



Get Your 'A' Players Here

There's only one place you should be getting your talent from, according to Brad Smart. But 'topgrading,' the author and consultant's rigorous hiring method that emphasizes loading the workforce with 'A' players, is not without its detractors.

By Michelle V. Rafter

Brad Smart has spent a career teaching companies a better way to hire people.

Not just any people. Smart people. Top performers. The best and the brightest. He calls them "A" players.

Fill your company with best and you'll be the best, Smart counsels. Specifically, keep the employee roster filled with 90 percent "A" players and your company can accomplish anything.

That mantra lies at the heart of the hiring method Smart conceived of more than three decades ago and dubbed "topgrading." In it, he espouses rigorous in-depth interviews, meticulous reference checks and other hiring techniques to identify top players, redirect or retrain "B" and "C" players and dump deadbeats who don't or can't fit, perform or change.

In the ensuing years, Smart has brought the concept to *Fortune* 1,000 stars like General Electric, Barclays and Lincoln Financial as well as other companies large and small that have used it to navigate national expansions, mergers and acquisitions, bankruptcy reorganizations and other challenges.

Those successes have helped turn topgrading into a familiar phrase in business circles, and created a cottage industry.

Through his Smart & Associates Inc., in the northern Chicago suburb of Wadsworth, Illinois, Smart runs training sessions—at \$35,000 a pop—for multinational companies incorporating topgrading into their executive hiring practices. The same companies retain him to personally interview CEO and other high-level job candidates, paying him as much as \$16,000 a day. He also runs topgrading seminars and sells DVDs, books and forms through his Web site, SmartTopgrading.com.

Smart's son Geoff, a fellow Ph.D. and industrial psychologist, runs a separate topgrading consultancy, Chicago-based ghSmart & Co., that has been featured in *The Wall Street Journal* and *BusinessWeek* and specializes

in topgrading for financial institutions and venture firms looking for executives to run startup companies. Both Brad and Geoff Smart have published books on the subject, and both have new titles due this year. Father and son have taught their topgrading methods to about 200 consultants, who in turn work with companies around the world.

Brad and Geoff Smart decline to discuss annual revenue for their respective companies, both of which are privately held. However, they believe total annual revenue from topgrading-related enterprises could run into the hundreds of millions of dollars, including revenue from their affiliated consultants as well as sales of topgrading books, seminars, training materials and in-house corporate trainings.

It's a number that's extremely difficult to confirm, or even put into perspective given the amorphous nature of the assessment industry. Insiders peg the global assessment industry at close to \$1 billion, but admit that it's hard to say exactly because of recent merger and acquisition activity, privately held companies that don't share revenue data, and assessment companies that make money selling related products.

Regardless of the figure, it's a hot space, says Charles Handler, president and founder of Rocket-Hire, an online training and assessment business. "It's becoming more productized and tied to other offerings, and evidence for the power of assessment is growing, which is spurring uptake at an increasingly faster rate," he says.

Against that backdrop, Brad Smart hopes to introduce topgrading to a wider audience and is negotiating partnerships with HR technology and outsourcing companies to that end. One affiliation is in the works with Taleo, the Dublin, California, talent management technology vendor.

Through it all, Brad Smart, 63, remains topgrading's head cheerleader and globe-trotting chief practitioner. He typically spends two nights a week on the road. In the latter part of 2007 alone, he traveled to see clients in Turkey and London before spending the holidays with family at his vacation home on Bonaire in the Caribbean.

An unabashed self-promoter who'll talk about his latest project at the drop of a hat, Smart is also sincere about bringing better hiring practices to the masses. Most companies still have a very superficial approach to hiring, Smart says. But "topgrading companies become magnets for 'A' players," he says. "Word gets out. Successful topgraders are emulated; everyone wants to know what the Kool-Aid is they've been drinking."

Fans like Fred Harding, Taleo's vice president of global alliances and HRO practice, say Smart's "distinctive confidence" helps separate him from the 15 or 20 other companies or consultants offering similar services. "He's

a brand name,” Harding says.

Not everyone’s a fan. The most common criticism is that topgrading interviews are too long. Other critics claim topgrading doesn’t account for people’s ability to grow and change in a job, that it doesn’t work in some fast-paced industries, and that it’s no better than the so-called “rank and yank” system some companies routinely use to rid themselves of underachievers.

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—Brad Smith

Competitors say they’ve taken away as many clients as Smart has taken from them. “I truly believe our assessment is more job-relevant and more objectively valid,” says Matt Paese, executive solutions vice president at Development Dimensions International, a Pittsburgh-based HR consulting firm and Smart & Associates competitor.

Such criticism doesn’t faze the perennially upbeat Smart, who maintains that his methods continually beat out his rivals for improving the quality of candidates hired. “Who cares if jobs get filled quickly and inexpensively if 75 percent of those turn out to be mis-hires?” he says.

Topgrading 101 The secret of topgrading is that there’s nothing really secret about it. In fact, the topgrading formula is built on basic hiring rules Smart outlined in his book *Topgrading*, published 10 years ago and updated in 2005.

Those rules include pinpointing the specifics of the job being filled; using a rigorous, in-depth interview, tandem interviewers and a rating scorecard to match a candidate to the open position; and thoroughly checking references. Smart espouses the same methods for internal promotions and performance reviews. According to him, if employees go through topgrading and are identified as “B” or “C” players, management should move them to jobs where they can become “A” material and train them if necessary—or, if they doesn’t look like they’ll ever get better, fire them. If companies strictly

adhere to the topgrading regimen, they'll end up with 75 percent high achievers, and in many cases, up to 90 percent, he says.

It's pretty simple stuff. So why pay Smart tens of thousands of dollars for something you should have learned in Hiring 101?

Because simple can be deceiving. As easy as it sounds, hiring can and does go wrong, and when that happens, costs quickly add up. A 2006 survey of 444 North American companies conducted by Right Management, another talent assessment firm, found the average cost of a bad hire was 2½ times the person's salary, including recruiting, training and severance costs and lost productivity.

The costs of a bad CEO or C-level executive hire could be even greater, though a lot depends on individual circumstances, says Lisa Aldisert, president of Pharos Alliance, a New York business and assessment consulting firm. "Everything from the size of the company, the predetermined exit package of the outgoing CEO to the degree of desperation to hire a new CEO will factor in," Aldisert says.

Bad hires happen for lots of reasons, Smart says. Companies undermine their own efforts by conducting interviews for jobs they haven't clearly defined. Or ill-prepared interviewers ask off-topic questions, spend more time talking than asking questions, or like a candidate so much they decide not to check references. Managers eager to fill open positions will hire someone they know doesn't meet all the qualifications and cross their fingers that things will work out.

As a newly minted Ph.D. starting out in the psychological assessment business more than 30 years ago, Smart saw it all. Frustrated by the shortcomings of existing assessment tools, he set out to build a better mousetrap—one that would remove much of the guesswork from the process. He eventually came up with the heart of his system: an in-depth interview covering the previous 10 years of a prospect's job history. To cover everything, interviews take two hours, and sometimes three or four hours for C-level positions.

Smart had some successes. But other early adopt-ers quickly reverted to their old ways. He deduced that companies weren't good at creating their own interview questions, so he constructed the detailed interview template he still uses. Eventually, he also created a comprehensive scorecard for

rating information collected in an interview. Topgrading took off.

Jack Welch calls In the early 1990s, Smart got a once-in-a-lifetime call. Jack Welch, the hard-driving CEO at General Electric, had heard about topgrading and wanted to try it. Smart worked with Welch and other GE managers in a variety of areas, and found that topgrading fit in nicely with other hiring and performance review tools Welch championed, including tandem interviews and 360-degree reviews. As GE's status as a management dynamo took off, it sealed topgrading's reputation too. In his book, Smart calls Welch "a one-man topgrading hurricane," and although Welch doesn't mention Smart in the two management books he has written, over the years other GE managers have praised Smart's techniques in published testimonials.

The experience gave Smart an "in" at other major corporations. Today, Smart claims to have worked with a who's who of *Fortune* 1,000 enterprises, although some of those have simply attended his workshops.

One longtime practitioner is Philadelphia-based Lincoln Financial Group, a \$251 billion-asset insurance and financial services conglomerate that merged with Jefferson Pilot Financial in 2006 and used topgrading to choose which executives from the two companies would be slotted into top management positions after the merger.

Using topgrading for those assessments helped hiring managers make quick decisions while under pressure, in many cases about people they didn't know, says Karen Ruef, who until recently was Lincoln's vice president of talent management and strategic staffing. When Lincoln's CEO and COO reviewed and signed off on the hiring decisions afterward, "it really resulted in a lot of credibility of the process," Ruef says.

Of Lincoln's 10,000 employees, about 6,000 have gone through the topgrading process, a number that represents most of the corporation's white-collar staff. Of those, Ruef ranks 75 percent as "A" players, a number that's slightly below the company's historic average of 90 percent because of the merger, she says.

Lincoln officials wouldn't comment on the company's topgrading costs. "We're in that enviable position of having a leadership team that believes in the effectiveness of the process because they look at the talent and see they're [better] than competitors, so don't ask us to prove it," she says.

However, officials confirm that the effect on turnover has been significant. Voluntary turnover runs 10 percent to 12 percent a year, plus 4 percent to 5 percent a year for layoffs, Ruef says.

Both Ruef and Elizabeth Reeves, Lincoln's senior vice president of human resources, worked at topgrading companies before coming to Lincoln, and they wouldn't have it any other way. "You spend far less money on blowout hires that don't make the grade. It makes a huge difference," Reeves says.

To work, topgrading can't just be an HR mandate; it has to come from the top, Smart says. "There are power vacuums all over companies pulling down performance standards," he says. "The head of HR is important to maintaining high performance, but if the CEO doesn't [help maintain performance standards] it's difficult for topgrading to succeed."

One CEO who swears by topgrading is Curt Clawson, president, chairman and CEO of Hayes Lemmerz International Inc., a \$2 billion maker of wheels and other automotive components based in North-ville, Michigan. Clawson joined Hayes Lemmerz in 2001; shortly after, he discovered accounting irregularities hidden by the 100-year-old company's former executives. At the same time, the U.S. auto industry was tanking. The company filed for bankruptcy. Two years later, rising gas and steel prices walloped the company again.

Clawson had used topgrading before in executive positions at Allied Signal and American National Can, and believed it could help. With Smart's assistance, he deployed it to reshape Hayes Lemmerz's top management, and they in turn topgraded management within their divisions. As a result, Hayes Lemmerz restructured its core business, selling off some product lines, closing some U.S. plants and opening foreign ones. In a short time, the company's overseas business grew from less than 20 percent to 55 percent, a change that has helped rejuvenate its finances.

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It makes a huge difference."

—Elizabeth Reeves, senior VP of human resources, Lincoln Financial Group

Clawson credits topgrading for much of the success. “Most people thought we would go under,” Clawson recalls. “Here we are two years later with a 1-to-1 debt-to-equity ratio and a new balance sheet. That would have been impossible without an outstanding team. Had we stuck with the previous management, we would have disappeared.”

Smart’s own business and his family life have served as living topgrading laboratories. Everyone on the staff of his four-person consulting firm went through topgrading interviews before being hired. Smart even used some of his methods raising Geoff, 35, and daughter Kate Smart Mursau, 32, who sprinkles anecdotes about life with her topgrading dad in a parenting book called *Smart Parenting: How to Raise Happy, Can-Do Kids*, which she co-wrote with him in 2006.

Smart hopes partnerships will help topgrading reach more companies. Taleo is considering incorporating topgrading techniques into its talent management suite, says Harding, the company’s global alliance and HRO vice president. The partnership is in the product development stage, and as of mid-February, the companies were selecting beta testers, according to Smart.

Not everyone’s a fan For all its fans, topgrading also has its critics.

Paese, the Development Dimensions International vice president, says his company’s assessment system is superior because job candidates submit not only to in-depth interviews but also screening tests and full-day job simulations. The combination is critical at a time when major corporations are performing more due diligence on candidates for top jobs and are placing more importance on a good culture fit, he says. “If you look at a résumé and past accomplishments, you don’t get a good sense of how they’ll fit. But if you look at their personal characteristics, work values and what caused them to be motivated, you can reduce risk around culture fit,” Paese says.

Jim Estill, CEO of Synnex Canada, a 900-person technology reseller just outside Toronto, routinely writes about management and hiring issues on his business blog, Time Management. Estill follows some of Smart’s hiring tenets, but takes exception to the idea that bad people can’t be retrained, and that certain jobs require certain characteristics.

“I have a great salesperson who’s a total extrovert, and a great salesperson that is quite introverted,” Estill says. “They’re both equally good, and in many cases I need both of them because some of my customers

relate to one and some to the other.” If he made the assumption that there was only one best way, he could be in trouble, he says.

Smart hopes such criticisms will be quelled by new research that could quantify how well topgrading works. In summer 2007, the American Productivity & Quality Center, a nonprofit benchmarking and best-practices research group in Houston, tapped Lincoln Financial to study for its standard-setting strategies for recruitment, selection and talent retention, including topgrading procedures. APQC documented those practices and is compiling the results in a study of Lincoln and five other companies that’s due to be released early this year.

Topgrading is also the subject of a case study on Geoff Smart’s ghSmart & Co. that is being compiled by Harvard Business School graduate student Ashraf A. Haque. According to Haque, the report will be added to the university’s business case studies library.

Such reports, plus the partnerships Brad Smart is pursuing and the books he and son Geoff have coming out next year, could propel topgrading toward that much sought-after tipping point of wider recognition. Meanwhile, as long as people will listen, Brad Smart will bend their ears about his quest for hiring perfection. When it comes to promoting topgrading, he’s the ultimate “A” player.

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