

MEQUODA PRO LIVE

# Using The A Method for Hiring Successfully

How to use “Topgrading” to Hire,  
Retain and Motivate A-Players

Bruce Elder, Principal  
ghSMART & Company

# Today's Host



**Kim Mateus**

Educational Services Director

Mequoda Group

**[Kim@Mequoda.com](mailto:Kim@Mequoda.com)**

# Today's Speaker



**Bruce W. Elder**  
Principal,  
ghSMART  
[bwelder@ghsmart.com](mailto:bwelder@ghsmart.com)

# Who Matters

***The most important decisions that business people make are not “what” decisions, but “who” decisions.***

— Jim Collins author of *Good to Great*

# Cost of Mishires

- According to management guru Peter Drucker and others, **50% of all hiring decisions are mistakes.**
- The average hiring mistake **costs a company 15x** that person's base salary.
  - Hard Costs: Recruitment, compensation & benefits, severance
  - Soft Costs: Mistakes, missed opportunities, disruption, management time
- Mishiring a \$100K employee will cost you \$1.5 million on average.
- Symptoms of hiring mistakes include:
  - Not being able to rely on your team; being too busy, stressed, and tired.

# Voodoo Hiring Methods

- The Art Critic
- The Sponge
- The Prosecutor
- The Suitor
- The Chatterbox
- The Animal Lover
- The Fortune-teller
- Relying on resumes

**“I hired your resume...  
But what I got was you.”**

**–CEO Jay Jordan**

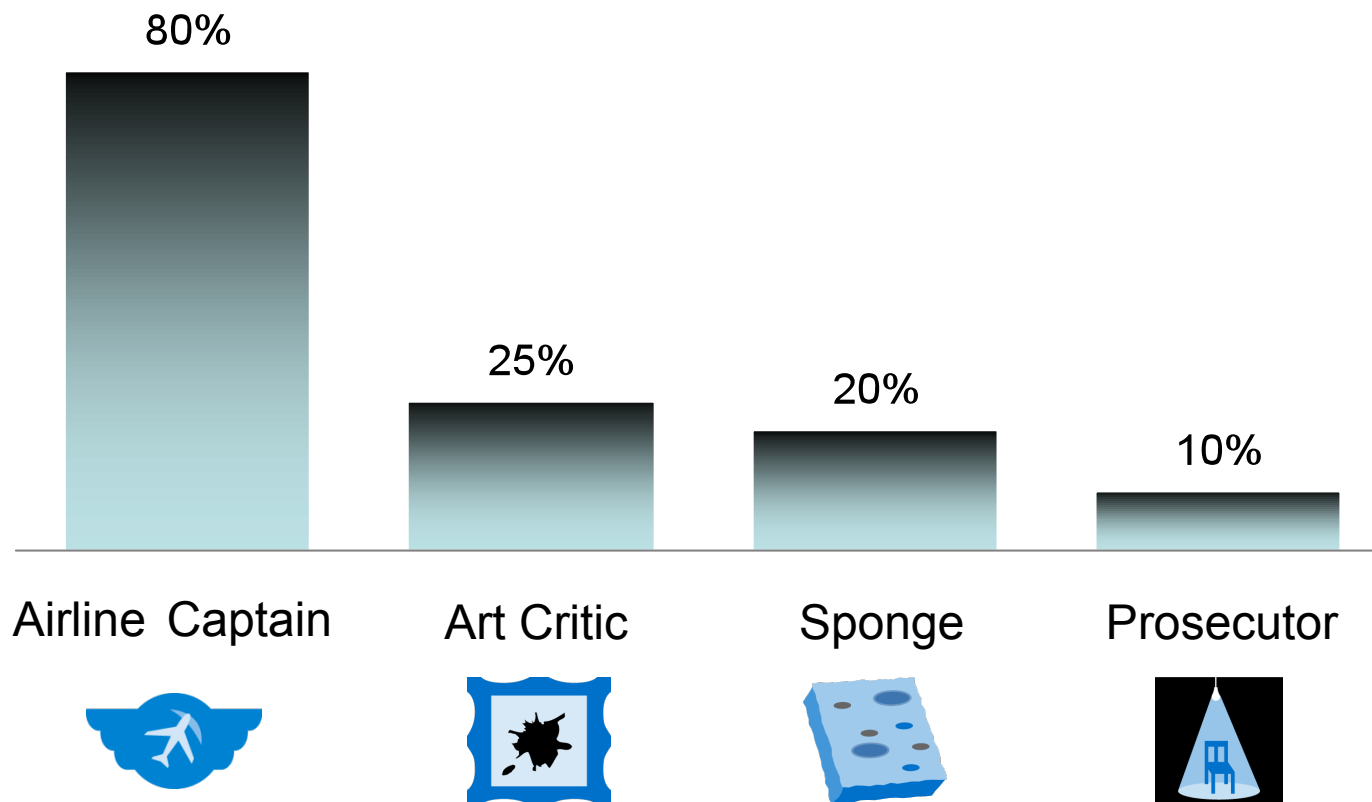
# A Player Productivity

- Shareholder returns for companies with top quintile talent average 22% over industry means.
- The top 3% of salespeople produce up to 250% more than average; the top 20% produce 120% more.
- The top 3% of programmers produce 1200% more lines of code than the average; the top 20% produce 320% more than average.
- Paper plants managed by As have 94% higher profits than other paper plants.
- A Player investment bankers are 2x more productive than average bankers.



# IRR by Assessment Methodology

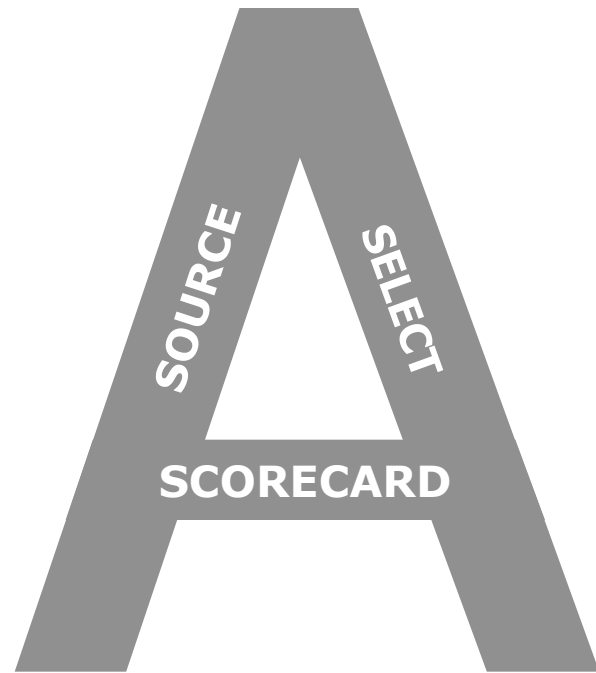
Median Deal IRR by Assessment Approach



Source: "The Art and Science of Human Capital Valuation," Dr. Geoff Smart.

# What is an Airline Captain?

- Someone who uses a check-list to ensure he or she follows the same process every time.
- Someone who evaluates data against the checklist, not gut feel. (*Captains who rely on their gut crash*).
- Someone who respects the aircraft (business). Captains never allow themselves to become complacent.



**SELL**



## SCORECARD

- Mission
- Outcomes
- Competencies

# Scorecard: Which One, Coach?

## • Option 1 - Job Description

- Fast, strong swimmer
- Experienced with all strokes
- Competitive
- Team player

## Option 2 - Scorecard

- Win three or more gold medals in the Olympics across four or more strokes
- Break world and Olympic records in at least 60% of races
- Win and break records when swimming for team events

# Scorecard: Which One, Coach?

## Option 1 – Job

### Description

- Fast, strong swimmer
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## Option 2 - Scorecard

- Win three or more gold medals in the Olympics across four or more strokes
- Break world and Olympic records in at least 60% of races
- Win and break records when swimming for team events



# Scorecard: Marketing Manager

	Rating & Comments
<p><b>Mission:</b> Support direct sales force goal of growing revenue through effective marketing materials and campaigns.</p>	
<p><b>Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Develop 12 month marketing plan to achieve revenue goals within budget of \$500K. Obtain VP Sales and Executive Team approval within 90 days of start.</li> <li>• Launch campaigns to drive new customer leads from current 10 per month to 30 per month within 9 months.</li> </ul>	
<p><b>Competencies (job related and cultural):</b>            Proactive, analytical, hard working, influential, teamwork            Fast-paced, engineering-centric, fact-driven, results-oriented</p>	

- Referrals
- Recruiters
- Researchers

**SOURCE**

**SCORECARD**

- Mission
- Outcomes
- Competencies



# Top Methods for Sourcing

## Top Five Best Methods for Sourcing Talent *Sample of Billionaires, CEOs, and Investors*

	Source	How Often Mentioned
1	Referrals from business network	77%
2	Referrals from personal network	77%
3	Hire external recruiter	65%
4	Hire a recruiting researcher	47%
5	Hire internal recruiter	24%



**Referrals are the single greatest way to find highly talented people**

# Key Sourcing Question

Ask people you know, “Who are the most talented people you know that I should consider hiring?”

## Virtual Bench:

As you learn about talented people, create a list and make a point to reach out to the people on your list to get to know them. This is your “virtual bench” – a bench of talent that you can call upon when the need arises in your organization.

- Referrals
- Recruiters
- Researchers

**SOURCE**

**SELECT**

**SCORECARD**

- Mission
- Outcomes
- Competencies

- Screening Interview
- Topgrading Interview®
- Focused Interview
- Reference Interview

# Screening Interview

1. What are your career goals?
2. What are you really good at professionally?  
Please give me some examples.
3. What are you not good at or not interested in? Please give me some examples.
4. Who were your last 5 bosses, and how will they each rate your performance when we talk with them (1-10)? Why?

# Topgrading Interview

*For each job in the last 15+ years, ask:*

1. What were you hired to do?
2. What accomplishments were you most proud of?
3. What were some low points during that job?
4. Who did you work with?
5. Why did you leave that job?

# Focused Interview

1. The purpose of this interview is to talk about \_\_\_\_\_  
(*one or more key outcomes or competencies*).
2. What are some of the biggest accomplishments you have had in this area?
3. What are your biggest mistakes and lessons learned in this area?

# Reference Interview

1. In what context did you work with the person?
2. What were the person's biggest strengths? Please give me some examples.
3. What were some of the person's biggest areas for improvement *back then*? Please give me some examples.
4. How would you rate their overall performance in that job (1-10)?
5. The person mentioned that they struggled in that job with \_\_\_\_\_ (e.g. hitting their gross margin targets); tell me more about that.

# Select: Analysis

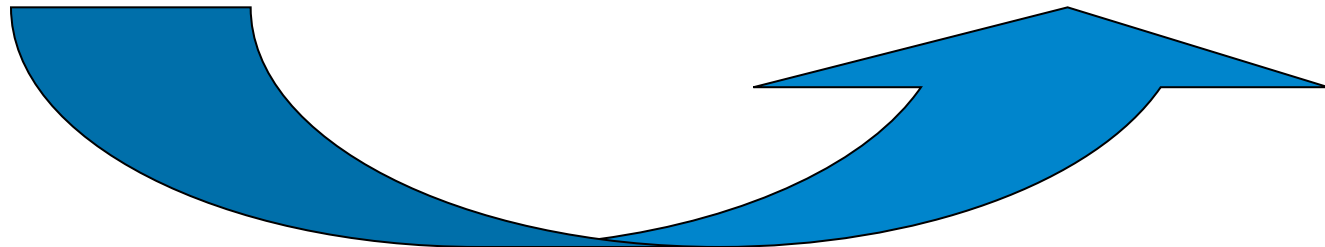
A = 90% chance of success  
 B = 50% chance of success  
 C = 25% chance of success

## Map data from Topgrading Interview...

- Built four marketing programs that resulted in revenue growth of 15%.
- Ran seven lead generation campaigns that generated 10x more leads over baseline.
- Clearly proactive and hard-working.
- Not particularly analytical.
- Etc.

## Onto Scorecard

	Rating & Comments
<b>Mission:</b> Support direct sales force goal of growing revenue through effective marketing materials and campaigns.	<b>A-</b>
<b>Outcomes:</b> 1. Develop 12 month marketing plan to achieve revenue goals within budget of \$500K. Obtain VP Sales and Executive Team approval within 90 days of start. 2. Launch campaigns to drive new customer leads from current 10 per month to 30 per month within 9 months.	<b>A-</b> <b>B+</b>
<b>Competencies (job related and cultural):</b> Proactive, analytical, hard working, influential, teamwork Fast-paced, engineering-centric, fact-driven, results-oriented	<b>A-</b> <b>A</b>





# Select: Red Flags and Green Flags

## Red Flags

### The Candidate:

- Does not mention past failures.
- Exaggerates his or her answers.
- Takes credit for the work of others.
- Speaks poorly of past bosses.
- Cannot explain job moves.
- Lacks support from his or her family.
- Seems more interested in compensation and benefits than the job itself.
- Tries too hard to look like an expert.
- And, for managerial hires, has never had to hire or fire anybody.

## Green Flags

### The Candidate:

- Always has a plan.
- Hits his or her targets.
- Gets pulled from job to job.
- Takes responsibility for past failures.
- Shares credit for successes.
- Is open and direct.
- Provides references for anyone you want to talk to.
- And, for managerial hires, tends to hire and develop great teams.

# Select: Decide Who to Hire

1. Take out your scorecards that you have completed on each candidate.
2. Make sure you have rated all of the candidates on the scorecard. If you have not given each candidate an overall A, B, or C grade, do so now. Look at the data, consider the opinions and observations of the interview team, and put pen to paper with a final grade.
3. If you have no As, then restart your process at the second step: Source.
4. If you have one A, decide to hire that person.
5. If you have multiple As, then rank them and decide to hire the best A among them.

# ghSMART A Method for Hiring

- Referrals
- Recruiters
- Researchers



- Screening Interview
- Topgrading Interview®
- Focused Interview
- Reference Interview

# The 5 F's of Selling

**Fit.** Ties the company's vision, needs, and culture together with the candidate's goals, strengths, and values. *"Here is where we are going as a company, and here is how you fit in."*

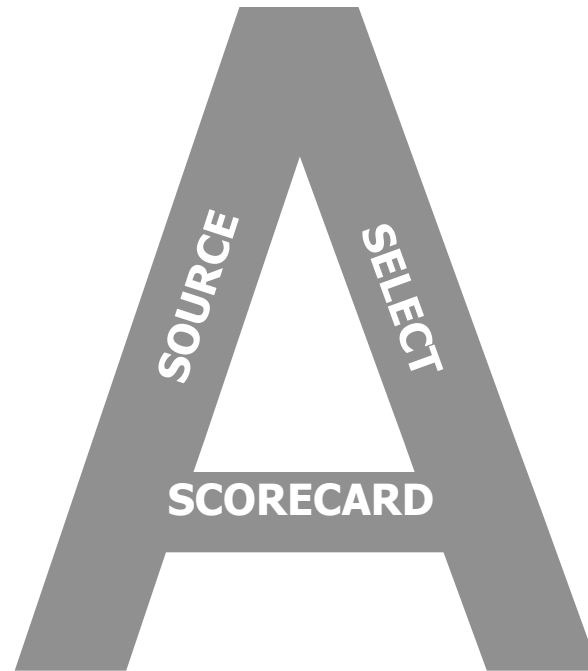
**Family.** Takes into account the broader trauma to the family of changing jobs. *"What can we do to make this change as easy as possible for your family?"*

**Freedom.** Is the autonomy the candidate will have to make his or her own decisions. *"I will give you ample freedom to make decisions, and I will not micromanage you."*

**Fortune.** Reflects the stability of your company and overall financial upside. *"Here's what you can make if you accomplish your objectives."*

**Fun.** Describes the work environment and personal relationships the candidate will make. *"I think you will find this culture one that you will really enjoy."*

# ghSMART A Method for Hiring™



**SELL**

# When Do You Evaluate Talent?

When...

- Hiring key employees
- Promoting people
- Investing in a business
- M&A
- Restructuring
- Making changes to strategy
- On-going



“The biggest change since I have been named CEO is people and talent. It has assumed strategic proportions as far as the percentage of time it consumes. We have a people component to the agenda weekly. And quarterly, we spend half of our offsite reviewing talent.”

***-John Varley, Group Chief Executive, Barclays***

# Summary

1. First who... then what. Get the right people on the bus and in the right seats.
2. The “who” really matters. It is your biggest value lever.
3. Hiring A Players has a tremendous ROI. Avoiding B and C Players only adds to that ROI.
4. Use the A Method for Hiring to behave like an Airline Captain. Improve your people success rate from 50% to 90%.
5. Do it always – whether you are hiring, investing, restructuring, making strategy changes, promoting people, doing an M&A deal, or just conducting day to day business.

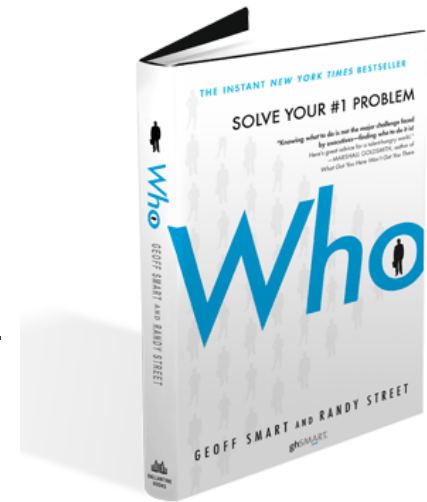
# About ghSMART

- Founded in 1995, ghSMART is the leading management assessment and organizational development firm serving boards and CEOs of Fortune 500 corporations and major private equity firms.
- Our mission is to use our expertise in human behavior to help CEOs and investors build valuable companies through hiring, developing, and keeping top talent.
- We have conducted over 14,000 executive assessments, trained over 30,000 managers, and helped hundreds of executives through coaching engagements in the past 14 years.
- We authored the New York Times best seller, *Who: The A Method for Hiring* (Random House, 2008).
- ghSMART arms CEOs, boards, and investors with rigorous tools for analyzing and maximizing performance of senior leaders. We enable our clients to apply to management the same rigor and fact-based approach that they deploy in other aspects of creating value (e.g., finance, technology, operations etc.).



# Learn More in the book *Who*

- Instant *New York Times*, *Wall Street Journal*, *BusinessWeek*, and *USA Today* Bestseller.
- Describes a simple, 4-step method for hiring the right people with a 90% success rate.
- Is based on the most extensive research, interviews, and experience ever assembled on the topic of talent management.
  - ghSMART experience serving hundreds of clients.
  - Extensive interviews with over 80 CEOs, billionaires, investors, and business leaders including Jamie Dimon, Wayne Huizenga, and General Wesley Clark.
  - Original research by the University of Chicago on traits predictive of CEO success based on analysis of over 300 ghSMART evaluation reports.



# Thank You

**Bruce W. Elder**

*Principal*

ghSMART & Company, Inc.

3455 Peachtree Road NE

Suite 500

Atlanta, GA 30326

Tel (678) 296-9260

Fax (404) 745-8723

[bwelder@ghsmart.com](mailto:bwelder@ghsmart.com)

<http://www.ghsmart.com>

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