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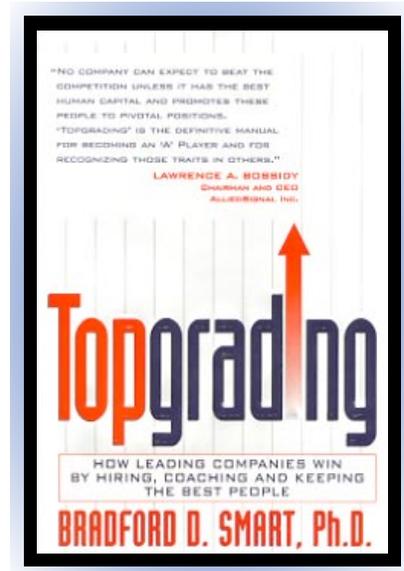
Topgrading

*How Leading Companies Win by Hiring,
Coaching and Keeping the Best People*

Bradford D. Smart, PhD

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Reviewed by Lydia Morris Brown

PART I: TOPGRADING FOR COMPANIES

Chapter One: Topgrading – Every Manager's #1 Priority

Topgrading is the act of filling every position in the organization with an A player, at the appropriate compensation level. An A player is one who qualifies among the top 10 percent of those available for a position. Topgrading turns the traditional selection process on its head and, thus, should not be confused with upgrading. Topgrading requires upgrading again and again until the entire team consists of all A players. Companies that topgrade are, by definition, not accepting a mixture of A, B, and C players but are proactively doing whatever it takes to pack their team with all As.

Essentially, it's about getting top talent for the dollars you pay rather than paying top dollar for the talent you get. Proactively seeking out and employing the most talented people can have a positive effect on the creation of other competitive advantages. High performing A players contribute more, innovate more, work smarter, earn more trust, display more resourcefulness, take more initiative, develop better business strategies, articulate their vision more passionately, implement change more effectively, demonstrate greater teamwork, and find ways to get the job done in less time with less cost.

Chapter Two: Obstacles to Topgrading – How to Overcome Them

Many managers say that when they attempt to only highly talented people, they face daunting psychological and organizational obstacles:

“C players don’t hire A players.” Or “My subordinates tend to give ‘thumbs down’ on A players.” Top management should redeploy B- and C-player managers who are not becoming As and, *“It’s hard to imagine an organization that cannot benefit from top grading. From a social club to the United Nations, A players get results, C players don’t.”*

require them to hire As. Top management should also do the recruiting to ensure that A-player candidates are not being culled.

“We think we’re hiring A players, but they turn out to be C players in disguise.” Perform more accurate assessments using the Chronological In-Depth Structured (CIDS) interview.”

“Our human resources people are overworked and understaffed.” “Search firms just don’t produce enough A-player candidates.” Do more yourself to recruit, and define all your management jobs to include ongoing recruitment. Manage the search process, including search firms, much more thoroughly.

“I want to raise the performance bar, but almost every talented person I bring in is rejected by the current culture and ends up quitting.” Protect new A players from being undermined by existing personnel. It is also critical to employ A players who will help drive the culture-change process with some finesse.

“We can’t afford to hire A players.” A players are available at all compensation levels. They are the people above the 90th percentile of overall talent of all potential candidates at every compensation level.

“I do not want to fire loyal C players.” C players (those who are overpaid and/or underperforming) should be given a fair chance to become A players with extra training and coaching. If this does not work, it may be prudent to redefine the person’s responsibilities to include

only those functions he or she is competent performing, and to pay accordingly.

“We engaged a management consulting firm, and their report looks great, so topgrading isn’t necessary.” Topgrade first. Great management initiatives can fail if managers lack the talent to drive successful implementation.

“We could never attract A players because of our location, industry, current financial problems, etc.” Pay

more in compensation to attract the level of talent necessary to beat the competition. Or if location is a very real recruitment obstacle, consider moving.

“My job is on the line; I need short-term results and do not have time to topgrade.” Improve short-term results by topgrading.

Chapter Three: The Astronomical Costs of Mis-Hires – Company Killers and Career Derailers

Mis-hiring means mis-selection from outside, mis-promotion, and mis-placement. Mis-placements become displacements, requiring replacements. Mis-hiring (hiring a C player) can cost you company big dollars and cost you your career advancement. In fact, typical mis-hires cost companies 24 times the person’s base compensation. However, the single biggest estimable cost in mis-hiring is the wasted or missed business opportunity, and CEO mis-hires are the most serious.

Obviously, companies need to be more proactive in estimating the costs of their mis-hires. Individual managers can take the Cost of Mis-Hires Survey and run the numbers on their own mis-hires. Then Human Resources can aggregate the individual cases for an annual corporate profile. If the numbers are large, this will provide impetus to design and implement rigorous and comprehensive topgrading processes.

Chapter Four: Firing C Players: Is It Immoral?

If topgrading means packing the entire company with A players, then it usually also involves removing chronic C players — those who are untrainable. Some chronic C players can be redeployed internally into jobs where they can be A players. But, if this is not feasible, they can be fired or asked to resign. The topgrading firing model has a simple but clear message: Retain your moral sense and

About the Author

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human caring while quickly and professionally replacing C players with A players.

However, this firing component of topgrading should not be confused with downsizing, which topgraded companies rarely have to do. Downsizing is necessary and moral when it will permit a basically good company to recover or grow. But, it has a bad reputation because too

At the managerial level, the focus of Topgrading, maximizing return on investments in people, is a long-overdue concept.”

often it’s a last ditch effort of a failed CEO who fires A and B players as well as the Cs.

Chapter Five: Recruitment Best Practices – How to Avoid Mis-Hires

Because strategy is changing faster for most companies, the skills required to implement it are new, which means there is a need for more external recruitment. However, with an intolerably high failure rate in external hiring, the “selection” component of recruitment/selection is crucial and requires sorting out proper roles.

CEOs must lead recruitment, making it a top priority and keeping it there. They must take responsibility for internal and external recruitment results, policies, and processes and must drive a recruitment best-practices blueprint. They must set specific management hiring goals, hold all managers accountable for topgrading, monitor the topgrading progress, provide incentives, minimize the use of external recruiters, and ensure all vendors (recruiters, management psychologists, etc.) understand that the CEO is the key client.

Hiring managers must fully “own” their hiring decisions. They must continually build their networks of potential A-player candidates, work with HR to analyze the job and write behaviorally based job descriptions, manage search firms, conduct a CIDS interview of every finalist, make reference calls, conduct candidate evaluation meetings, and evaluate themselves on their hiring success.

Although HR managers are not the driving force behind recruitment, they can coach, educate, and support their internal client (the CEO). HR can further support recruitment by assuring that such HR systems as performance management, management development,

succession planning, compensation, and mid-year career review are world-class.

Chapter Six: Case Studies – How to Topgrade

This chapter provides examples of how Travelers Express topgraded in one year, how General Electric remains an A-Player talent machine, how the obscure \$200 million HEB Grocery Company topgraded to become a \$7 billion powerhouse, and how one manager topgraded two CompUSA stores and was promoted to regional manager.

And last, it tells the story of how William Bradford topgraded the Pilgrim colony at Plymouth to create the world’s first true democracy. Given the nature of these studies, they are not conducive to summation and should be read in their entirety.

PART II: TOPGRADING FOR INDIVIDUALS

Chapter Seven: Becoming an A Player – Have Your Cake and Eat It, Too

Lean is in, and contract employees/ managers are the wave of the future. Thus, there will be more career “free agents”, experiencing a series of short-term employment

“At the end of the day, you bet on people, not on strategies.”

— Larry Bossidy

relationships without career-long job security. In this kind of environment, working harder, living beyond your means, never passing up a job opportunity others say you can’t refuse, hiding negatives in job interviews, developing your strengths to the max, and wasting time trying to overcome shortcomings are career-planning approaches you can no longer afford.

If you wish to become a happy A player at the highest level, you must adjust your approach. You must perform a period life-balance review and focus on becoming “good enough” in career success, wellness, personal relationships, giving something back, financial independence, spiritual grounding, and recreation — the seven critical life dimensions. You must also perform periodic personal-career reviews, live below your means, only accept jobs where you will be an A player, work on overcoming your weaker points more than maximizing

your strengths, develop A-player competencies before you need them, reveal negatives in job interviews, question your compatibility with big-company life, and topgrade in personal as well as in business life so that you will not be frustrated by C-player mechanics, accountants, cleaning people, etc.

Chapter Eight: Fixing Your Weaknesses – the Straightest Path to Success

Nothing derails a management career faster than one or two fatal flaws. Thus, the time spent on professional development should be used on fixing any deficiencies you possess across the entire set of 50 generic management competencies that fall under the general headings of intellectual, personal, interpersonal, management, additional leadership, and motivational competencies.

If you don't develop across the entire set, meeting the minimum standard on all of them, your nondevelopment in any one or two will stick out like a sore thumb, causing what might be a minor shortcoming to eventually be viewed as major. However, if you are competent in four key areas — selecting A players, removing C players, initiative, and self-awareness — all the rest can easily fall into place. In addition to meeting minimum standards, you must also avoid what are called career derailers — such missteps as lying, being overly ambitious, playing dirty politics, the inability to adapt, the inability to empower, missing goals too often, being a slow learner, and demeaning others.

Chapter Nine: Coaching 101 – the CIDS-Based Model

Because human capital is the most important asset, coaching, which involves counseling, mentoring, teaching, and confronting to get the most out of human capital, is a key skill. If you have conducted a CIDS interview, you automatically possess super-coach advantages because you've hired an A player. A players are much easier to coach than C players and have stronger talents to grow.

Moreover, you can use CIDS-based assimilation coaching to help the new hire adapt to the new job – to perform short-term and to grow long-term. Assimilation coaching builds in all seven of the psychological stages in change – awareness, acceptance, commitment,

development, reinforcement, progress monitoring, and celebrating big improvements — and can also be used to facilitate change in any performance-management or career development system. Thus, if you encourage subordinate managers to use CIDS-based assimilation coaching, your entire team will soon become A players.

Chapter Ten: Case Studies – Coaching to Fix Weaknesses

This chapter presents a fictitious case study that outlines the steps in conducting a CIDS-based assimilation coaching session. Two additional case studies show how the CIDS-based coaching model is put to the test with a C-player mis-hire and a leadership style turnaround challenge.

PART III: CIDS INTERVIEWING

Chapter Eleven: Your Most Powerful Tool – the CIDS Interview Guide

If you use the CIDS Interview Guide, a 90 percent or better success rate in hiring is possible. On the other hand,

“It is a heck of a lot easier to hire the right people to begin with than to try to fix them later.”

—Brad Smart

if you remove C players and suffer from the common 50-percent mis-hire rate using weak interviewing methods, morale will fall and A players are likely to quit. CIDS makes the difference between a brutal, crude, ineffective hatchet job and a smooth, positive effort to topgrade.

Despite the size of the Guide simplifies a highly complex intellectual exercise by providing a clear, logical sequence of questions. It mechanizes the interview just enough so that you the interviewer can devote your energies to analyzing the candidate. The Work History questions trace how a person developed over an entire career history — what the candidate's expectations were coming into each job, what occurred, why the person left, and how each boss would appraise the candidate. Thus, current competencies are assessed with much greater accuracy, and revealing patterns of relationships emerge. The Focused Questions relate to the 50 competencies and are used only to fill in. If the work-history chronology was thorough, only a handful of these questions will be needed.

Throughout the Guide, spaces are provided after each question to take notes, and there is a Candidate Assessment Scorecard at the end. Six months after the new hire is on board, you can use the completed the Scorecard to match your predicted ratings on the various competencies

“The toughest decisions in organizations are people decisions – hiring, firing, promotion, etc. These are the decisions that receive the least attention and are the hardest to ‘unmake.’ ”

—Peter Drucker

in relation to the actual. This will help you improve your assessments.

Chapter Twelve: Mastering CIDS Interviewing – Advanced Interviewing Tactics

Because the CIDS interview elicits more negatives than other interviews, it is important to do more than the usual rapport building.

You must adjust your vocabulary level, vocal clarity, range, pace, and expressiveness to be able to communicate. If the candidate is a real A player, you must infuse some life, vibrancy, and humanness into this interview.

Use active listening as a subtle and potentially powerful way to stimulate discussion. It not only involves paraphrasing what the candidate said but also reflects some unstated feelings. Although this approach can boost mediocre rapport to a very high level, be careful not to delve too deeply into another’s psyche.

Shock, dismay, negative surprise, or anger must be controlled. The candidate can always be rejected, but if some negative emotions are expressed prematurely, they can bias the interview, leaving you with insufficient information. You must also remember that rejected candidates can become future customers and/or clients, so it is important to avoid any and all abusive treatment of all candidates, without exception.

Candidates come to interviews prepared to state accomplishments, strengths, and their needs; Threat of Reference Check (TORC) is a powerful technique for getting the negatives. It works because it convinces the candidate that extremely thorough reference checking will be done, so honest disclosure is best.

The next step involves in-depth reference checking, using the In-Depth Reference-Check Guide. This specially devised form suggests introductory comments and final comments and guides you in obtaining confirmation

of dates and compensation as well as a comprehensive appraisal of the candidate that will help you determine if the candidate is a good or bad fit for the job opening.

Finally, it’s time to interpret all the data. In order for this process to be valid, you must look for patterns, assume that

strengths can become shortcomings, assume that recent past behavior is the best predictor of near-future behavior, assume all behavior is motivated, spot red flags and look for explanations,

assume that people can change when they have changed, look for attributions and evaluations, weigh negatives more heavily than positives, and watch out for strong feelings and beliefs.

Chapter Thirteen: Avoiding Legal Problems — a “Bulletproof” Approach

An effort to remove chronic C players and develop future A players can incur big risk if care is not taken to avoid a charge of discrimination. The CIDS guide and the Career History Form will help you meet all legal requirements in this regard. Generally, speaking, there are three basic steps that provide a measure of legal protection and also make sense as wise business practices: performing a thorough job analysis, writing a job description based on behavioral competencies, and avoiding discriminatory language in all communications. These practices, along with the structured interview and extensive notetaking, should be applied according to the guidance provided by the company’s HR department and legal counsel.

Appendix A: Chronological In-Depth Structured (CIDS) Interview Guide

Appendix B: Career History Form

Appendix C: In-Depth Reference-Check Guide

Appendix D: Interviewer Feedback Form

Appendix E: Sample Competencies – Management

Appendix F: Sample Competencies – Wm. M. Mercer

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Footnotes and a subject index are provided.

Remarks

According to Dr. Smart, talent is a key driver of shareholder value and one of the few things over which managers have direct control. Far too often, however, managers at all levels make the costly mistake of allowing low performers to remain on their teams and then try to compensate for this lack of performance by managing their way to excellence. Nonetheless, hiring the right people — the A players — is easier said than done. Statistics show that half of all recruitment endeavors result in mis-hires in which the wrong people are put into the wrong jobs. It is a mistake that costs companies 24 times the base salary for each occurrence.

In Topgrading, Dr. Smart shares what he calls his foolproof system (a 90 percent success rate) for building “dream teams ... from the executive suite to the shop floor.” He offers guidelines on how to use topgrading to enable all other corporate initiatives, on how it works as the ultimate personal career-development tool, on how it acts as a “silver bullet” for near-perfect talent assessment, and on how it can be implemented for effective coaching.

Although most would agree that these are all worthwhile endeavors, Smart warns “those predisposed to protect ‘dead wood’ will take issue with the basic underlying philosophy of this book.” We agree. Smart’s philosophy, strategies, and tactics are not for the fainthearted. Topgrading is a demand for perfection, and in modern society an expectation of perfection is considered to be politically incorrect. Granted, the word “topgrading” conjures up visions of mammoth smoke-belching backhoes leveling bucolic hillsides. And yes, Smart’s I’m-the-man-so-make-my-day tone and delivery can be a bit off putting. But, if you can get past all that and carefully read the “fine print,” you’ll see this is no AI “Chainsaw” Dunlap speaking.

Smart is not a man without heart (advocating wholesale slaughter), but he is a man with a mission. Thus, he goes to great lengths to explain how to effectively “redeploy” chronic C players, including coaching them effectively and/or putting them into positions in which they can function as As. He also acknowledges that there are some very legitimate places for B players within an organization. Moreover (and this is key), he positively denounces the indiscriminate downsizing that many executives use to cover managerial ineptitude. And, he goes as far as to

acknowledge (with sincerity) that letting employees go, for any reason, is painful to all concerned.

Nonetheless, even if readers are unconvinced about the desirability of Smart’s methods, we fail to see how the underlying premise, “proactively seeking out and employing the most talented people can have a multiplier effect on the creation of other competitive advantages,” would raise very many eyebrows. In fact, Peter Drucker says, “The ability to make good decisions regarding people represents one of the last reliable sources of competitive advantage, since very few organizations are good at it” (p. 1) — and who disagrees with Drucker?

Still, whatever reservations one might have, the CIDS interview guide is a priceless tool that anyone responsible for interviewing job candidates ought to treasure. Any interviewer following these guidelines can be confident that he or she has done everything humanly possible (has covered all the bases) to hire the right person for the position. As for job candidates, they ought to be ecstatic, for the CIDS interview takes the stress out of trying to read an interviewer’s mind about what and how much to disclose in order to obtain that perfect career enhancing position.

Smart also goes to great lengths to cite studies, quote statistics, and to use a wealth of case examples to bolster his assertions. (General Electric, AlliedSignal, Microsoft, Procter & Gamble, and 3M — all excellent companies — topgrade as a matter of ongoing competitive strategy.) However, it is in the Epilogue, where the benefits of topgrading are presented most eloquently. Here, Smart explores the possibilities that topgrading holds out for community service, government, the world of finance, education, career planning, and personal growth — possibilities that really do seem to speak to the requirements of the era.

Finally, he begs for further research that would perhaps fine-tune the definition of A, B, and C players, study the long-term impact of his strategies, and define the relationship between happiness and topgrading. Thus, while clearly demonstrating that his ideas do indeed have merit and are effective in attaining individual and corporate success, he also acknowledges that his is not the last word on the subject.

Reading Suggestions

Reading Time: 12 to 14 hours, 268 Pages in Book

Although Smart claims that Topgrading is an easy read, we disagree. The typeface used, and the lack of space between the lines, makes the physical act of reading very tedious. Moreover, despite the fact that Smart uses headings and lists generously to help you spot the “useful nuggets,” this is not a work that should be skimmed. There’s just too much important contextual material that cannot be overlooked, if one is to garner any value at all from the work.

As for our estimated reading time, that only applies if you read the work straight through without stopping to do the exercises, the checklists at the end of each chapter and/or refer to the items in the appendixes (something that Smart directs the reader to do throughout). Essentially, this is a workbook, and if you treat it as such, be prepared to almost triple the reading time.

For those who just want some background information and have no intention of actually implementing the topgrading process, we still recommend that you at least look over the various exercises, etc., as you read. Failing to do so is a big mistake; these little side trips help immensely to clarify the details.

Finally, we say to those readers who might object to Smart’s aggressive stance, read on. Even when he shoots himself in the foot and says, “Those who, way down deep, would sooner see an organization die than nudge a hopelessly incompetent person out of a job, should not read this book,” ignore him. Smart, himself, admits that he’s blunt and that he overstates in order to make his point. Besides, he really does offer up some invaluable insights – in spite of himself.

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