

KORN FERRY INTERNATIONAL

Form 10-K

June 29, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

- o** **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**  
**For the fiscal year ended April 30, 2011**
- OR**
- o** **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**  
*(Address of principal executive offices)*

**95-2623879**  
*(I.R.S. Employer  
Identification Number)*  
**90067**  
*(Zip code)*

**(310) 552-1834**  
*(Registrant's telephone number, including area code)*

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

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

**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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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 27, 2011 was 47,083,285 shares. The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant on October 29, 2010, 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 \$929,025,508 based upon the closing market price of \$17.63 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 2011 Annual Meeting of Stockholders scheduled to be held on September 28, 2011 are incorporated by reference into Part III of this Form 10-K.

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**PART I.**

**Item 1. *Business***

**Business Overview**

Korn/Ferry International (referred to herein as the Company, Korn/Ferry, or in the first person notations we, our, and us) is a premier global provider of talent management solutions that help clients to attract, deploy, develop and reward their talent. We opened our first office in Los Angeles in 1969 and currently operate in 76 offices in 35 countries. As of April 30, 2011, we had 2,463 full-time employees, including 471 executive recruitment and 162 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 78% of our executive recruitment assignments performed during fiscal 2011 on behalf of clients for whom we had conducted assignments in the previous three fiscal years.

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

We provide the following talent management solutions:

*Executive Recruitment:* Executive Recruitment, our largest business, focuses on recruiting board-level, chief executive and other senior executive positions for clients predominantly in the consumer, financial services, industrial, life sciences/healthcare provider and technology industries. The relationships that we develop through this business are valuable in introducing our complementary service offerings to clients.

*Leadership and Talent Consulting (LTC):* Our comprehensive blend of talent management offerings assists clients with their ongoing assessment, organizational and leadership development efforts. Services address five fundamental needs: board effectiveness, Chief Executive Officer (CEO) & senior management effectiveness, leadership development and enterprise learning, organization transformation and talent portfolio management. Each of Korn/Ferry's solutions is delivered by an experienced team of leadership consultants, a global network of top executive coaches and the intellectual property of research-based, time-tested leadership assessment and developmental tools.

*Talent Acquisition Solutions:* In 1998, we extended our market reach into middle management with the introduction of Futurestep, our outsourced and mid-level recruiting subsidiary. Futurestep draws from Korn/Ferry's four decades of industry experience to create customized, flexible talent acquisition solutions to meet specific workforce needs of organizations around the world. In addition to being a pioneer in recruitment process outsourcing (RPO), the Company's multi-tiered portfolio of services includes talent acquisition consulting services, project-based recruitment and mid-level recruitment.

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](http://www.sec.gov).

We also make available, free of charge on our website at [www.kornferry.com](http://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.

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 [www.kornferry.com](http://www.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 Overview**

*Executive Recruitment Services:* Our executive recruitment services concentrates on searches for positions with annual compensation of \$250,000 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 cash 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.

*Leadership and Talent Consulting Services:* With an increasing amount of Korn/Ferry's revenue being generated by non-search engagements, our LTC services are driving our transformation into a broad-based talent management firm. These diversified solutions help our clients to not only attract but to deploy, develop and reward their best people in the context of their organization and talent strategy.

*Talent Acquisition Solutions:* Futurestep, a Korn/Ferry subsidiary, offers talent acquisition solutions for mid- and high-level management, with annual compensation generally in the \$100,000 to \$150,000 range. Founded in 1998, Futurestep today has locations on four continents and a record of success in helping clients achieve business impact through effective talent operations.

### **Industry Trends**

As the global economy continues to recover and expand, we believe the business outlook for the talent management industry is positive. Contributing to this is a confluence of market trends that will continue to fuel job growth and hiring, which include the following:

*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.

*Aging Population* In many major economic centers, the workforce population is aging at a rapid pace. The number of retirees has more than doubled over the last decade. Moreover, the supply of available qualified candidates is limited, making it more difficult for employers to secure executives. We believe this trend will have a positive impact on our business over the long-term as employers will increasingly seek service providers who can provide solutions for the impending talent shortage.

*Globalization of Business* As the world markets continue to integrate into one global economy, many companies are strengthening their talent pool with experienced executives who can operate effectively in this global environment. Emerging markets such as China, India and Eastern Europe have executive talent demands that exceed the current available supply of executive talent in these geographies. The rapidly changing competitive landscape challenges multinational and local companies to identify and recruit qualified executives with the right combination of skills, experience and cultural compatibility. Clients are turning to firms that combine proven expertise with specialized



knowledge of both key industries and local markets, enabling them to address their ongoing global talent needs.

*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 on an as-needed basis;

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

Access to the most updated industry and geographic market information;

Access to cutting-edge search technology software; and

Ability to maintain management focus on core strategic business issues.

*Key Role of Technology* At Korn/Ferry we are adding more regimen and scientific research into the recruitment process, with emphasis shifting from candidate identification to candidate assessment and placement. Driving this initiative is enhanced technology, as the power of the Internet, search engines and databases 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, recruiting and assessing the most desirable candidates.

*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 managers with broader qualifications;

Increasing desire by candidates to more actively manage their careers;

Increasing demand for senior executives with not just the right technical skills, but also the right leadership characteristics to meet the specific requirements of the position and organizational culture;

Increasing demand for senior executives who can exceed the high standards of due diligence and public scrutiny as a result of recent securities legislation;

Decreasing executive management tenure and more frequent job changes;

Inadequate succession planning; and

Increasing impact of Internet-enabled social media on the role of HR and the recruitment process.

## **Growth Strategy**

Our objective is to expand our position as a premier global provider of talent management solutions. 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 global, integrated, enterprise-wide talent management solution. To that end, we have made progress in helping clients more effectively and efficiently, attract, deploy, develop and reward their workforce.

In analyzing talent management across the attract-deploy-develop-reward value chain, Korn/Ferry has developed clear, industry-differentiating strengths through its market leading position in Executive Recruitment and RPO

solutions, with distinct, diversified capabilities along the rest of the value chain through the Company's LTC service line.

Our synergistic go-to-market strategy, utilizing all three of our service lines, is systematically driving more integrated, scalable client relationships, while accelerating our evolution to a consultative solutions-based organization. This is evidenced by the fact that nearly 86% of our top 50 clients utilize at least two of our service lines.

We are an increasingly diversified enterprise with a unique presence in the world of human capital services and products, which represents an estimated \$400 billion global market opportunity.

In an effort to better coordinate global recruiting and to gain operational efficiencies, we expect that multinational clients increasingly will turn to strategic partners who can manage their recruitment needs on a centralized basis. This will require vendors with a global network of offices and technological support systems to

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manage multiple hires across geographical regions. In fiscal 2009, we established our *Premier Client Partnership* ( PCP ) 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 PCP program consists of global colleagues from every line of business and geography. Our goal is to cascade 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 its industry-leading intellectual property within the talent management process of our global clients.

Our IP-driven Lominger 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. We have almost doubled the Lominger business since we acquired it in 2006. As a product-focused offering, Lominger technology helps us to generate long-term relationships with clients. We continue to seek ways to scale the Lominger product offering to our global clients.

Global organizations utilizing our firm's validated assessment capability are realizing the power and benefits of Korn/Ferry IP in their talent evaluation process. Our assessment capability, currently utilized by more than 60% of our clients, can improve executive retention and prospects of promotion. We believe companies that use Korn/Ferry's assessments to choose executives are more likely to find candidates that they would not only retain, but soon promote.

*Technology.* Information technology has become a critical element of the executive talent management business. We have made significant investments in developing a robust technology infrastructure and a web-based executive recruitment platform, *e-Korn/Ferry*. In fiscal 2011, we continued to invest in enhanced tools and knowledge management to gain a competitive advantage. We introduced key enhancements to *Searcher Express*, our state-of-the-art engagement execution platform and the cornerstone of the Company's strategy to better share knowledge, access data and improve the search process. A new client relationship management feature in *Searcher Express* provides a global business development opportunity tracking system for all lines of business.

We also embarked on a worldwide upgrade of our desktop and network infrastructure to provide best-in-class tools for our staff, including the rollout of a new intranet platform, *Inside K/F*, for enhanced information sharing and collaboration across markets and geographies. The new intranet also includes a project calendar function that organizes activities by individuals and lines of business, and a utilization management system to track client bookings via consultants' Outlook calendars. We also rolled out major enhancements to our client engagement collaboration portal, the Talent Dashboard, adding a talent pipeline feature as well as a voting tool to facilitate committee-based candidate selection.

The technology supporting LTC continued to evolve in fiscal 2011 through the integration of Lominger's intellectual property into our assessment and talent management products. Our newly-developed intellectual property platform consolidates a rich set of assessment instruments and reports into a common web portal for our LTC clients. Usage of *Korn/Ferry Advantage*, a technology-based assessment process for our core executive recruitment business, stands at 64% of all search engagements.

*The Korn/Ferry Advantage:* When launched in 2007, the goal of *the Korn/Ferry Advantage* was to establish a strategic leadership framework to engage with clients as they think about their own strategic plan and the candidate profiles that will be required to make their plans a reality. *The Korn/Ferry Advantage* offers a distinct Korn/Ferry Way for conducting executive search and ensuring quality control globally. After nearly four years of implementation, *the*

*Korn/Ferry Advantage* has become firmly embedded in our culture and serves as a foundation of the Korn/Ferry search process. It has also emerged as a key competitive differentiator.

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Information technology is a key driver of Futurestep's growth in RPO, project-based and mid-level recruitment. Database technology and the Internet have greatly improved capabilities in identifying, targeting and reaching potential candidates, thereby reducing placement times. Fiscal 2011 saw major system enhancements, including the upgrade of Futurestep to our enterprise engagement management and customer relationship management platform, *Searcher Express*, and the integration of advanced, Internet-based sourcing, assessment and selection technologies in the engagement workflow.

In fiscal 2011 we renewed our commitment to invest in technology across all lines of business extending the Company's brand through integration with social networks and delivering our unique intellectual property through smart phones and tablets. We will continue to enhance our technology in order to strengthen our relationships with our existing clients, attract new 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 extremely aggressive stance in building our global presence and supporting our vision and ongoing growth through a robust and 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 key segments.

Our leadership in executive recruitment 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 introduce new 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 performs at the top of our clients organizations to promote awareness of our various solutions at the highest levels. We believe these engagements will create significant trickle-down revenue opportunities across all of our lines of business and also lead to the expansion of other high-level, consultative relationships within the board and CEO community.

### ***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 we do to ensure that we attract, deploy, develop, and reward the best talent for ourselves (and, by extension, for our clients) to achieve our business potential.

We believe that the recruitment and retention of key consultants will be an ongoing driver of long-term growth. Our consultants bring with them diverse backgrounds and areas of expertise and were recruited based on their track records as top performers in their given industry.

### ***5. Pursue Transformational Opportunities Along the Broad Human Resources Spectrum***

In addition to our heritage as a leading provider of executive recruitment, we also offer clients outsourced and mid-level recruitment, strategic and organizational alignment, leadership and executive development, and talent and performance management through Futurestep and LTC. We will continue to develop and add new products and services that our clients demand and continue to pursue a disciplined acquisition strategy, both of which are consistent with our strategic goals. Our non-executive recruitment businesses generated 26% of our overall fee revenue in fiscal 2011.

**Our Services and Organization**

**Organization**

The Company operates in two global business segments in the retained recruitment industry, Executive Recruitment and Futurestep. Our executive recruitment business is managed on a geographic basis throughout our four regions: North America, EMEA, Asia Pacific and South America. Futurestep is managed on a worldwide basis with operations in North America, Europe and Asia Pacific. We face risks associated with political instability, legal

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requirements and currency fluctuations in these international operations. Examples of such risks include difficulties in staffing and managing global operations, social and political instability, fluctuation in currency exchange rates and potential adverse tax consequences.

We address the global recruitment needs of our clients at all levels of management by offering the following services:

### ***Executive Recruitment Services***

*Overview.* Our executive recruitment services are typically used to fill executive-level positions, such as board directors, chief executive officers ( CEO ), chief financial officers ( CFO ), chief operating officers ( COO ), chief information officers ( CIO ) and other senior executive officers. Once we are 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 2011, we executed 11,501 executive recruitment assignments.

We utilize a unique, standardized approach to placing talent that integrates scientific research with our practical experience. Providing a more complete view of the candidate than is otherwise possible, our proprietary tools are statistically proven to generate better results in identifying the right person for the position. We call our executive recruitment methodology *The Korn/Ferry Advantage*.

We emphasize a close working relationship with the client and a comprehensive understanding of the client's business issues, strategy and culture, as well as an in-depth knowledge of the skills necessary to succeed within a client's organization. Initially, the search team consults with the client to better understand its history, culture, structure, expectations, challenges, future direction and operations. In these meetings, the team identifies the specific needs of the client and develops a profile of an ideal candidate for the position using our proprietary *Leadership Sort System*, which allows clients to select the desired leadership characteristics for specific roles. Early in the process, the team also works with the client to develop the general parameters of a compensation package that will attract highly qualified candidates.

Once the position is defined and outlined via an enhanced job specification that embodies the desired leadership characteristics, a research team identifies through the use of our proprietary databases and other information resources, companies in related industries facing similar issues and with operating characteristics similar to those of the client. In addition, the 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. These sources are a critical element in assessing the marketplace.

An original list of candidates is carefully screened through phone interviews, video conferences and in-person meetings, using our proprietary behavioral interviewing approach. Candidates also complete *Search Assessment<sup>SM</sup>*, a behavioral mapping tool that provides clients with insights into how candidates will lead, how they will approach and solve complex problems, what their emotional profile is likely to be and what motivates them to succeed. The client is then presented final qualified candidates to interview. We conduct due diligence and background verification of the candidate throughout the process, at times with the assistance of an independent third party.

The finalist for the position will usually meet with the client for a second and possibly a third round of discussions. At this point, the compensation package will have been discussed in detail, increasing the likelihood that an offer will be accepted. Generally, the search consultants will participate in the negotiations until a final offer is made and accepted. Throughout the process, ongoing communication with the client is critical to keep client management apprised of progress.



*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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Industrial	28%
Financial Services	18%
Consumer	18%
Technology	15%
Life Sciences/Healthcare Provider	16%
<b>Regional Specialties:</b>	
Education/Not-for-Profit	5%

*Functional Expertise.* We have organized executive recruitment 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 2011 Assignments by Functional Expertise**

Board Level/CEO/CFO/Senior Executive and General Management	72%
Marketing and Sales	10%
Human Resources and Administration	6%
Manufacturing/Engineering/Research and Development/Technology	6%
Finance and Control	4%
Information Systems	2%

***Regions***

*North America* We opened our first office in Los Angeles in 1969, and currently have 23 offices throughout the United States and Canada. In fiscal 2011, the region generated fee revenue of \$376.0 million from 4,846 assignments billed, with an average of 229 consultants.

*Europe, the Middle East and Africa ( EMEA )* We opened our first European office in London in 1972, and currently have 19 offices in 17 countries throughout the region. In fiscal 2011, the region generated fee revenue of \$155.8 million from 3,678 assignments billed, with an average of 136 consultants.

*Asia Pacific* We opened our first Asia Pacific office in Tokyo in 1973, and currently have 18 offices in 10 countries throughout the region. In fiscal 2011, the region generated fee revenue of \$90.3 million from 2,058 assignments billed, with an average of 91 consultants.

*South America* We opened our first South America office in Brazil in 1974. As of April 30, 2011, we operate a network of seven offices in six countries covering the entire South American region. The region, generated fee revenue of \$32.0 million in fiscal 2011 from 919 assignments billed, with an average of 18 consultants.

*Mexico* We expanded our practice to Mexico through the 1977 acquisition of a less than 50% interest in a Mexico City company. We currently conduct operations in two offices in Mexico through a subsidiary in which we hold a minority interest. Our share of the net earnings from our Mexico subsidiary was \$1.9 million and \$0.1 million for the years ended April 30, 2011 and 2010, respectively, and is included in equity in earnings of unconsolidated subsidiaries on the consolidated statements of operations.

*Client Base.* Our 4,736 clients include many of the world's largest and most prestigious public and private companies, with 47% of the FORTUNE 500 companies being clients in fiscal 2011. In fiscal 2011, no single client

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represented more than 2% of fee revenue. We have established strong client loyalty with 78% of the executive recruitment assignments performed during fiscal 2011 on behalf of clients for whom we had conducted assignments in the previous three fiscal years.

*Competition.* We are a premier global provider of talent management solutions. Other multinational executive recruitment firms include Egon Zehnder International, Heidrick & Struggles International, Inc., Russell Reynolds Associates and Spencer Stuart. Although these firms are our largest competitors, 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 that 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.

*Leadership and Talent Consulting Services.* In fiscal 2009, we consolidated our strategic management assessment and executive coaching and development services under the new name *Leadership and Talent Consulting* to more accurately reflect the array of solutions we now offer and to accommodate further growth. We have made significant investments in these service areas with the acquisitions of Lominger Limited, Inc. and Lominger Consulting (the Lominger Entities ) and LeaderSource in fiscal 2007, Lore International in fiscal 2009 and SENSE Solutions in fiscal 2010. Our comprehensive blend of talent management offerings assists clients with the ongoing assessment and development of their senior executives and management teams, and addresses five fundamental needs:

1. Board effectiveness;
2. Leadership development and enterprise learning;
3. Organization transformation;
4. Integrated talent management; and
5. CEO & senior management effectiveness.

Each of Korn/Ferry's solutions is delivered by an experienced team of leadership consultants, a global network of top executive coaches and the intellectual property of research-based, time-tested leadership assessment and developmental tools.

### ***Talent Acquisition Solutions    Futurestep***

*Overview.* Founded in 1998 as Korn/Ferry's scalable, outsourced recruitment subsidiary, Futurestep offers clients a portfolio of talent acquisition solutions, including RPO, talent acquisition consulting services, project-based recruitment, and mid-level recruitment. Each Futurestep engagement leverages a world-class 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 15 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 consulting services help companies reduce costs and boost efficiency for talent management processes, evaluate and select service and technology vendors, establish objectives and metrics for success, and implement and

optimize talent programs and systems. Through our services, and through the consulting expertise of The Newman Group, acquired by Futurestep in fiscal 2008, we help companies align people, processes and technology.

RPO solutions provide the expertise, services and support to help clients address strategic and operational challenges related to talent acquisition. Futurestep can act as or augment, the clients recruitment function.

Project-based recruitment solutions offer a proven, outsourced approach for augmenting and optimizing a company s talent acquisition strategy to manage multiple hires within a specific timeframe. Consultants use our

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proprietary recruitment methodology to deliver seamless, workflow-driven talent acquisition strategies that enable clients to secure the right talent, quickly and effectively.

Futurestep's mid-level recruitment service uses multiple sourcing channels, validated cultural assessments and our global database of more than two million pre-screened professionals to offer a low overhead approach that accelerates the recruitment process and provides a diverse, qualified set of mid-level candidates matched with specific cultural and strategic requirements.

*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, 2011, we had Futurestep operations in seven cities in North America, eight in Europe and 12 in Asia Pacific.

*Competition.* Futurestep primarily competes for business with other RPO providers such as Spherion, KellyOCG and The RightThing and competes for search assignments with regional contingency recruitment firms and large national retained recruitment firms.

For talent acquisition and management consulting services, Futurestep competes with boutique consulting providers such as HRchitect and Knowledge Infusion and larger consulting firms such as Accenture, Aon Hewitt and Towers Watson.

**Professional Staff and Employees**

As of April 30, 2011, we had a total of 2,463 full-time employees. Of this, 1,774 were executive recruitment employees consisting of 471 consultants, 1,131 associates, researchers, administrative and support staff, and 172 LTC professionals. In addition, we had 15 consultants in our unconsolidated Mexico office. Futurestep had 628 employees as of April 30, 2011, consisting of 162 consultants and 466 administrative and support staff. Corporate had 61 professionals at April 30, 2011. 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 Recruitment, senior associates, associates and researchers support the efforts of our consultants with candidate sourcing and identification, but do not generally lead assignments. We have 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 2011. Financial information regarding our business segments for fiscal 2010 and 2009 and additional information for fiscal 2011 is contained in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

	<b>Operating</b>	<b>Number of</b>	<b>Number of</b>
<b>Fee</b>	<b>Income</b>	<b>Offices as of</b>	<b>Consultants as</b>
<b>Revenue</b>	<b>(Loss)</b>	<b>April 30,</b>	<b>of</b>
		<b>2011</b>	<b>April 30, 2011</b>
	<b>(Dollars in thousands)</b>		

**Executive Recruitment:**

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North America	\$ 375,971	\$ 80,685	23	225
EMEA	155,782	11,628	19	132
Asia Pacific	90,346	11,611	18	95
South America	31,959	7,475	7	19
Total Executive Recruitment	654,058	111,399	67	471
<b>Futurestep(1)</b>	90,191	4,955	9	162
<b>Corporate</b>		(30,569)		
<b>Total</b>	\$ 744,249	\$ 85,785	76	633

(1) Futurestep partially occupies 19 of the executive recruitment offices globally in 15 countries.

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

	Year Ended April 30,		
	2011	2010	2009
	(In thousands)		
<b>Fee Revenue:</b>			
United States	\$ 365,919	\$ 270,859	\$ 305,472
Canada	45,313	32,115	41,861
EMEA	183,373	157,376	172,899
Asia Pacific	117,685	88,004	93,668
South America	31,959	24,026	24,323
Total	\$ 744,249	\$ 572,380	\$ 638,223

**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 business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.*

***Competition in our industry could result in us losing market share and/or require us to charge lower prices for services, which could reduce our revenue.***

We compete for executive recruitment business with numerous executive recruitment firms and businesses that provide job placement services, including other large global executive search firms, smaller specialty firms and internet-based firms. Traditional executive recruitment competitors include Egon Zehnder International, Heidrick & Struggles International, Inc., Russell Reynolds Associates and Spencer Stuart. In each of our markets, our competitors may possess greater resources, greater name recognition and longer operating histories than we do, which may give them an advantage in obtaining future clients and attracting qualified professionals in these markets. Additionally, specialty firms can focus on regional or functional markets or on particular industries. There are no extensive barriers to entry into the executive recruitment industry and new recruiting firms continue to enter the market. We believe the continuing development and increased availability of information technology will continue to attract new competitors, especially Internet-enabled professional and social networking website providers. As these providers continue to evolve, they may develop offerings similar to or more expansive than ours, thereby increasing competition for our services or more broadly causing disruption in the executive recruitment industry. Increased competition, whether as a result of these professional and social networking website providers or traditional executive recruitment firms, may lead to pricing pressures that could negatively impact our business. For example, increased competition could require us to charge lower prices, and/or cause us to lose market share, each of which could reduce our fee revenue.

***If we fail to attract and retain qualified and experienced consultants, our revenue could decline and our business could be harmed.***

We compete with other executive recruitment firms for qualified and experienced consultants. Attracting and retaining consultants in our industry is particularly important because, generally, a small number of consultants have primary



responsibility for a client relationship. Because client responsibility is so concentrated, the loss of key consultants may lead to the loss of client relationships. In 2011, for example, our top three executive search consultants had primary responsibility for generating business equal to approximately 3% of our net revenues, and our top ten executive search consultants had primary responsibility for generating business equal to approximately 7% of our net revenues. This risk is heightened due to the general portability of a consultant's business. Any decrease in the quality of our reputation, reduction in our compensation levels relative to our peers or restructuring of our compensation program, whether as a result of insufficient revenue, a decline in the market price of our common stock or for any other reason, could impair our ability to retain existing consultants or attract additional qualified consultants with the requisite experience, skills and established client relationships. Our failure to retain our most

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productive consultants or maintain the quality of service to which our clients are accustomed and the ability of a departing consultant to move business to his or her new employer could result in a loss of clients, which could in turn cause our fee revenue to decline and our business to be harmed. We may also lose clients if the departing executive search consultant has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. Although our employment contracts prohibit former executive search consultants from soliciting any of our employees for a period of one year, we may lose additional executive search consultants if they choose to join the departing executive search consultant at another executive search firm. If we fail to limit departing executive search consultants from moving business or recruiting our executive search consultants to a competitor, our business, financial condition and results of operations could be adversely affected.

***Global economic developments and the conditions in the geographic regions and the industries from which we derive a significant portion of our fee revenue could negatively affect our business, financial condition and results of operations.***

Demand for our services is affected by global economic conditions and the general level of economic activity in the geographic regions and industries in which we operate. When conditions in the global economy, including the credit markets, deteriorate, or economic activity slows, many companies hire fewer permanent employees and some companies, as a cost-saving measure, choose to rely on their own human resources departments rather than third-party search firms to find talent, which negatively affects our financial condition and results of operations, as evidenced by our results of operations for 2009 and 2010. During the recent economic downturn, our fee revenue significantly decreased from \$790.6 million in fiscal 2008 to \$572.4 million in fiscal 2010. While the economic activity in the regions and industries in which we operate has shown improvement recently, economic conditions remain uncertain. If such uncertainty persists or if the national or global economy or credit market conditions in general were to deteriorate, such uncertainty or changes could put additional negative pressure on demand for our services, resulting in lower cash flows and a negative effect on our business, financial condition and results of operations.

***If we are unable to retain our executive officers and key personnel, or integrate new members of our senior management who are critical to our business, we may not be able to successfully manage our business in the future.***

Our future success depends upon the continued service of our executive officers and other key management personnel. If we lose the services of one or more of our executives or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, or if we are unable to integrate new members of our senior management who are critical to our business, we may not be able to successfully manage our business or achieve our business objectives.

***If we are unable to maintain our professional reputation and brand name, our business will be harmed.***

We depend on our overall reputation and brand name recognition to secure new engagements and to hire qualified professionals. Our success also depends on the individual reputations of our professionals. We obtain a majority of our new engagements from existing clients or from referrals by those clients. Any client who is dissatisfied with our assignments can adversely affect our ability to secure new engagements.

If any factor, including poor performance, hurts our reputation, we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failing to maintain our professional reputation and the goodwill associated with our brand name could seriously harm our business.

***We are subject to potential legal liability from clients, employees and candidates for employment. Insurance coverage may not be available to cover all of our potential liability and available coverage may not be sufficient to***

*cover all claims that we may incur.*

Our ability to obtain liability insurance, its coverage levels, deductibles and premiums are all dependent on market factors, our loss history and insurers' perception of our overall risk profile. We are exposed to potential claims with respect to the executive recruitment process. For example, a client could assert a claim for matters such as breach of an off-limit agreement or recommending a candidate who subsequently proves to be unsuitable for the

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position filled. Further, the current employer of a candidate whom we placed could file a claim against us alleging interference with an employment contract. In addition, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination, violations of employment law or other matters. Further, in various countries, we are subject to data protection laws impacting the processing of candidate information. We cannot ensure that our insurance will cover all claims or that insurance coverage will be available at economically acceptable rates. Significant uninsured liabilities could have a material adverse effect on our business, financial condition and results of operations.

***We rely heavily on our information systems and if we lose that technology, or fail to further develop our technology, our business could be harmed.***

Our success depends in large part upon our ability to store, retrieve, process, manage and protect substantial amounts of information. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development of new proprietary software, either internally or through independent consultants. If we are unable to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or for any reason any interruption or loss of our information processing capabilities occurs, this could harm our business, results of operations and financial condition.

***We face risks associated with social and political instability, legal requirements, economic conditions and currency fluctuations in our international operations.***

We operate in 35 countries and during the year ended April 30, 2011, generated 45% of our fee revenue from operations outside of North America. We are exposed to the risk of changes in social, political, legal and economic conditions inherent in international operations. Examples of risks inherent in transacting business worldwide that we are exposed to include:

changes in and compliance with applicable laws and regulatory requirements;

difficulties in staffing and managing global operations;

social and political instability;

fluctuations in currency exchange rates;

statutory equity requirements;

repatriation controls; and

potential adverse tax consequences.

We have no hedging or similar foreign currency contracts and therefore fluctuations in the value of foreign currencies could impact our global operations. We cannot ensure that one or more of these factors will not harm our business, financial condition or results of operations.

***We may be limited in our ability to recruit employees from our clients and we could lose those opportunities to our competition, which could harm our business.***

Either by agreement with clients, or for client relations or marketing purposes, we sometimes refrain from, for a specified period of time, recruiting candidates from a client when conducting searches on behalf of other clients. These off-limit agreements can generally remain in effect for up to two years following completion of an assignment. The duration and scope of the off-limit agreement, including whether it covers all operations of the client and its affiliates or only certain divisions of a client, generally are subject to negotiation or internal policies and may depend on factors such as the scope, size and complexity of the client's business, the length of the client relationship and the frequency with which we have been engaged to perform executive searches for the client. If a prospective client believes that we are overly restricted by these off-limit agreements from recruiting employees of our existing clients, these prospective clients may not engage us to perform their executive searches. Therefore, our inability to recruit candidates from these clients may make it difficult for us to obtain search assignments from,

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or to fulfill search assignments for, other companies in that client's industry. We cannot ensure that off-limit agreements will not impede our growth or our ability to attract and serve new clients, or otherwise harm our business.

***We have provisions that make an acquisition of us more difficult and expensive.***

Anti-takeover provisions in our Certificate of Incorporation, our Bylaws and under Delaware law make it more difficult and expensive for us to be acquired in a transaction that is not approved by our Board of Directors. Some of the provisions in our Certificate of Incorporation and Bylaws include:

a classified Board of Directors;

limitations on the removal of directors;

limitation on stockholder actions;

advance notification requirements for director nominations and actions to be taken at stockholder meetings; and

the ability to issue one or more series of preferred stock by action of our Board of Directors.

These provisions could discourage an acquisition attempt or other transaction in which stockholders could receive a premium over the current market price for the common stock.

***We have deferred tax assets that we may not be able to use under certain circumstances.***

If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate, and an adverse effect on our future operating results. In addition, changes in statutory tax rates may also change our deferred tax assets or liability balances, with either a favorable or unfavorable impact on our effective tax rate. Our deferred tax assets may also be impacted by new legislation or regulation.

***An impairment in the carrying value of goodwill and other intangible assets could negatively impact our consolidated results of operations and net worth.***

Goodwill is initially recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators are present. In assessing the carrying value of goodwill, we make estimates and assumptions about revenues, operating margins, growth rates, and discount rates based on our business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill valuations have been calculated using an income approach based on the present value of future cash flows of each reporting unit and a market approach. We could be required to evaluate the carrying value of goodwill prior to the annual assessment if we experience further unexpected significant declines in operating results, or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future. Impairment charges could substantially affect our results of operations and net worth in the periods of such charges.

***Acquisitions may have an adverse effect on our business.***

While we may, under certain circumstances, pursue acquisitions in the future, we may not be able to consummate such acquisitions on satisfactory terms or integrate the acquired businesses effectively and profitably into our existing operations. To the extent we consummate any acquisitions, our future success may depend in part on our ability to complete the integration of the acquisition target successfully into our operations. Failure to successfully integrate new employees and complementary businesses may adversely affect our profitability by creating operating inefficiencies that could increase operating expenses as a percentage of net revenues and reduce

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operating income. Further, after any acquisition, the acquired businesses' clients may choose not to move their business to us causing an adverse effect on our business, financial condition and results of operations.

*We may not be able to align our cost structure with our revenue level.*

We must ensure that our costs and workforce continue to be in proportion to demand for our services. Any failure to maintain a balance between our cost structure and headcount and our revenue could adversely affect our business, financial condition, and results of operations and lead to negative cash flows, which in turn might require us to obtain additional financing to meet our capital needs.

*We may require additional capital in the future, which may not be available at all or may be available only on unfavorable terms.*

Future adverse changes in the Company's revenue could require us to institute cost cutting measures. To the extent our efforts are insufficient, we may incur negative cash flows. If such conditions persist over an extended period of time, it might require us to obtain financing to meet our capital needs. If we are unable to secure financing on favorable terms or at all, our ability to fund our operations could be impaired, which could have a material adverse effect on our results of operations.

*We invest in marketable securities classified as trading and available for sale and if the market value of these securities declines materially, they could have an adverse effect on our earnings.*

Marketable securities consist of mutual funds and investments in corporate bonds, U.S. Treasury and agency securities and commercial paper. The primary objectives of the mutual funds are to meet the obligations under certain of our deferred compensation plans, while the other securities are available for general corporate purposes. If the financial markets in which these securities trade were to materially decline in value, the unrealized losses and potential realized losses could negatively impact the Company's reported financial results.

**Item 1B. *Unresolved Staff Comments***

Not applicable.

**Item 2. *Properties***

Our corporate office is located in Los Angeles, California. We lease all 76 of our executive recruitment and Futurestep offices located in North America, EMEA, Asia Pacific and South America. As of April 30, 2011, we leased an aggregate of approximately 783,681 square feet of office space. The leases generally are for terms of one to 15 years and contain customary terms and conditions. We believe that our facilities are adequate for our current needs and we do not anticipate any difficulty replacing such facilities or locating additional facilities to accommodate any future growth.

**Item 3. *Legal Proceedings***

From time to time, we are involved in litigation both as a plaintiff and a defendant, relating to claims arising out of our operations. As of the date of this report, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.



**Table of Contents****Item 4. *Removed and Reserved*****Executive Officers of the Registrant**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gary D. Burnison	50	President and Chief Executive Officer
Michael A. DiGregorio	56	Executive Vice President and Chief Financial Officer
Ana Dutra	47	Executive Vice President and Chief Executive Officer of Leadership and Talent Consulting
Byrne Mulrooney	50	Chief Executive Officer, Futurestep

Our executive officers serve at the discretion of our Board of Directors. There is no family relationship between any executive officer or director. The following information sets forth the business experience for at least the past five years for each of our executive officers.

*Gary D. Burnison* has been President and Chief Executive Officer since July 2007. He was Executive Vice President and Chief Financial Officer from March 2002 until June 30, 2007 and Chief Operating Officer from November 2003 until June 30, 2007. Prior to joining Korn/Ferry, Mr. Burnison was Principal and Chief Financial Officer of Guidance Solutions, a privately held consulting firm, from 1999 to 2001. Prior to that, he served as an executive officer and a member of the board of directors of Jefferies and Company, an investment bank and brokerage firm, from 1995 to 1999. Earlier, Mr. Burnison was a partner at KPMG Peat Marwick.

*Michael A. DiGregorio* joined the Company in June 2009 as our Executive Vice President and Chief Financial Officer. Prior to joining Korn/Ferry, he served as Executive Vice President and Chief Financial Officer of St. John Knits International, Inc., a luxury women's apparel company, from 2006 to 2009. Prior to joining St. John Knits International, Inc. Mr. DiGregorio served in various capacities at Jafra Cosmetics International, Inc., a multi-level direct sales company, serving as Executive Vice President and Chief Financial Officer from 1999 to 2004, President and Chief Operating Officer of U.S. Operations from 1998 to 1999, and General Manager and Chief Operating Officer of the company's operations in Mexico from 1997 to 1998. He started his career at Touche, Ross and Company, a public accounting firm. Mr. DiGregorio received both a bachelor's degree in accounting and a master's degree in accounting from the Wharton School of the University of Pennsylvania.

*Ana Dutra* has been Executive Vice President of Korn/Ferry and Chief Executive Officer of Leadership and Talent Consulting since February 2008. She is responsible for driving the global growth of our Leadership and Talent Consulting services, including our Lominger and LeaderSource companies. Prior to joining Korn/Ferry, Ms. Dutra led the global organization and change strategy practice at Accenture, a global management consulting, technology services and outsourcing company, from 2005 to 2008. Before this role, she led the organizational transformation practice at Mercer Management Consulting from 2001 to 2005. Earlier, Ms. Dutra was with Marakon Associates, CSC Index, Booz Allen Hamilton and IBM Consulting Group.

*Byrne Mulrooney* joined the Company in April 2010 as Chief Executive Officer of Futurestep. Prior to joining Korn/Ferry, he was President and Chief Operating Officer of Flynn Transportation Services, a third party logistics company, from 2007 to 2010. Prior to that, he led Spherion's workforce solutions business in North America, which provides workforce solutions in professional services and general staffing, including recruitment process outsourcing and managed services, from 2003 to 2007. Mr. Mulrooney has held executive positions for almost 20 years at EDS and IBM in client services, sales, marketing and operations. Mr. Mulrooney is a graduate of Villanova University in Pennsylvania. He holds a master's degree in management from Northwestern University's J.L. Kellogg Graduate

School of Management.

**Table of Contents****PART II.****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Common Stock**

Our common stock is listed on the New York Stock Exchange under the symbol KFY. The following table sets forth the high and low sales price per share of the common stock for the periods indicated, as reported on the New York Stock Exchange:

	<b>High</b>	<b>Low</b>
<b>Fiscal Year Ended April 30, 2011</b>		
First Quarter	\$ 16.68	\$ 12.99
Second Quarter	\$ 17.93	\$ 12.78
Third Quarter	\$ 24.00	\$ 16.85
Fourth Quarter	\$ 24.77	\$ 19.34
<b>Fiscal Year Ended April 30, 2010</b>		
First Quarter	\$ 14.29	\$ 9.43
Second Quarter	\$ 17.28	\$ 12.57
Third Quarter	\$ 18.00	\$ 14.31
Fourth Quarter	\$ 18.62	\$ 14.65

On June 27, 2011 the last reported sales price on the New York Stock Exchange for the Company's common stock was \$21.19 per share and there were approximately 6,200 beneficial holders of the Company's common stock.

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**Performance Graph**

We have presented below a graph comparing the cumulative total stockholder return on the Company's shares with the cumulative total stockholder return on (1) the Standard & Poor's 500 Stock Index and (2) a company-established peer group. The following graph compares the monthly percentage change in the Company's cumulative total stockholder return with the cumulative total return of the companies in the Standard & Poor's 500 Stock Index and a peer group constructed by us. Cumulative total return for each of the periods shown in the performance graph is measured assuming an initial investment of \$100 on April 30, 2006 and the reinvestment of any dividends paid by any company in the peer group on the date the dividends were declared.

In fiscal 2011, we established a new peer group comprised of a broad number of publicly traded companies, which are principally or in significant part involved in either professional staffing or consulting. The new peer group is comprised of the following 16 companies: CBIZ, Inc. (CBZ), FTI Consulting, Inc. (FCN), Heidrick & Struggles International, Inc. (HSII), Huron Consulting Group Inc. (HURN), ICF International, Inc. (ICFI), Insperity, Inc. (NSP), Kelly Services, Inc. (KELYA), Kforce Inc. (KFRC), Navigant Consulting, Inc. (NCI), Resources Connection, Inc. (RECN), Robert Half International Inc. (RHI), SFN Group, Inc. (SFN), The Corporate Executive Board Company (EXBD), The Dun & Bradstreet Corporation (DNB), Towers Watson & Co. (TW) and TrueBlue, Inc. (TBI). We believe this group of professional services firms, is more reflective of similar sized companies in terms of our market capitalization, revenue or profitability, and therefore provides a more meaningful comparison of stock performance. The returns of each company have been weighted according to their respective stock market capitalization at the beginning of each measurement period for purposes of arriving at a peer group average.

The old peer group, presented for comparative purposes, consists of Caldwell Partners International Inc. (CWL/A CN), Heidrick & Struggles International, Inc. (HSII) and Hudson Highland Group (HHGP). This smaller group consists of publicly traded companies primarily engaged in executive recruiting or professional level staffing and recruiting.

The stock price performance depicted in this graph is not necessarily indicative of future price performance. This graph will not be deemed to be incorporated by reference by any general statement incorporating this Form 10-K into any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed soliciting material or deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
**AMONG KORN/FERRY INTERNATIONAL, THE S&P 500 INDEX,**  
**AN OLD PEER GROUP AND A NEW PEER GROUP**

\* \$100 invested on 4/30/06 in stock or index-including reinvestment of dividends. Fiscal year ending April 30.

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[www.researchdatagroup.com/S&P.htm](http://www.researchdatagroup.com/S&P.htm)

**Dividends and Stock Repurchases**

We have not paid any cash dividends on our common stock since April 30, 1996 and do not currently intend to pay any cash dividends on our common stock in the foreseeable future. The Board of Directors has authorized the Company to repurchase up to \$175.0 million of the Company's outstanding shares of common stock pursuant to issuer repurchase programs. Since the initial authorization on December 7, 2005 through April 30, 2011, we have repurchased approximately \$150.6 million of the Company's common stock under these programs. Our future dividend policy as well as any decision to execute our currently outstanding issuer repurchase programs will depend on our earnings, capital requirements, financial condition and other factors considered relevant by our Board of Directors. Our credit facility does not restrict our ability to pay dividends.

**Issuer Purchases of Equity Securities**

The following table summarizes common stock repurchased by us during the fourth quarter of fiscal 2011:

		Shares	Average Price Paid per Share	Shares Purchased as Part of Publicly-Announced Programs (2), (3), (4) and(5)	Approximate Dollar Value of Shares that may Yet be Purchased Under the Programs (2), (3), (4) and (5)
		Purchased(1)			
February 1, 2011	February 28, 2011	951	\$ 23.98		\$ 24.4 million
March 1, 2011	March 31, 2011	16,189	\$ 22.47		\$ 24.4 million
April 1, 2011	April 30, 2011	1,806	\$ 22.31		\$ 24.4 million
Total		18,946	\$ 22.53		

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- (1) Represents withholding of a portion of restricted shares to cover taxes upon vesting of restricted shares.
- (2) On December 7, 2005, the Board of Directors approved the repurchase of up to \$50 million of the Company's common stock in a common stock repurchase program. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.
- (3) On June 8, 2006, the Board of Directors approved the repurchase of an additional \$25 million of the Company's common stock in a common stock repurchase program. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.
- (4) On March 6, 2007, the Board of Directors approved the repurchase of an additional \$50 million of the Company's common stock in a common stock repurchase program. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.
- (5) On November 2, 2007, the Board of Directors approved the repurchase of an additional \$50 million of the Company's common stock in a common stock repurchase program. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company's discretion.

**Table of Contents****Item 6. Selected Financial Data**

The following selected financial data are qualified by reference to, and should be read together with, our Audited Consolidated Financial Statements and Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report on Form 10-K. The selected statement of operations data set forth below for the fiscal years ended April 30, 2011, 2010 and 2009 and the selected balance sheet data as of April 30, 2011 and 2010 are derived from our consolidated financial statements, audited by Ernst & Young LLP appearing elsewhere in this Form 10-K. The selected balance sheet data as of April 30, 2009, 2008 and 2007 and the selected statement of operations data set forth below for the fiscal years ended April 30, 2008 and 2007 are derived from consolidated financial statements and notes thereto which are not included in this Form 10-K report and were audited by Ernst & Young LLP.

	<b>Year Ended April 30,</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In thousands, except per share data and other operating data)</b>				
<b>Selected Statement of Operations Data:</b>					
Fee revenue	\$ 744,249	\$ 572,380	\$ 638,223	\$ 790,570	\$ 653,422
Reimbursed out-of-pocket engagement expenses	32,002	27,269	37,905	45,072	35,779
Total revenue	776,251	599,649	676,128	835,642	689,201
Compensation and benefits	507,405	413,340	442,632	540,056	447,692
General and administrative expenses	116,494	115,280	126,882	134,542	105,312
Out-of-pocket engagement expenses	51,766	41,585	49,388	58,750	44,662
Depreciation and amortization	12,671	11,493	11,583	10,441	9,280
Restructuring charges, net(1)	2,130	20,673	41,915		
Total operating expenses	690,466	602,371	672,400	743,789	606,946
Operating income (loss)	85,785	(2,722)	3,728	91,853	82,255
Other income (loss), net	6,454	10,066	(14,738)	4,656	2,524
Interest (expense) income, net	(2,535)	(2,622)	(1,063)	2,481	(2,280)
Provision (benefit) for income taxes	32,692	(485)	384	36,081	30,164
Equity in earnings of unconsolidated subsidiaries, net	1,862	91	2,365	3,302	3,163
Net income (loss)	\$ 58,874	\$ 5,298	\$ (10,092)	\$ 66,211	\$ 55,498
Basic earning (loss) per share	\$ 1.30	\$ 0.12	\$ (0.23)	\$ 1.50	\$ 1.40
Diluted earning (loss) per share	\$ 1.27	\$ 0.12	\$ (0.23)	\$ 1.46	\$ 1.24
Basic weighted average common shares outstanding	45,205	44,413	43,522	44,012	39,774
Diluted weighted average common shares outstanding	46,280	45,457	43,522	45,528	46,938

**Other Operating Data:**

Fee revenue by business segment:

Executive recruitment:

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North America	\$ 375,971	\$ 278,746	\$ 309,514	\$ 374,891	\$ 329,065
EMEA	155,782	137,497	143,184	183,042	146,155
Asia Pacific	90,346	64,132	66,332	95,915	74,987
South America	31,959	24,026	24,323	25,556	17,426

Total executive recruitment