



# Topgrading Tips

October 2008

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## Blog

### Topgrading in a Down Economy - a Good Time to Hire!

During the past 35 years I've observed talent management practices in up markets and down markets, and the two conclusions discussed in this issue of Topgrading Tips are:

1. Almost all companies talk a good (talent) game, but most admit they fall short, and
2. During a down economy is a good time to Topgrade, because there is more talent available, at lower comp levels.

**ALMOST ALL COMPANIES TALK A GOOD (TALENT) GAME, BUT. . .**

Remember the dot.com bubble days? Of course you do! Talent was so scarce that any kid with 47 body piercings and a purple Mohawk could walk out of his office, toss his Frisbee in any direction, watch it land in front

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of a business, walk in, and get a job. Cisco Systems bought entire companies, companies NOT necessarily in high tech, just to get bodies. Companies paid huge amounts to entice candidates. EMC bragged that it paid its sales reps the most of all high tech companies - up to \$3 million. Then the bubble broke. Ouch! Déjà vu?

I talked to Jack Welch recently about the go-go years of the 1990s, when a few General Electric companies had gotten a bit casual in talent management: B players had received A player ratings that were not deserved.

Is there any chance you became a bit casual in your talent management processes during recent up market years? An article (Making Talent Management a Strategic Priority) in the Fall issue of McKinsey Quarterly revisits the War For Talent a decade after their first groundbreaking research. These quotes might disturb you:

"respondents. . . regarded finding talented people likely to be the single most important managerial preoccupation for the rest of the decade." Yet,

"Too many firms still dismiss talent management as a short-term, tactical problem rather than an integral part of a long-term business strategy,"

"To a considerable extent management must blame themselves for their current talent woes."

**DURING A DOWN ECONOMY IS A GOOD TIME TO TOPGRADE**

Sorry if I seem like a nag with trite admonitions. Your investment advisor might be

saying, "The market is down - buy now! Buy low sell high, right?" You know that when your portfolio is down 25% it probably is smart to cash in some bonds and invest in equities, but you're chicken, fearing the worst is yet to come.

Similarly, if your business is down, the idea of incurring the cost of hiring is painful, so limping along with some underperformers seems best. Yet we're talking to managers every day who are Topgrading, now, right in the midst of an economic slump. I should have a teleconference in which *they* talk, but if you don't mind my speaking for them, here's why business leaders who are Topgrading in this down market would say NOW is a good time to Topgrade:

**1. More talent is available at lower comp.**

This happens in every economic downturn - more people are out looking for jobs, A players can be attracted more easily, and you have the luxury of being able to get more talent cheaper. A client is recruiting a head of Human Resources and despite the fact that their business is down, they have more and better candidates than they did just months ago (when the economy did not appear so bad). Hiring is all about supply and demand, and when supply of talent is up (businesses folding or laying off people), and demand is down (most businesses not hiring), talent is cheaper to hire. When the economy improves, be sure not to underpay your people!

**2. Underperformers expect to be let go.**

If two sales reps (out of 10) account for 80% of sales, and your business is very

profitable, the two or three sales reps selling practically nothing will not be surprised when receiving the pink slip. You're running a business and not a social service organization, so do what is right for the business.

3. **Talent is an investment, not a cost (despite what accountants say).** Only Topgraders really believe this. Most managers hire 25% high performers, 50% "so-so" performers and 25% lousy performers, so 75% of the people they spend money hiring turn out to be disappointments. But Topgraders achieving 75% or even 90% hiring success experience sky-high ROI when they hire.
4. **Sales is the most important area to Topgrade in a downturn.** Last week two well-known companies who implemented Topgrading programs (based on the 2008 release ***Topgrading for Sales*** told me they have replaced mediocre reps with top producers and those companies are not even lowering their sales targets for the year! These will be case studies in future articles.

If you are an experienced Topgrader, I'm preaching to the choir. If you are new to Topgrading, maybe the first step is to read the free 50-page eBook, Avoid Costly Mis-Hires! ([click here](#)). It will show you the commonsense methods that can help you improve your hiring "batting average."

NEW TOPGRADING BOOK HITS #1 OF ALL  
AMAZON BOOKS!

This is in the "proud Dad" category, so please forgive me. My son Geoff wrote a book just released: ***Who: The A Method for Hiring*** (Random House). Geoff interviewed hundreds of Fortune 500 CEOs and billionaires, and integrates their proven methods into Topgrading values and methods. In the first week it leapt to not just the #1 management book, but to the single best selling of *all* books sold on Amazon. I think it's a great book, and adds new Topgrading-related topics, like how to sell candidates. But I might be biased!

Best,

Brad

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