

ARE YOU HIRING "A" PLAYERS ON YOUR TEAM

Even the smallest businesses can attract "A" players -- and turn "B"s into stars. Just ask Brad Smart, who advises everyone from Jack Welch to Ted Waitt on hiring on hiring.

by Hank Gilman and Lori Ioannou, Fortune Small Business

To some, Brad Smart is a savior. To others, he's a hatchet man. It all depends which side of the desk you're on. The 55-year-old industrial psychologist specializes in what he calls topgrading, a rigorous executive-grading process he created that helps CEOs hire superstars -- Smart calls them "A" players -- and weed out the underachievers in their organizations (those are the "C" players; we'll talk about the "B"s later). It also helps managers, perhaps even more so, in hiring. Smart reckons that the typical mis-hire at any level can cost business owners many times the employee's original salary. Any business can do the topgrading, no matter the size -- from family-run retail stores to public multinationals. Some of Smart's 35 clients include Ted Waitt, chairman of Gateway, the \$6 billion PC maker; Jack Welch, chairman and CEO of General Electric; and DSC Logistics, a family-run Chicago company. Can you afford him? Maybe not, because he charges thousands. But his book *Topgrading* (Prentice Hall Press) is a bargain at \$26.

What's refreshing about Smart among the legion of management consultants infesting corporate America is that his simple -- but tedious -- approach to pinpointing and developing managerial talent is based on old-fashioned investigative research, not New Age hocus-pocus. A master interviewer, Smart asks the top executives he screens a harrowing array of questions all aimed at unearthing information about their strengths, weaknesses, and job expectations. He also runs them through a mind-numbing questionnaire for each job they ever had. And he does extensive background checking. The process can take as much as six months per employee. And the results, at least initially, aren't always pretty. Gateway, for example, had to blow up its senior management team (ten of the 14 are new hires) after Smart and his son, Geoff, were brought in by founder Waitt, who was looking to jump-start his sluggish company.

Not surprisingly, Smart is a fast-paced, fun-loving overachiever who runs his business, Smart & Associates, out of a palatial home in Wadsworth, Ill., north of Chicago. Over coffee and jellybeans, the consultant and author spent a morning with FSB managing editor Hank Gilman and senior editor Lori Ioannou to discuss how he has used topgrading to rate, by his count, more than 4,000 executives. He was joined by Geoff, 27, a consultant who runs a similar business that helps entrepreneurs and venture capital firms topgrade their companies, which include a lot of dot-com startups. Edited excerpts:

How did you think of the idea for topgrading?

Brad: I got an epiphany while working for a human resources management-consulting firm 28 years ago. One day my boss asked me to sit in on a job interview to screen a candidate for a client looking to hire a vice president of marketing. I noticed the interview was an hour and a half of general scattergun questions, none of which probed the patterns of how this person developed competencies throughout his career. Things like: "Tell me about yourself" and "How would you handle this?" I immediately saw flaws in the process. Six executives of the client had different opinions about what the job was. They really hadn't analyzed it. I realized most companies hire this way. So I decided to attack the problem.

So what did you come up with?

Brad: Within a few weeks I hit on what I call the CIDS process, which stands for chronological in-depth structured interview. Essentially, it asks every candidate hundreds of questions about his or her life and career. It begins very early, during the education days, and then thoroughly covers every job, every success, and every failure he or she ever had. It also asks him or her to talk about all of their bosses over the years. And it includes the powerful threat of a reference-check technique -- every boss from the past decade will be contacted. That's the truth serum. It inspires them to be honest with themselves and the interviewer. Of course, over the years the whole process has been polished. As you can see it's not rocket science.

Give an example of how you use the reference check to determine the strengths and weaknesses of a candidate.

Geoff: The magical question asks: "If I were to ask you to arrange an interview with your former boss, what would he or she say were your strengths, weaknesses, and overall performance?" This reveals the truth about a person. Obviously, he or she knows there is nowhere to hide and must be honest. We literally call every boss a candidate has worked with over the past decade to do this interview. If they get rave reviews from everyone, that indicates a good track record. Top candidates like our thoroughness. These "A" players don't mind doing this. But "C" players hate it because they know bosses won't say nice things about them.

Was introducing the concept into the marketplace difficult?

Brad: Not really. It took off eventually by word of mouth. CEOs who began using my interview to hire "A" players and assess the qualifications of their executive team saw the results and told others about it. Believe it or not, my first

client wasn't even a businessman. It was Mayor Richard Daley of Chicago, who used topgrading to hire and maintain a strong staff at the various city departments. My big break came in 1987 when I was introduced to Jack Welch, the chairman and CEO of GE. He decided to use the CIDS interview to assess and coach his top executives. His vice chairman was Larry Bossidy. When Bossidy left to run AlliedSignal, he also hired me to topgrade his company. That's how my business took off.

There are lots of other tools and tests aimed at screening hires. Aren't they just as good?

Brad: Sure, there are hundreds of personality, interest, and intelligence tests. But most don't accurately predict the success of high-level executives, and I'll tell you why. It's because human beings are way too complex -- and crafty. They see through the questions and give answers they know you want to hear. With my interview, the approach is different. You are looking at the past behaviors and patterns throughout the history of a person's career. That allows you to make very accurate predictions about what he or she would do in the future. Managers who have been very proactive about bringing in talent, moving people around, developing people, and giving tough love to the underperformers rate very high.

In your experience, how do entrepreneurs hire and assess their staff?

Geoff: Most do it on the fly, then reality bites. Another mistake small business owners make is that they try to find Renaissance types, who can do a little of everything early on, and then they are stuck with them. As the company grows, they find out they need folks with very specialized skills, and their existing team just won't do.

For those people, what is the best strategy?

Brad: To dedicate a lot of time and effort finding and cultivating talent. People are the most valuable resource for any company. Jack Welch is the most respected CEO in the universe, and he spends 50% of his time hiring, coaching, and developing his team. That's a lot of man-hours. Entrepreneurs have to do the same. The fast-moving small business owner just cannot get by devoting only 5% to 6% to this important task. Dot-com CEOs especially get low marks in this area. They're not spending time on hiring, they're spending time on hyping. There is a lot of hip-shooting going on. Recognizing the problem, many VCs are butting in and trying to help hire senior managers for their portfolio companies.

In your book you talk a lot about "A" players as well as "B" and "C" players. Can you explain the differences among them?

Brad: "A" players are the top 10% of talent available at going rates for a particular position in an industry niche. Such people are the best of class. Some are visionaries, others are great team leaders and salesmen -- it depends on the job. For instance, an "A" player controller has a different skills set than a VP of marketing. All have rock-solid integrity. "B" players are those that fall in the next 25%, and "C" players are below that.

Ideally, what percentage of a company's work force should be composed of "A" players?

Brad: It should be all of them, or it can be a combination of "A" and "B" players as long as the "B"s have "A" potential. You can often get "B"s to "A" status by coaching them or by identifying which two or three areas are bringing them down. If it's poor computer skills, you can give them a crash course; if it's project management skills, you can develop a process to help them manage their projects better. Another strategy to try is to narrow their job responsibilities and have them focus on what they do best. Often at small companies one exec is juggling lots of things such as information technology, sales, and marketing. If he can't handle the technology portion, hand it off to another manager.

That sounds tough. Considering there is a national skills shortage, how is this possible?

Brad: The solution is to go after talent in related industries and search worldwide. Some jobs aren't industry-specific. For example, a CFO can be from almost any industry and make a smooth transition in no time if he is an "A" player.

What are "A" players looking for?

Brad: The world. First, they want a challenge and to have fun coming to work. So they want the resources and opportunity to make things happen. Second, "A" players want an informal culture with little bureaucracy. Third, they want compensation that's tied to performance.

What about "C" players? How should they be handled?

Brad: They should be coached into jobs where they can be "A" players, usually at lower-level positions. If that doesn't work, they'll have to find another job. That's best for the company and the employee. Provide hard-hitting, empathetic feedback, so the "C" player realizes he's a drag on the whole team and either improves or exits.

When should a company start topgrading its work force?

Geoff: Ideally, it should do it right from day one. And it should continue doing this throughout its history. That's what Jeff Bezos and Bill Gates both did. The first few people you recruit into key positions determine the DNA for the growing company. In practice, "A" players hire other "A" players. "B" players hire "C" players. "C" players hire "F" players. If

you can woo a small critical mass of "A" players, you can start a favorable chain reaction and build a strong company.

How do you topgrade a startup?

Geoff: Start by wooing your first few "A" players. This will take a lot of effort. To find them you'll have to network like crazy. Assess them by coming up with a scorecard with the skills and competencies you feel are important for your company. Then rate candidates against the scorecard. This will keep you from making hiring mistakes. You can also use our CIDS interview system. Keep in mind in a startup that coaching and feedback need to be done more often, especially if you are working on Internet time. Unfortunately, "C" players can ruin a company when it's starting out. Give them clear messages on what they need to improve. If they can't cut it, you'll have to get them out.

At family businesses, this can be tough. What do you do to family members who are "C" players? You can't fire them, can you?

Brad: First I try to redeploy them and find other positions in the company where they can become "A" players. If that is not possible, I always advise them to get out, gain experience elsewhere, and then come back after five to ten years if they want to. That's the most moral and ethical thing to do. If a wife, child, or son-in-law is a "C" player and is hurting the business, the best thing you can do for that person is help them move on and become an "A" player somewhere else.

Who should do the dirty work?

Brad: If the patriarch or matriarch can't do it, he or she will have to bring in an unbiased outside consultant to handle it to help avoid bruised feelings.

Brad, are you an "A" player?

: I think so.

Geoff: At his rates? Are you kidding me? He better be.

Do You Make the Grade?

The cornerstone of Brad Smart's topgrading system is ranking recruits -- and top managers -- through letter grades. "A" and "B" players are assets; "C" players will kill off your company. You get the picture. Here's the executive summary:

"A" Players: The best of class in their job category. Typically they are the top 10% of talent available in the marketplace. Defining an "A" player sounds simple, but it is not. The person's skills, motivations, and personality traits will vary depending on the job description. (Your "C" player in one job could be your "A" player in another.) While all must have rock-solid integrity and a sterling job-performance track record, not all will have to be team leaders or long-term visionaries, though that surely helps. They all must be quick studies.

"B" Players: These managers fall into the top 25% of their job class mainly because they fall short in two to three areas. Unfortunately, most hire "B" or "C" employees and accept less than top performance from their staff. The good news is that some can be upgraded to "A" status if coached and trained. Others can become star players if their job responsibilities are fine-tuned. They can also be redeployed in other roles in a company.

"C" Players: These employees fall below the top 35% of the company's work force. More often than not, they drag a company down like dead weight and must be placed in other jobs within the organization or fired. Because most have difficulty coping with new or complex situations, it's tough to find them a new safe harbor in the company. Many startups have stumbled with "C" players in key spots. It's especially important for new companies to hire the most talented and creative people right from day one.