



Brad Smart / Mark Deo Interview

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Mark: I'm excited because today we have with us Dr. Bradford Smart who of course has been on the show before talking about Topgrading. Welcome to the show Brad!

Brad: Nice to be here Mark.

Mark: Topgrading, I say this and people think, Topgrading? Is that like doing my driveway again, Mark? No, it doesn't have anything to do with your driveway. Topgrading is ensuring that we're really getting the top performers... what Brad likes to talk about, the A players. If we can get 90 percent of those high performers in our organization, that's when we can achieve and exceed our goal, at least our business goals, isn't that right Brad?

Brad: Absolutely. For those who might be familiar with some of my books, the books had case studies that are mostly large companies. My whole world, as you and I were talking about just before the show, is directed toward small businesses these days. The techniques that are common sense that have enabled General Electric, American Heart Association, Barclays and zillions of other large companies to more than triple their hiring success are absolutely applicable to someone like me who has only two employees or maybe some of your listeners with small companies.

Mark: Brad, I guess a lot of times small business owners, and when I say small business owners I don't just mean the single entrepreneur or folks like yourself with two employees, I'm also talking about the folks with a hundred employees, which are still classified as small businesses. You know Brad, often times those businesses are not run the way a large corporation is and when we talk to some of our listeners and people that attend our classes they say, "Well you know Mark, I'm just a small business, and I only have 30 or 40 employees. How is it relevant to me to look at a General Electric or one of these large multi-national corporations? Their challenges are so different than mine." What would you have to say to that Brad?

Brad: Well, for one thing I'm writing a book right now called *Topgrading Small Businesses* and I'm finally going to do away with that thought of, "You're just appealing to big businesses." Not so. I've got 20 case studies percolating along where there are 10 to 50 employees. The concepts are so common sense and I

- always say small businesses are in need of Topgrading more than large businesses. For the small business owner and you know most small businesses go out of business within 10 years, they cannot afford mis-hires the way Wal-Mart or GE can afford a few mis-hires. But for small businesses, two or three mis-hires can absolutely kill them.
- Mark: The statistics for many years were that more than 90 percent of small businesses actually go out of business in the first five years, now they've been revised down closer to 50-60 percent. The reality is, more than half go out of business and I believe that's not just because of not doing effective marketing, I do think that's a big reason but I also think it's because they're not attracting the right people. They settle for the B and C players. Why do they often at times do that Brad?
- Brad: It's easy, it's convenient, they know a few people, which is a good way to recruit; and they're in a rush. With a more systematic and professional approach they can surround themselves, at every salary level; it's not just for upper level--this is for every single salary level. It also includes your vendors if you're outsourcing. You can apply some of these same principles to be sure you're picking the vendors, the assistants, your first employees, and your first manager with the best of breed for what you can pay.
- Mark: Now, I think we have to understand that whenever we have an employee on the front lines with a customer, a potential customer, an important vendor or any important relationship, if they are a B or C player then "we"--our company--is a B or C player.
- Brad: Absolutely. Mark, I was in Los Vegas at a conference this week and I had an opportunity to chat with Tony Shay who is the CEO of Zappos. He had a presentation and then he watched my presentation. He made the point in his presentation that he has call centers; they're all Americans and all A players. It's an unbelievable model, Zappos, the on-line shoe people. He said if there is a B player, they remove them. Now, they just pay minimum wage but they do a fantastic job of recruiting and selecting minimum wage people who have a ball, who are encouraged to talk as long as they weren't with customers. They make all sorts of decisions. The call center builds relationships which is the best thing for Zappos. It's a very refreshing perspective.
- Mark: Let's talk about that Brad because I think a lot of people, especially small and mid sized business owners, are thinking, I'd like to get A players in my company but I can't afford those kinds of people so I have to settle for the Bs and try to bring them up. What do you have to say to that? Is there a fallacy there Brad?
- Brad: It's a semantic fallacy is all it is. We define A players as someone who is in the top ten percent of talent "available" at what ever the pay is. So for example: A Wal-Mart greeter makes minimum wage. But I'll tell you what I've read about Sam Walton: he'd go into a store and if that wasn't an A player greeter, he would go berserk because that is the face of his company, and that's the whole point.

You have an ad and want to hire a greeter, and you have a hundred people outside raving to come in. The whole idea around Topgrading is not to do a crummy job which most managers do, a crummy job of selection, but to get the best talent available for that minimum wage or that 20k, 50k job. Whatever the comp level is, “get the best available.”

We might have time on the show to give three to four specific examples of things that people can do today, to hire better. There is a free eBook, anyone is welcome to go to my website and get a 50 page eBook that summarizes the 10 common sense Topgrading principles that can help them hire better tomorrow. My website is www.SmartTopgrading.com.

Mark: Folks, again a 50 page eBook with some tremendous tips written in a way that makes it a very simple read. Tips on some of the things you can do to avoid costly mis-hires, so go there right now, www.SmartTopgrading.com, and sign up for the free eBook. You won’t get tons of email but you will get the free eBook.

Brad, we talked about what Topgrading is; let’s talk about why Topgrading exists. You did a great deal of research, and you have a Ph.D. You’ve spent a lot of time learning and practicing this working with Larry Bossidy and Jack Welch who are some of the folks that have attracted most of the A players. You have found that it’s pretty costly to have a mis-hire. Tell us a little about that.

Brad: If people go to the website and get the eBook they’re actually signing up for a monthly newsletter called ‘Topgrading Tips.’ One of the free give-aways in Topgrading Tips is a Cost of Mis-Hires Form they can have access to.

The December issue of *Chief Executive Magazine* has a whole article built on this Cost of Mis-Hires Form. Essentially what we’ve done over the years is ask managers to pick an average mis-hire and go through this check list; it’s very easy to do and only takes about 10-15 minutes. They get through all the costs of hiring, maintaining, and wasted business opportunities, and all the disruption. They add up all the costs and slap their foreheads and say, “Holy cow!” The numbers we’ve come up with are the following: For upper level managers the cost of a mis-hire is 20 times a person’s salary. For sales reps, it’s six times their salary.

I was in Russia in December and I had a hundred business managers in the room including, I was told, four KGB agents.

Mark: That’s a scary thing!

Brad: KGB in Topgrading training?!

They estimated their average cost of mis-hires in their company. Eleven companies owned by a big businessman there was \$3 million. But the reason the cost is so high in Russia is because they can never fire people. But, for the average small business person or someone earning maybe 50k, you need to use

your own numbers, but for a person earning 50k it would be over 100k as a cost of a mis-hire. We then asked how many hours they wasted sweeping up after the mis-hire. The average was 200! And everyone wants to know how they can avoid those costly and painful mis-hires.

Mark: I'll bet that quantification process boils down to what you can think of and what you can see. But I think there's a lot of cultural damage.

Tell me if you agree with this Brad. To an organization, when we bring in a B player especially when everyone else is an A and we accept that performance from a B player and then of course we eventually have to let that person go. We end up letting the company down, we let the employees down, and we let that person down. There is impact we can't even see!

Brad: Yes, and to your point. I've heard from at least a dozen owners of small companies over the years that had maybe three or four sales reps. And the number one sales rep was the number one pain. They eventually said, "I Topgraded my sales force and you know what I did, Brad? I fired my highest producing sales rep because he was stealing accounts from the others. He was so disruptive; I could no longer attract good sales people and in fact lost a few very good sales people who just couldn't put up with his disruption. The person just wasn't a team player and you know what? It was a bit hard, it was a little difficult for the next six months but I rebuilt and we're doing twice as much a year later because we dumped the person that was so disruptive." That is a hard to quantify cost, but it's huge.

Mark: I'm seeing some of our listeners right now. Even though this isn't a television show, I'm seeing some of their heads spinning when you say that Brad. Because they're saying, "You know what? If I fired my top sales performer who is a pain, if I fired him or her, my company could literally go down. I would lose some very valuable accounts. They're going to take some of those accounts and go to my competitors with that. Are they're arrogant, do they make people angry, do they get what they want all the time and do they manipulate you? Yes. But you know what? I need them." How do you answer that?

Brad: Just go ahead and continue recruiting sales reps and be sure you've gone through the thorough process we recommend. Find a few that are will to come in the door tomorrow. You find after warning and training and trying to coach the sales rep to stop being disruptive (which can morph into unethical, not just stealing accounts and prospects from fellow sales reps), you recruit the replacement. Don't fire the guy until the replacement can walk in the door the next day.

Mark: At least you have a bit of an edge but I think this requires a change in the way some leaders of organizations are thinking. They need to say, "Listen, am I going to let the tail wag the dog or am I going to be in control of my business and actually influence my business rather than someone else doing that?"

Lets talk about Topgrading and how we Topgrade. What are some of the things we do in order to Topgrade? Certainly we analyze the cost of a mis-hire and that gives us the gap we need to fill. What are some of the things we could do with candidates that we might not have done before if we're following the Topgrading system, Brad?

Brad: Here's one that might not be intuitively obvious. It's helped tens of thousands of managers avoid mis-hires. It's a truth serum in the selection process. Resumes are deceptive, misleading and incomplete. We try to screen resumes and they all look great so here's the secret. Someone told this to me 25 years ago who did a super job at packing his team with A players: From the moment there is an interaction with a candidate, let that candidate know that eventually, toward the end of the process, in order to get a job offer, he or she will have to arrange for personal reference calls with bosses they've had in the past seven or eight years. They say, "Let me get this straight, what you're saying is 'I' as a candidate am going to have to contact the boss that I've had and arrange that?" Yes! And Mark, a few wonderful things will occur. You say it again when you pre-screen people so they will be motivated to tell you the truth throughout the selection process. They know they're going to be found out. The truth serum works. With the arranging of reference calls to bosses, C players will stay away.

Mark: I was interviewing someone on the phone not too long ago. We qualified this person for one of our clients. We've been using Topgrading as you know. This guy was going on about how great he was and I thought well, this guy is confident right? I say to him, "Well, this is great, we'll get you a candidate profile that you can complete and then one of the other things you're going to need to do is give us some references of some of your supervisors. I'd like to talk to the supervisors from a few specific companies and would like you to call and arrange a discussion and let them know to be open and share everything with us." We know companies are only required to share start date. The candidate says, "Well, I don't know that they're there anymore." So I asked if he knew where they were or if he could find out? The candidate says, "You know this doesn't sound like it's really for me." Well, you just saved yourself a tremendous amount of time, effort and money!

Brad: The C players stay away but the A player think, hey, I can do that and by the way I'd like you to talk with them because they're going to sing my praises and you'll think all the better of me.

Mark: They get excited about it. It's easy to write down that you were the top dog at your company and you did all this business or how productive you were but it's something else getting your boss to say that.

For the next few minutes that we have left, let's talk about the interview process. What exactly is different about a Topgrading Interview?

Brad: It's the technique. It's helped huge companies like GE and tiny companies like mine to more than triple their hiring success. Most companies find that only 25 percent of the people they hire turn out to be the true high performers, the A player that you want.

The technique is to ask candidates to review their full career with you starting with their first full time job and coming to the present and in doing so, to tell you about every key success and how they achieved it. To tell you about every failure, every key relationship, every key decision they've made and how their boss would rate their overall performance. Ask just those questions for the full career history spending most of the time in the most recent jobs. Be sure that before you go on to the next job you hear about the major successes, how they were achieved, and find out the mistakes and failures. Ask about their boss and what that person was like to work for and what their best guess would be in what that boss would have to say, in an interview arranged by them, the candidate, about their overall performance.

This is all in the eBook you're listeners are welcome to have if they go to my website. That is the magic bullet. Yes it's a longer interview but even people who have done this just one time, never go back to their old way of interviewing. If you get one of my books you'll see there is a 15 page interview guide with more questions but if you just did this and the reference checks the way I already said, I'll bet your listeners will contact you in six months from now saying their hiring success has improved by at least 50 percent.

Mark: We know this works here at the SBA network with our clients because for the last year we have used Topgrading and it *is* effective. A lot of the business owners say things like, "I don't have time for an interview because it takes an hour or more to do. If I spend an hour with every candidate I won't have time for anything else." Well, the first thing is obvious. They're talking to too many candidates because they're not screening right. The second thing is; how much time will you spend with the wrong hire?

Brad: I did a survey last year asking, "How many hours do you waste on a mis-hire?" It came out to be 200 hours. The Topgrading interview is a chronological interview. For an entry level employee it will be about an hour to an hour and a half. For management or professional it will about three hours. But I'll tell you, try it just once. It will go by at warp speed. You start getting so much interesting and revealing information. And, it's not that you don't care about what the person was like 15 years ago, that's not the point. By asking about what the person was like at the very beginning of their career and seeing how they evolved over time you're getting information about what they're like in 2009. You really have this person nailed and then do the reference calls and if you're not getting 75 percent hiring success with high performers then you really have more to learn.

Mark: Absolutely. Now a lot of people use the typical questions such as, “Tell me about the time you were a successful sales person, the time you were a good team player or tell me about the time that you were a great manager.” What’s wrong with these types of question? They almost seem like phony questions. Some people say, “Oh no, they’re not phony.” But let’s face it, candidates are preparing for these questions aren’t they?

Brad: Yes and they’re so easy to fake and maybe 30 years ago they were okay. By the way, of Global 100 companies, all 100 companies use that method as their primary method of selection. They have round robin one hour interviews. Everyone can fake their way with questions such as whether or not they’re a team player. It’s like the highlight of their athletic career. They’re just going to show you the pluses. I recommend doing those interviews for two reasons. People who are A players want to talk with more than just with the guy who’s hiring. They want to talk with others. Here’s the thing, in my books on Topgrading I’ve always recommended having those interviews but allow 15-20 minutes of that hour for the interviewee to ask you questions. A players are going to want to be thorough in asking you and others some questions. What is it like to work for you as a boss, how are decisions made, what’s the future of the company? They get to ask those questions too and that’s a good time to do it.

Mark: What do you say about sometimes interviewing with two people, these tandem interviews? You talk about that in your book. Is that viable for small businesses as well?

Brad: A couple months ago I was talking to Jack Welch, he and I are consulting with some companies. We’ve worked together for 15 years. He said to me, “Brad, what is the most valuable contribution you think you’ve made to GE?” I said, “You know what Jack, I think you made the contribution, because the tandem interview, two interviewers and the one interviewee, took GE from 50 percent hiring success to 90 percent.” Every manager out there can learn this. If you pair off with someone who is sharp and the two of you conduct the interview it’s just so much better. Well, that broke the world open, it opened up the possibility that ordinary people, meaning managers who don’t do this for a living the way I do, can achieve my success record.

Mark: Why is it that the two interviewers are more effective than just a series of single interviews?

Brad: Two heads are better than one and those heads had better be A players! C players aren’t going to be able to pull this off. Two sharp people going through the chronological interview and even with my interview guide, they might miss a question and the other person will get it. Everybody has a little different twist or perspective. Someone is stronger in technical things; someone else is stronger on work habits, or salesmanship. The follow up questions are enriching with two people doing it rather than after the interviewee walks out the door. The two

people start sharing their ideas and perspectives and really help to offset each other's lack of experience or their biases, or their prejudices.

By the way, at GE, they measured this very thoroughly. A year later they had gone from 50 percent to 90 percent hiring success.

So you think, okay but this is a long interview and there are two interviewers, and I'm not sure I can take a couple of people away from small business to do it. You have to prescreen the way we talked about. So, if you're 20 minutes into one of these interviews and it's apparent to you and your tandem interviewer that this guy isn't going to work, stop the interview and get them out.

Mark: I will tell you and our listeners. We've applied this with 25 different companies over the last year as a test with me and our consultants. We have seen not only higher level hires, which aren't more expensive people; but we've also seen people sticking longer, especially in sales. A lot of small business folks have to bring in good sales people and their business depends on good sales people. Turnover is writhe. You can have the average turnover for some of these sales people and sales managers in as short as six months. We have seen our Topgraded placements and I'm quite sure that we haven't lost anyone. So, it really does work. This is real practical stuff isn't it Brad? This isn't really super high minded, you don't need a Ph.D. to implement this.

Brad: You absolutely don't. Small businesses are more vulnerable than large ones so it's much more important to them. This is a down economy and in the past few weeks I've been with hundreds of business people at various conferences, companies with about 50 people or less. Even if they're doing reductions in forces, a hiring freeze and letting people go; they're saying that there is supply and demand. There are terrific people available today that weren't available September 15th. Even though they may have to tighten their belt, they are still adding a person or two. There is more talent available and it's cheaper now if you could possibly do it because *now* is the best time to hire.

Mark: I think there are more A players on the street right now than ever before. This is a tremendous opportunity for businesses to take advantage of their most important asset and that is their people. Our people can get us out of tough situations and they can maximize the circumstances when things are going well.

Brad: Absolutely!

Mark: This was *great* and I wish we had more time Brad. We'll have to do it again!

Brad: I would love to!

Mark: For more information on this, go check out www.SmartTopgrading.com. Definitely get the book *Topgrading*. It's a big book, it might intimidate you but it

has all the forms and recourses, which is about a third of the book and that's why it's so big.

One other thing, a new book, *Topgrading for Small Businesses* will be out soon or is it out now Brad?

Brad: We'd like to see the economy turn around before we release it. The draft is done and has a lot of good case studies.

I'm very happy that people want to buy the big book but you might want to start out with the free eBook by going to www.SmartTopgrading.com . Just sign up by giving your email address on the home page. You'll get the monthly newsletter and you can instantly download the 50 page eBook. It has everything we've talked about. They're small pages so it's a quick read. Your listeners can literally start hiring better tomorrow with some of these tips.

Mark: Go get that book folks, at www.SmartTopgrading.com .

Brad Smart, Thank you for being here with us today!

Brad: You're very welcome.

Mark: We'll look forward to hearing more from you. You're getting to be a big famous hot shot, so I don't know if you'll talk to us any more when you get more famous than you are now! Enjoy yourself down in Bonaire.