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"No company can expect to beat the competition unless it has the best human capital and promotes these people to pivotal positions. *Topgrading* is the definitive manual for becoming an A player and for recognizing those traits in others." —Larry A. Bossidy, Chairman and CEO (retired), Honeywell, and coauthor of *Execution*



Topgrading

HOW LEADING COMPANIES WIN BY HIRING,
COACHING, AND KEEPING THE BEST PEOPLE

BRADFORD D. SMART, Ph.D.

HILLENBRAND INDUSTRIES

Hillenbrand Industries is a \$3.5 billion market capital publicly traded holding company headquartered in Batesville, Indiana, a rural community located approximately forty miles from Cincinnati. Although the company increased its earnings and shareholder value during the 1990s, the stock languished—performing below the S&P 500. This lackluster performance forced the question, “What will it take for Hillenbrand Industries to succeed in the future and move to the next level?”

Dave Robertson, former Vice President of Administration, led the initiative to build greater leadership talent. Robertson remarks, “We had too many people, and not enough talent . . . and that had to contribute to our dismal stock performance.”

In 1999 Dave asked Gus Hillenbrand, CEO, to meet with me. Topgrading was launched in 2000. In addition, Steve McMillen, Vice President of Executive Leadership Development and Performance, was hired to help

Figure 5.7

Price History—Hillenbrand Industries (7/3/2000–4/27/2004)



lead the topgrading effort. After three years of building a performance culture based on talent, the new CEO, Fred Rockwood, says, “Hillenbrand has been transformed through topgrading. Our new A-level executive management team has created an exciting strategy, and our organizational culture is much more positive and performance oriented.”

The Hillenbrand stock remained in the high 20s from 1990 through 1999. Figure 5.7 shows the stock’s rapid improvement with the infusion of A players who replaced underperformers.

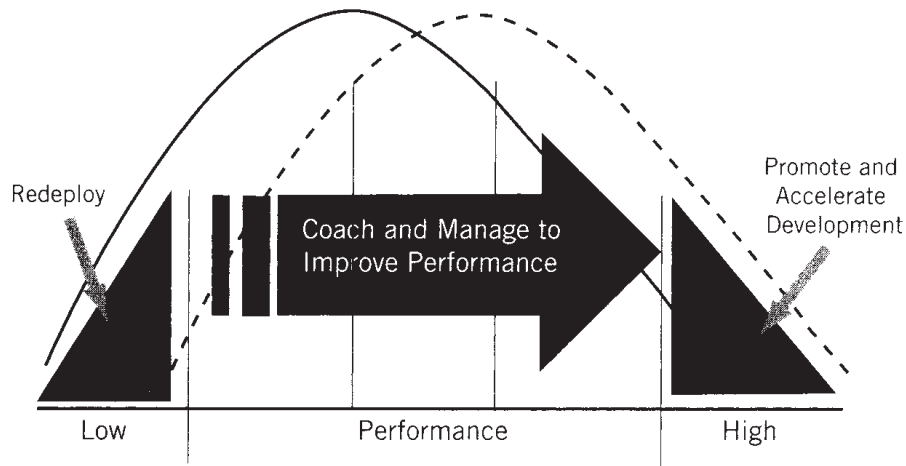
How did Hillenbrand do it? Among other things, they followed the guidelines just presented—the Topgrading Model, Successful Topgrading Rollout Plan, and Topgrading Ongoing Practices, all modified and supplemented by Hillenbrand’s A team. Two associates and I assessed the top 150 managers. As one senior executive puts it, “You confirmed what a small

group of As believed were the As, Bs, and Cs, but external validation was necessary for us to act.” Feedback and coaching sessions were held with all 150 managers, who were helped to write Individual Development Plans (IDPs). Since topgrading started at the top and cascaded down through the managerial ranks, each manager who had received feedback and coaching helped the direct reports or teams at the next level develop and implement their IDPs. To further institutionalize the topgrading practice in the organization, I conducted two-day Topgrading Workshops for HR professionals, who have since trained hundreds of managers.

Fred Rockwood says, “Topgrading is never a finished program, it’s an ongoing part of our culture, and our present percentage of As will continue to grow and develop. We can achieve even greater results.” But the improvement in talent is impressive. Among the top 109 managers, by the end of 2003 40 percent had been hired, and 60 percent had been promoted or redeployed. Topgrading decisions began being made in 2001 and by the end of 2003 all 109 managers were in different positions, with 81 percent functioning as A players. A potentials are not included in that 81 percent (which would raise it closer to 90 percent). Hillenbrand has dramatically

Figure 5.8
Hillenbrand Curve

Managing the Performance Distribution Curve



improved its managerial talent, and, according to a senior executive, “Clearly, the shareholders were best served by topgrading faster, not slower—that’s always the case.”

Since the beginning of the topgrading initiative, Hillenbrand Industries has greatly improved its human resources systems—compensation, performance management, succession planning, and leadership development. According to McMillen, “It was imperative to build a talent culture. To consummate a large acquisition, we would need a bench strength of A players to place in an acquired company.”

In addition to assessing talent, the company makes the development of A players a top priority. Parts of the organization use a forced ranking system (Figure 5.8) as a way to identify the top 10 percent for accelerated development.

The bottom 10 percent have been thoroughly evaluated and coached by a variety of sources—internal (boss) and in some instances an external consultant. They are told they are in the bottom 10 percent, and an Individual Performance Improvement Plan is implemented.

Since the topgrading journey began, there have been very significant changes in management at the top. At the most senior level, Fred Rockwood was promoted to CEO of Hillenbrand Industries, the first non-family member to hold this position. Ken Camp was promoted to CEO of Batesville Casket Company (BCC), a division whose business mission is to protect market share and generate stable earnings and cash flow for Hillenbrand to invest in its growth strategy. But Camp has also developed and contributed managers for healthcare division Hill-Rom, and his topgraded team has grown shareholder value at a compound annual growth rate of 18 percent, in a declining market. A players Ernest Waaser (CEO of Hill-Rom) and Scott Sorensen (corporate CFO) proved the truth that A players are talent magnets, having topgraded their organizations with spectacular results. Their new teams have enabled the company to strengthen its foundation and then make three acquisitions in a matter of a few months to jump-start the growth strategy.

As is always best, Hillenbrand topgraded from the top down. Change at the executive-committee level has resulted in all seven members being A players. Naturally, they insist on all As reporting to them, and that’s why the A standard has permeated the entire company.

John Dickey, VP Human Resources of the BCC division, has conducted dozens of Topgrading workshops, and has received a special sales award for his contribution. When BCC customers heard about topgrading, they asked to be trained in the skills. When prospective customers heard they would be trained in topgrading, one customer began placing big orders. “They probably would have become customers anyway,” Dickey relates, “but learning about topgrading solidified the order.”

Topgrading is not simple; it is complex and fraught with emotional and political barriers. For organizations undertaking a topgrading initiative, Hillenbrand executives advise the following practices:

- “Topgrade at the top first. B/C players are threatened by A players and will avoid hiring or not recognize A talent. Having B/C players at the top makes attracting A talent difficult. A players don’t generally go to work for B/C players.”
- “Don’t ignore your A players. Sustaining the talent edge requires the organization to invest in the development, recognition, and appreciation of A players. When As leave the organization they are talent magnets, and other As in the company will follow them.”
- “Listen to your As—they want challenges, growth, honest feedback, and fair pay. Meet their needs or you’ll lose them.”
- “Use topgrading professionals initially to assess managers, and to learn how to topgrade. They provide additional confirmation of the organization’s talent assessment, which helps the organization move with the decisiveness to replace Non-As. Use internal managers to assess people when they have proven they are A players and have mastered Topgrading skills.”
- “The CEO must drive the topgrading initiative or it will be compromised and fail.”
- “Overcommunicate. Develop an effective communication plan that describes the purpose and process of topgrading. It’s the best practice, and it’s fair, so tell that story again and again.”

T. J. JOHNSON CASE STUDY: A USEFUL EMAIL 360 APPROACH

Typically 360-degree surveys are too long, the wording is unclear, and B/C player respondents have the wrong values, so they give A players low ratings on items such as “maintaining high standards of performance.” The Mursau Group (see Appendix J for contact information) has a simple process that works. The Topgrading interview and initial feedback/coaching session results in an IDP. Measuring improvement is necessary to motivate most people to implement their IDP and improve, so a short, tailored email 360 is perfect for tracking progress. This case study shows how it works.

T. J. Johnson was a vice president, general manager at Hill-Rom, a division of Hillenbrand Industries (a company case study in Chapter 5). Like dozens of other managers, he was assessed by me. I Topgraded interviewed him, conducted oral 360s, and held a feedback/coaching session that led to his working with his boss to finalize his IDP. T. J. had issues, some similar to Tom Brock’s, but some quite different. T. J. conscientiously worked to improve. As part of his IDP, an email 360 was designed by me and was administered six months later to track his progress. Each item was

Figure 10.2
Follow-Up Survey at Ventana (And Means for Hill-Rom and Ventana)
(Survey #2)

	An effective decision maker	Sufficiently participative	Item 2	Item 3	Item 4	Item 5	Item 6	Item 7	Item 8	Item 9	Item 10
	An independent, decisive, when necessary	An open, direct communicator	Results-oriented	Sarcastic	Independent	Alloof	Focused on key priorities				
Never	1	-	-	-	-	-	-	4	-	3	-
	2	-	-	-	-	-	-	3	-	1	-
Sometimes	3	-	-	-	-	-	-	-	-	3	-
	4	-	-	-	-	-	-	2	1	1	-
	5	-	1	-	-	-	-	-	1	1	-
	6	-	-	-	-	-	-	1	-	-	-
Frequently	7	1	2	2	2	-	-	-	5	1	1
	8	2	-	1	1	-	5	-	-	-	1
	9	2	3	2	1	4	-	-	-	-	1
Always	10	5	3	3	6	6	5	-	2	-	7
	NA	-	-	2	-	-	-	-	1	-	-
Ventana	2003 Mean	9.1	8.4	8.8	9.1	9.6	9.0	2.4	7.1	3.0	9.4
Hill-Rom	2001 Mean	8.2	7.2	8.2	8.3	9.4	7.8	2.6	6.7	4.6	9.0

	Friendly	Defensive	A topgrader	Maintaining high performance standards	Losing my temper	An effective team builder	A change agent	Highly motivated to succeed overall	An effective leader, overall
	Item 11	Item 12	Item 13	Item 14	Item 15	Item 16	Item 17	Item 18	Item 19
Never	1 -	4	-	-	3	-	-	-	-
	2 -	2	-	-	1	-	-	-	-
Sometimes	3 -	1	-	-	2	-	-	-	-
	4 -	3	2	-	3	-	-	-	-
	5 1	-	-	-	-	-	-	-	-
Frequently	6 -	-	-	-	1	1	-	-	-
	7 4	-	1	-	-	5	-	-	1
	8 1	-	3	-	-	1	4	1	-
Always	9 -	-	2	5	-	1	2	2	5
	10 4	-	2	5	-	2	4	7	4
	NA -	-	-	-	-	-	-	-	-
Ventana 2003 Mean	8.1	2.3	7.7	9.5	2.9	7.8	9.0	9.6	9.2
Hill-Rom 2001 Mean	6.5	4.1	6.3	8.5	2.6	6.7	7.9	9.5	8.6

worded the way I heard people in oral 360s describe T. J., so the items would be clearer to respondents than typical “canned” survey items. Many valuable typed comments resulted from having a short survey (so respondents would not rush through it) and by having A player respondents (who are very conscientious and want to provide valuable feedback).

There were two surveys at Hill-Rom. In the initial 2001 survey, T. J. fell short on half a dozen items. He embraced his IDP, and a 2002 survey showed improvement. He was promoted to VP Global Marketing, but left for an exciting opportunity at Ventana Medical Systems. While at Ventana T. J. continued working to improve, and in 2003 retook his email 360 survey, documenting terrific improvement and achieving all of his developmental goals.

Figure 10.2 shows raw numbers for his 2003 survey. At the bottom of the chart you see his average ratings on his first (2001) and third (2003) surveys. The items were all worded “How frequently do you view me as . . . ?” and the scale is Always (10), Frequently (7), Sometimes (4), and Never (1). T. J.’s goals were a 7 or higher on the positively worded items, and 3 or lower on the negatively worded items.

As you can see, he improved in almost all areas. Nice going, T. J.! Figure 10.3 is a chart summarizing his progress on the six items of greatest interest to him.

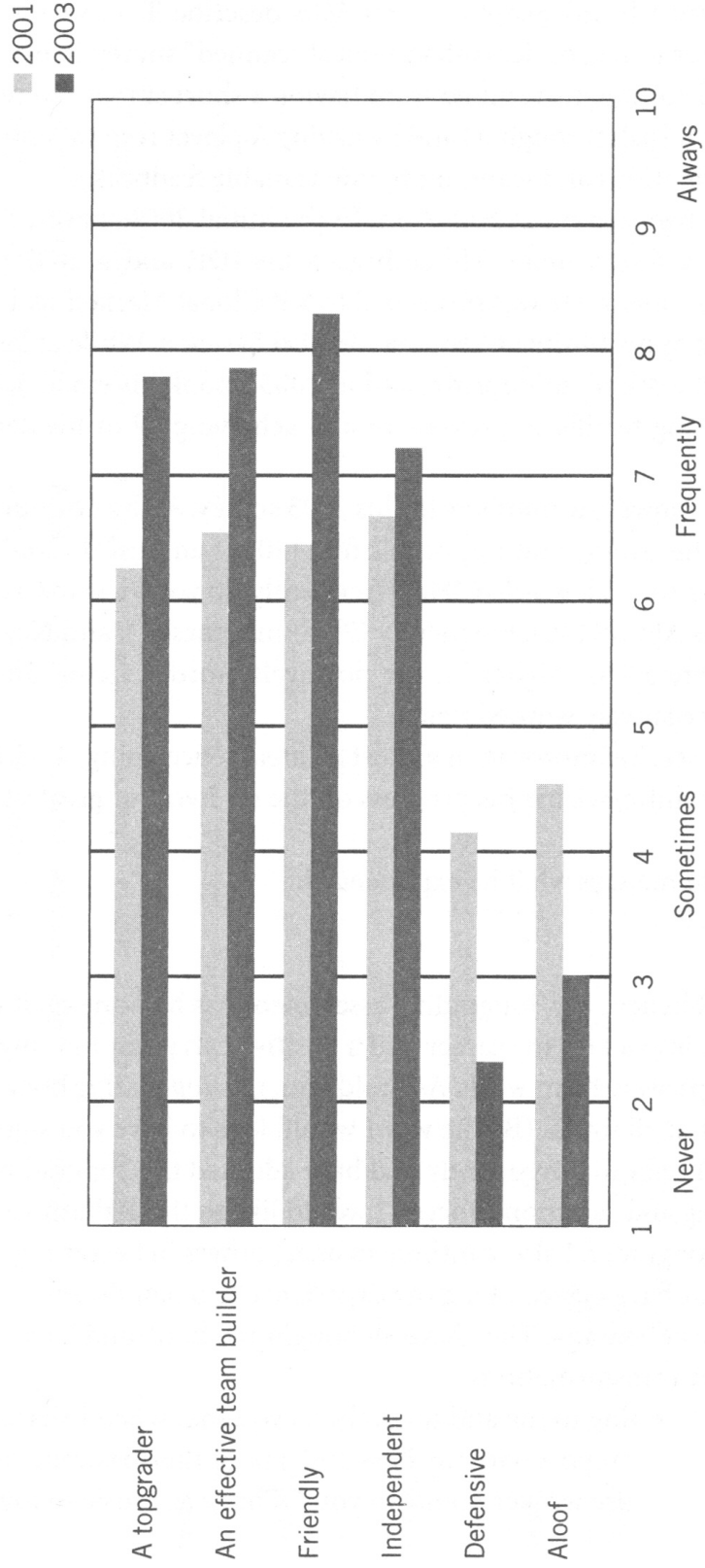
T. J.’s note to me says what he experienced:

Brad,

First of all I believe my Topgrading assessment has had one of, if not the biggest, impact on my career and a positive carryover into my relationships away from work. As I told you, my *Topgrading* book is on my desk at all times. (By the way I would love to have you sign it for me.) I refer to it frequently and have adopted the Topgrading interviewing and selection process. I would like to think that I’ve become a topgrader. I also continue to assist others in becoming topgraders. I have passed along my experience to a half dozen people here at Ventana. They have all bought the book and have started their transformations.

It was interesting to me and might be to you that when I shared elements of your report with my boss and a peer, they basically said, “We don’t see those weaker points in you!” That was music to my

Figure 10.3
Developmental Items for T. J. Johnson Surveys #1 and #2



ears and a great piece of feedback. I've actually been surprised how easy my transition has been. I really don't have to think about my behavioral issues anymore. I really have been able to change my views and most importantly I am so much more aware of the dynamics going on around me and how I can either positively move things forward or damage the situation if I react in the wrong way. The hard part in the entire process was coming to terms with the initial feedback and accepting the perceptions that were there and impacting my effectiveness. Once I accepted the assessment, my improvement began immediately. It really is simple once you are willing to actively listen to what people are saying to you. I believe I'm an exceptional listener today.

I would also say that I'm a much calmer person in the heat of the business stresses. A few years ago it wasn't difficult to get my blood pressure up and for me to become emotional about a situation. I now sense this as it begins to happen and can channel the energy in a more positive fashion. The clue you gave me of the image of the chairman of the board watching me from a camera in the corner to see how I respond and to check if I have executive presence has had a great impact. I still think about that when I'm in a tough, stressful situation. I really do believe I've mastered the art of driving change and keeping the momentum moving in a fast-paced organization while not leaving a few bodies along the way. I truly try to keep a win/win attitude about all issues, even if I think I'm dealing with C players. As you know, I used to be pretty brutal with C players. I'm still very aware of who I'm dealing with, I still tend to grade them, but instead of being dismissive or even caustic, I go to work on changing them. Fortunately, Ventana is topgrading and there aren't many C players.

I sometimes see people in leadership positions behaving the way I used to. I quickly begin to diffuse the situation and then later work to coach the individual without them really knowing what I'm doing. I use my experience and the transformation that I've undergone to help others. I guess the moral to that story is once you have topgraded yourself, the process of helping others becomes easier and almost automatic.

On the personal front, my experience has changed me in many ways. I'm more approachable. I apply my learning with my wife, kids, and all interactions in general. With my oldest now being a teenager, I'm sure I'll have new frontiers to navigate and my topgrading experience will be instrumental. It was funny that when my wife read your report for the first time, she asked how much it cost to have it done. I told her it was expensive but worth it, and she laughed that she could have written it for free. Her feedback actually helped me accept the assessment all the more.

Brad, in summary, it has been a life changer for me and a process that I value a great deal. It's not over. I'm still working to improve my leadership skills. I have always had a relentless attitude of improvement. I now believe I channel that passion in a much more effective way because of my topgrading experience. I was skeptical at the beginning but I'm a devoted believer in and practitioner of topgrading today.

T. J.

FINAL COMMENT

By now you know I am not recommending a soft, mushy coaching style. The business world is too fast-paced, too demanding for quiet, gentle little hints, except for a rare subordinate requiring your most flexible and sensitive care. No, this world requires hard-hitting constructive criticism. You want the straight scoop, no beating around the bush, if your boss is dissatisfied, right? But you want to be treated with respect, and you respond best when you are presented positively with an opportunity to improve, right? Your subordinates want and deserve the same thing.

This chapter has presented case studies in coaching to fix others' weaknesses, but has simultaneously given you insight into how to fix your own. (Will some of Tom Brock's or T. J. Johnson's developmental activities work for you?) Overcoming fatal flaws is not just satisfying, but thrilling. Being a hard-hitting but positive coach to help others grow is not merely a skill, but the essence of good leadership.

Praise for Brad Smart and the first edition of *Topgrading*

"Brad helped our differentiation of talent implementation in the '80s and '90s."

—**Jack Welch, Chairman and CEO (retired),
General Electric**

"The execution of a transformational strategy requires top talent. *Topgrading* (the book and principles) provides Hillenbrand the practical and effective road map for the identification, selection, and development of top talent. Topgrade, and the results speak for themselves."

—**Frederick W. Rockwood, President & CEO,
Hillenbrand Industries**

"Dr. Smart's topgrading principles have provided us with a terrific mechanism to very deliberately develop our organization's capability to perform at the highest level. Our implementation of the in-depth interview process . . . [has] infused our managers with a commitment to having top talent in every job."

—**Cass Wheeler, CEO,
American Heart Association**

"Of all the changes I've made to improve our company, none has been more important than topgrading. *Topgrading* (the book) is the most valuable business book I've read. I'd recommend it for every executive, in every company, every year!"

—**Jon A. Boscia, Chairman & CEO,
Lincoln Financial Group**

"Topgrading works. We followed Brad's road map and have reaped the rewards. We are in the people business, and now with Brad's gift, topgrading is the heart of our culture and a primary focus of MarineMax."

—**William H. McGill, Chairman & CEO,
MarineMax, Inc.**

"If you read it with the right kind of attention, [it] is the most important book ever written."

—**Recruiter magazine**

