hay Group's industry standard job grading, job description and salary benchmark methodologies in

the executive search process.

Industry Specialization Consultants in our five global markets and one regional specialty practice groups bring an in-depth understanding of the market conditions and strategic management issues faced by clients within their specific industry and geography. We are continually looking to expand our specialized expertise through internal development and strategic hiring in targeted growth areas.

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Global Markets:	
Industrial	26%
Life Sciences/Healthcare Provider	20%
Financial Services	19%
Consumer	17%
Technology	12%
Regional Specialties (United States):	
Education/Not-for-Profit	6%

Functional Expertise We have organized executive search centers of functional expertise, composed of consultants who have extensive backgrounds in placing executives in certain functions, such as board directors, CEOs and other senior executive officers. Our Board & CEO Services group, for example, focuses exclusively on placing CEOs and board directors in organizations around the world. This is a dedicated team from the most senior ranks of the Company. Their work is with CEOs and in the board room, and their expertise is organizational leadership and governance. They conduct hundreds of engagements every year, tapping talent from every corner of the globe. This work spans all ranges of organizational scale and purpose. Members of functional groups are located throughout our regions and across our industry groups.

Percentage of Fiscal 2016 Assignments Opened by Functional Expertise

Board Level/CEO/CFO/Senior Executive and General Management	73%
Finance and Control	9%
Marketing and Sales	5%
Human Resources and Administration	5%
Manufacturing/Engineering/Research and Development/Technology	4%
Information Systems	4%

Regions

North America We currently have 23 offices throughout the United States and Canada. In fiscal 2016, the region generated fee revenue of \$371.4 million and opened 2,508 new engagements with an average of 222 consultants.

EMEA We currently have 18 offices in 16 countries throughout the region. In fiscal 2016, the region generated fee revenue of \$144.3 million and opened 1,569 new engagements with an average of 130 consultants.

Asia Pacific We currently have 19 offices in 10 countries throughout the region. In fiscal 2016, the region generated fee revenue of \$80.5 million and opened 983 new engagements with an average of 90 consultants.

Latin America We currently operate a network of 11 offices in 8 countries covering the entire Latin American region. The region generated fee revenue of \$26.7 million in fiscal 2016 and opened 457 new engagements with an average of 28 consultants. In the fourth quarter of fiscal 2016, we obtained control of our Mexico subsidiary and began to consolidate the operations.

Client Base Our 5,575 clients include many of the world's largest and most prestigious public and private companies, and 54% of FORTUNE 500 companies were clients in fiscal 2016. In fiscal 2016, only two clients represented more than 1% of fee revenue, with those clients representing a combined 2.6% of fee revenue.

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Competition Other multinational executive search firms include Egon Zehnder International, Heidrick & Struggles International, Inc., Russell Reynolds Associates and Spencer Stuart. Although these firms are our largest competitors in executive search, we also compete with smaller boutique firms that specialize in specific regional, industry or functional searches. We believe our brand name, differentiated business model, systematic approach to client service, cutting-edge technology, global network, prestigious clientele, strong specialty practices and high-caliber colleagues are recognized worldwide. We also believe our long-term incentive compensation arrangements, as well as other executive benefits, distinguish us from most of our competitors and are important in attracting and retaining our key consultants.

Hay Group

Overview Korn Ferry Hay Group helps align an organization to its people – developing, engaging, and rewarding them to reach new heights.

Hay Group is divided into two areas – Advisory and Productized Services. Our Advisory business addresses how people work, and how to reward, develop, engage and motivate them so that strategies succeed. We deliver solutions that capitalize on the breadth of our intellectual property, service offerings and expertise to do what is right for the client. Our Productized Services business combines our proven methodology and decades of insight and packages them into a range of new tools, supporting recurring HR processes in the domains of Pay, Talent, and Engagement.

We have made significant investments in these service areas with the acquisitions of Lominger Limited, Inc., Lominger Consulting (Lominger) and LeaderSource in fiscal 2007, Lore International in fiscal 2009, SENSA Solutions in fiscal 2010, PDI and Global Novations in fiscal 2013, Pivot Leadership in fiscal 2015, and Legacy Hay Group in fiscal 2016.

Regions Hay Group solutions are delivered by an experienced team of consultants and the richest and most comprehensive people data and insights in the world. As of April 30, 2016, we had Hay Group operations in 21 cities in North America, 35 in Europe, 19 in Asia Pacific, and 10 in Latin America.

Client Base During fiscal 2016, Hay Group partnered with 9,903 clients across the globe, including 60% of the FORTUNE 500.

Competition Our main competitors include firms like Aon Hewitt, Willis Towers Watson, Deloitte, McKinsey, RHR International, Development Dimensions International, Center for Creative Leadership, Right Management, Mercer and SHL, a subsidiary of Corporate Executive Board. Although these firms are our largest competitors, we also compete with smaller boutique firms that specialize in specific regional, industry or functional aspects of leadership and organizational advisory services.

Futurestep

Overview Korn Ferry Futurestep offers clients a portfolio of talent acquisition solutions, including RPO, Project Recruitment, Professional Search, Talent Consulting and Employee Communications. Each Futurestep engagement leverages a global recruitment process and best-in-class technology to maximize and measure quality.

Futurestep combines traditional recruitment expertise with a multi-tiered portfolio of talent acquisition solutions. Futurestep consultants, based in 18 countries, have access to our databases of pre-screened, mid-level professionals. Our global candidate pool complements our international presence and multi-channel sourcing strategy to aid speed, efficiency and quality service for clients worldwide.

Futurestep's customizable end-to-end RPO solution combines our recruiting expertise with state-of-the-art technologies to help companies streamline recruitment processes, enhance candidate experience, and improve quality of hire.

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Project Recruitment services offer a proven, outsourced approach for delivering the right talent in the right numbers and in the right location within a specific timeframe.

In terms of Search, Futurestep's brand association with Korn Ferry has helped us become regarded by today's industry leaders as a trusted resource for securing professional and specialized talent.

Talent Consulting services support clients with the wider aspects of the talent lifecycle including talent acquisition advisory, and candidate assessment and selection.

Talent Communications services help clients create a compelling employer brand experience. We use the latest research techniques to identify each client's unique Employer Value Proposition and then bring it to life across the full range of traditional and digital media.

Regions We opened our first Futurestep office in Los Angeles in May 1998. In January 2000, we acquired the Executive Search & Selection business of PA Consulting with operations in Europe and Asia Pacific. As of April 30, 2016, we had Futurestep operations in 13 cities in North America, 8 in Europe, 15 in Asia Pacific, and 2 in Latin America.

Client Base During fiscal 2016, Futurestep partnered with 1,578 clients across the globe and 42% of Futurestep's fiscal 2016 fee revenue was referred from Korn Ferry's Executive Search and Hay Group segments.

Competition Futurestep primarily competes for business with other RPO providers such as Cielo Talent, Alexander Mann Solutions, Hays, Kenexa, Spherion, KellyOCG and ADP, and competes for search assignments with regional contingency recruitment firms and large national retained recruitment firms.

Professional Staff and Employees

We have a wealth of talent at our disposal. Our Company brings together the best and brightest from a wide range of disciplines and professions everything from academic research and technology development to executive recruiting, consulting, and business leadership. We are also a culturally diverse organization. Our people come from all over the world and speak a multitude of languages. For us, this diversity is a key source of strength. It means we have people who are able to challenge convention, offer unique perspectives, and generate innovative ideas. Equally important, it means we can think and act globally just like our clients.

As of April 30, 2016, we had a total of 6,947 full-time employees. Of this, 1,682 were Executive Search employees consisting of 488 consultants and 1,194 associates, researchers, administrative and support staff. Hay Group had 3,626 employees as of April 30, 2016, consisting of 562 consultants and 3,064 associates, researchers, administrative and support staff. Futurestep had 1,530 employees as of April 30, 2016, consisting of 114 consultants and 1,416 administrative and support staff. Corporate had 109 professionals at April 30, 2016. We are not party to a collective bargaining agreement and consider our relations with our employees to be good. Korn Ferry is an equal opportunity employer.

In Executive Search, senior associates, associates and researchers support the efforts of our consultants with candidate sourcing and identification, but do not generally lead assignments. These colleagues are developed through our training and professional development programs. Promotion to senior client partner is based on a variety of factors, including demonstrated superior execution and business development skills, the ability to identify solutions to complex issues, personal and professional ethics, a thorough understanding of the market and the ability to develop and help build effective teams. In addition, we have a program for recruiting experienced professionals into our

Company.

The following table provides information relating to each of our business segments for fiscal 2016. Financial information regarding our business segments for fiscal 2015 and 2014 and additional information for

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fiscal 2016 is contained in Note 11 *Business Segments*, in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K, which is incorporated herein by reference.

	Fee Revenue	Operating Income (Loss) (dollars in thousands)	Number of Consultants as of April 30, 2016
Executive Search:			
North America	\$ 371,345	\$ 100,381	230
EMEA	144,319	20,607	131
Asia Pacific	80,506	12,572	94
Latin America	26,744	(1,854)	33
Total Executive Search	622,914	131,706	488
Hay Group (1)	471,145	(3,415)	562
Futurestep	198,053	26,702	114
Corporate		(102,301)	
Total	\$ 1,292,112	\$ 52,692	1,164

The following table provides information on fee revenues for each of the last three fiscal years attributable to the regions in which the Company operates:

	Year Ended April 30,		
	2016 (1)	2015	2014
	(in thousands)		
Fee Revenue:			
United States	\$ 669,585	\$ 557,024	\$ 507,280
Canada	40,401	39,252	38,113
EMEA	343,460	248,865	232,329
Asia Pacific	187,631	145,625	145,452
Latin America	51,035	37,386	37,127
Total	\$ 1,292,112	\$ 1,028,152	\$ 960,301

(1) Fee revenue from Legacy Hay Group was \$186.8 million from December 1, 2015, the effective date of the acquisition.

Additional financial information regarding the regions in which the Company operates can be found in Note 11 *Business Segments*, in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 1A. Risk Factors

The risks described below are the material risks facing our Company. Additional risks not presently known to us or that we currently deem immaterial may also impair our busin