

Topgrading

Hire more winners.



by Bradford D. Smart

ONLY 25 PERCENT OF people hired and promoted by most companies turn out to be high performers, but using rigorous methods some businesses achieve 90 percent success.

Recently the heads of HR of global 100 companies stated that their companies mis-hired people 80 percent of the time and mis-promoted people 75 percent of the time. That's right, HR's chosen methods of selecting talent produce high performers only 20 to 25 percent of the time. And yet, many high performing companies achieve 90 percent success—by using topgrading.

You know of Jim Collins' plea to "get the right people on the bus," and of Jack Welch's passion for differentiating talent, of getting all A players. I consulted with Jack for a decade, assessing and coaching senior managers, and he asked me to teach GE our methods. Two decades later, GE continues to embrace a process that results in 95 percent high performers identified for promotion.

Imagine inheriting 10 C players, and being determined to replace them with all A players. Using typical "best practices," you are only 25 percent successful, so you hire 40, fire 30 of your mis-hires, and finally, you have your A team. That scenario is too costly, and that's why otherwise talented leaders tend to keep their As and Bs, and only replace Cs. But using topgrading methods, you would enjoy 90 percent success, so you would hire only 11 people, fire 1, and have your 10 A players. That is a 30-to-1 advantage.

Most managers use round-robin competency interviews, looking for behavioral indicators. Most competency interviews last an hour or less.

The topgrading method is a four-hour chronological interview, with 20 questions about every job, scrutinizing every success, every failure, every key relationship, every performance appraisal, and every method of achieving results. Following the topgrading interview, the candidate organizes reference checks with a minimum of all

bosses in the past 10 years, and 90 percent of those references talk, if the candidate is an A player.

At GE, I designed the chronological topgrading interview and trained managers to use it, but Jack Welch initially was a bit disappointed in the quality of reports by GE interviewers. When asked what might improve quality, I said, "Simple—use two interviewers rather than one." Jack approved the tandem interviewer method, and to this day it is still used at GE. Since then, hundreds of other companies have embraced the tandem chronological interview approach.

With two interviewers, the four-hour interview consumes eight managerial hours. Is it worth it? The average cost of mis-hiring someone earning \$100,000 is \$1.5 million. Calculate your own costs of mis-hiring someone.

Topgrading companies use the topgrading interview to assess people and ratchet up talent—and their stock performance reflects it. The main obstacle to topgrading is the B and C players. In most companies, only 25 percent of the managers are A players or A potentials, and the 75 percent of the Non-As fight topgrading with more creativity and energy than they ever show on the job. It takes the courage of a CEO to drive the A player standard, to hire and promote people who turn out to be As, to develop Bs and even Cs to become As, and to redeploy those who fail to become As.

CEOs of companies who have topgraded have learned these lessons:

1. Topgrade from the top down. A players tend to hire and promote As, Bs favor Bs, and Cs choose Cs. Topgrade your top team, enable them to topgrade the next level, and A players will gradually permeate the organization.

2. Constantly reinforce the A player standard. An A player performance rating should not be for "outstanding performance," but "meets performance

expectations." Don't permit slippage in performance reviews, hiring, or promoting. Don't let managers give three and four chances to Non-As.

3. Permit only A players to hire and promote people. Non-As should know they fall short and only when they become As can they select talent. In practice, that means you conduct tandem topgrading interviews until you can delegate it to A players.

4. Strive for 100 percent A players, but be satisfied with 90 percent. There is always a bit of slippage. For example, a key customer might demand full attention from an account rep, and you want to delay assigning someone until an A player is hired. If you delay any longer, you lose the account, so you put Charlie, a B player, on the account because he will keep them happy until an A player is recruited.

5. Measure assessment success. Only 5 percent of the HR executives

I've assessed actually measure hiring and promoting success.

Topgrading companies assign small teams to judge whether the person hired or promoted

turns out to be an A

player. As topgrading methods are more broadly used and success grows, peer pressure will assure topgrading methods are used. Similarly, it takes about 30 minutes to guess at the cost of mis-hiring someone, and companies that go through that exercise conclude: "When we cut corners on topgrading methods, we mis-hire more people—and it is very costly!"

6. Train all managers in topgrading methods. There are books, DVDs, and other tools available so that managers don't have to "wing it."

Why tolerate underperforming people, or 75 percent mis-hires and mis-promotions? There is no reason for such massive waste and human pain. Any A player manager willing to team up with a tandem partner and apply the tandem topgrading interview methods can enjoy a more successful career and a happier life working with an A team rather than a mixture of As, Bs, Cs. And their employer will enjoy a talent advantage over competitors. LE

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