

Maintaining Your Edge: Topgrading in a Challenging Market

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While companies grapple with deepening financial issues brought about by the global pandemic, the current climate does not intuitively suggest hiring new employees. To the contrary, many firms have instituted hiring freezes and are struggling to maintain their current staff as revenue and growth opportunities are compromised. Expending capital on non-essential needs, including hiring additional professionals, may be at or near the bottom of your firm's to-do list.

However, building and maintaining a talent advantage over your competitors has never been more important. Furthermore, quality human capital has seldom been more available or readily attractable and affordable. With year-end bonus potential compromised and opportunities for growth stymied, opportunistic firms are seizing on the opportunity to add difference-making talent to improve their competitive edge in the marketplace.

Savvy executives are assessing their current corporate talent level and looking to create and implement a strategy to selectively add top-tier professionals. Simply put, firms that are committed to attracting, employing, and developing difference-making individuals at all strategic and support levels, regardless of economic cycles, are better prepared to thrive in down markets and outperform rivals over the long term.

"Topgrading" is a hiring approach pioneered by consultants Bradford and Geoffrey Smart, and promotes the discipline of consistently seeking and employing top-tier professional talent while redeploying employees of lesser ability, performance history, and/or drive across all levels of an organization. When done effectively, topgrading has several benefits:

- First, adding best-in-class talent typically leads to increased productivity for the organization. This in turn often results in greater profitability for the firm.
- Second, the move to replace two mid-level performing employees with one 'A-level' talent can lead to cost savings due to greater efficiency.
- Third, adding significant talent to an organization can serve as a morale boost. It only takes one sub-par professional to sap energy and productivity from a team or

company. The cost of retaining even one substandard employee can be dramatic, both financially and culturally. Productivity, quality customer service, and innovation all suffer when firms settle for mediocrity.

Depending on where you choose to focus, these topgrading efforts can have a real, tangible effect on the operating performance and profitability of an organization. Given today's economic challenges, most firms would be well served to focus topgrading efforts in two areas: sales/marketing and finance/accounting. Top sales and marketing professionals are able to cut through even the most challenging economic environments and achieve results. The impact of a difference-making sales professional can be near-immediate, tangible, and impactful and more than offsets the cost of hiring the best. Finance and accounting are also critical to company success. Financials must be produced in an accurate, timely, and efficient manner. Upgrading these internal teams on a selective basis can provide a company with more assured reporting, and could lead to the creation of new, more cost-effective methods and innovative solutions with respect to financial reporting. Topgrading in this area has the potential for cost savings that in many cases can more than pay for the difference-making talent additions.

We are in perilous times with many companies today struggling to maintain profitability, while contending with consistently rising, fixed operating costs. Given these constraints, it is easy from a human capital perspective to simply maintain the current status quo. Forward-thinking companies fight this temptation. They understand that tolerating mediocrity in any economic climate is a mistake; in this market, it can be fatal. As you are evaluating the current workforce, ask the following questions: Can you survive and maintain profitability with the overall level of talent in your organization? Is there a key role in your firm that is failing to meet the demands of the position and/or draining resources from other areas in an effort to shore up this deficiency?

While it is a bold strategy, engaging today in selective hiring with a focus on topgrading will better enable your firm to survive, outperform, and even thrive during this challenging economy.

About the Author

Jon Boba is a managing director in the Chicago office of Pearl Meyer. Over his 25+ years in real estate consulting, Jon has successfully completed more than 500 engagements representing a wide range of firms in the real estate and financial services industries. He also has developed an industry specialization in seniors housing, where he is a recognized leader, respected conference speaker, and author of several published articles.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.



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