

Plugging the Brain Drain:
*Retaining Expertise in
Today's Organizations*

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MANAGEMENT CONSULTING
KEEPING YOUR INITIATIVES ON TRACK

Plugging the Brain Drain

- **The Brain Drain**
- **Implications**
- **Brain Drain Quiz**
- **Stemming the Tide**
- **Final Thoughts**

**Information and knowledge are the
thermonuclear competitive weapons of our time.**

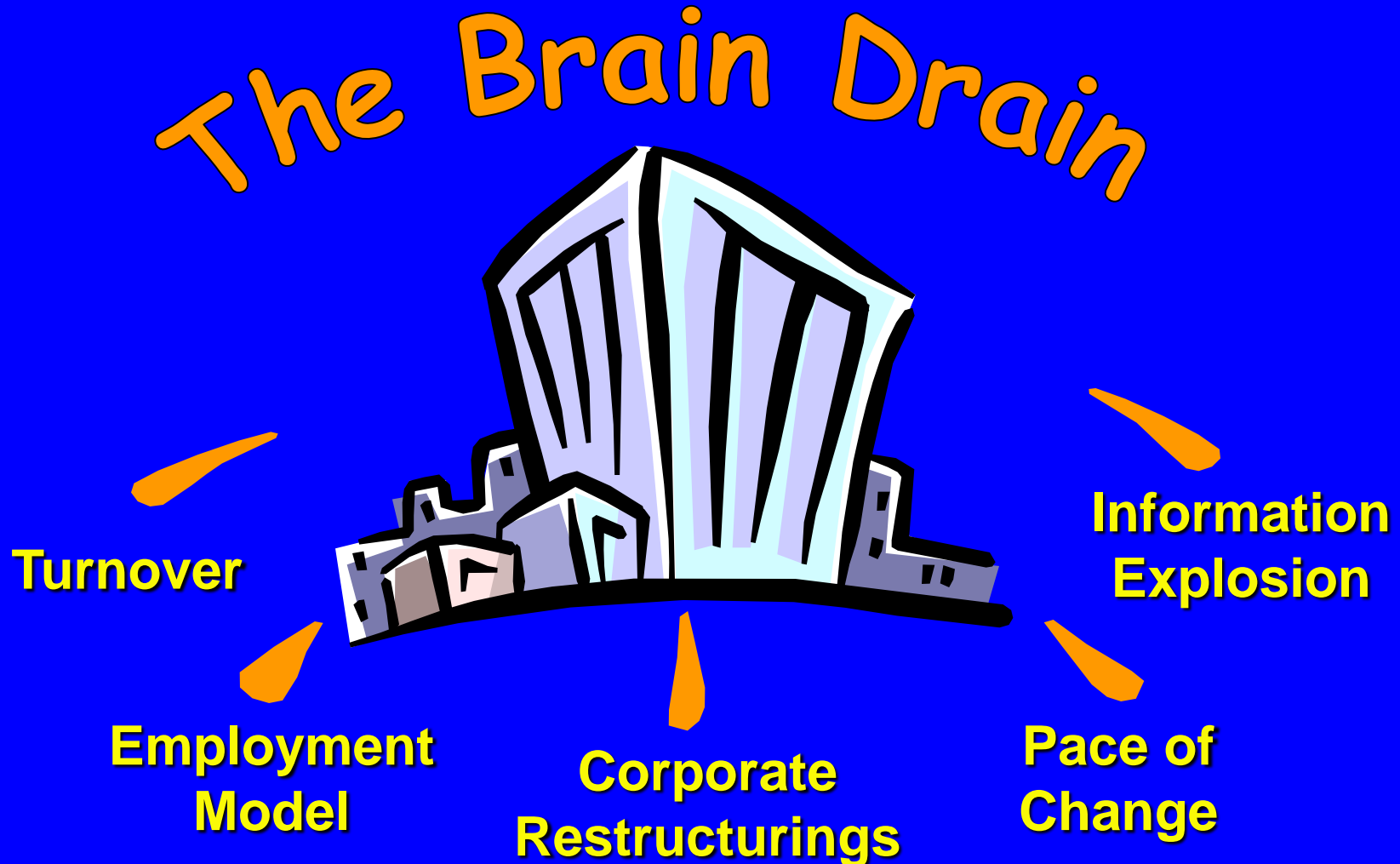
**Successful companies have something far more
valuable than physical or financial assets.**

They have intellectual capital.

*Thomas A. Stewart
Intellectual Capital
Doubleday, New York, 1997*

The Brain Drain

Five forces are making it ever harder to retain and leverage an organization's intellectual capital.





Largest US employer? Manpower

**Companies using temp staffing?
80%-90%**

**Contract employees at Microsoft?
20%**

**Expected growth? Some say from
22% contractors in 1998 to 41% in
2010; others say from 1/3
contractors to 2/3 by 2007**



The Brain Drain—*Turnover and Employment Model*

Turnover is on the rise.

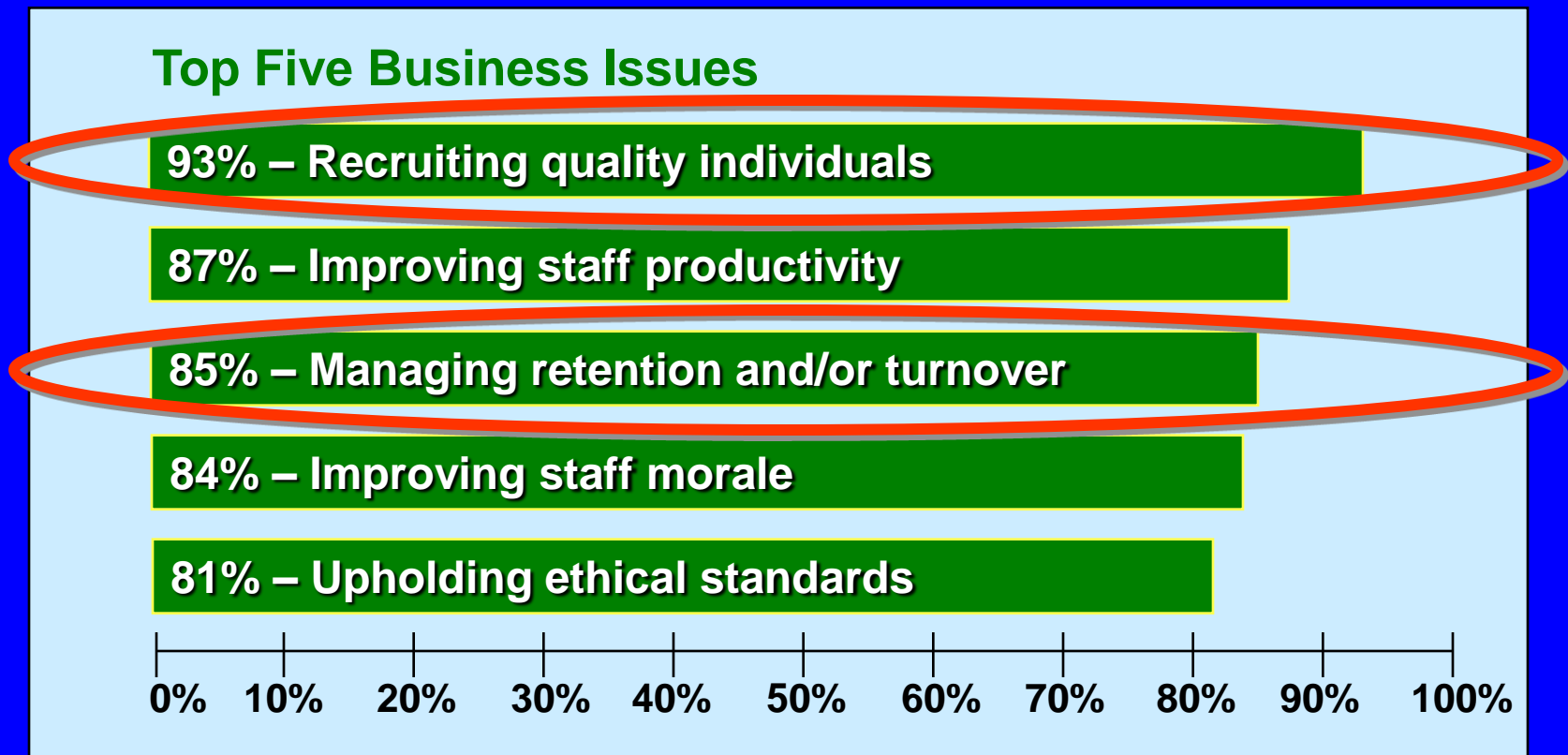
Years in company = ~~4~~ ^{3.5} 2.5

Turnover rate = ~~16%~~ ^{20%} 28%

Employees expecting to leave within the year = 32%

The Brain Drain—*Turnover and Employment Model*

Business leaders see recruiting, retention, and turnover among their top issues.



Source: Marone, Mark, PhD, and Malo, Keith, *Achieve Global Survey of 375 Business Leaders*

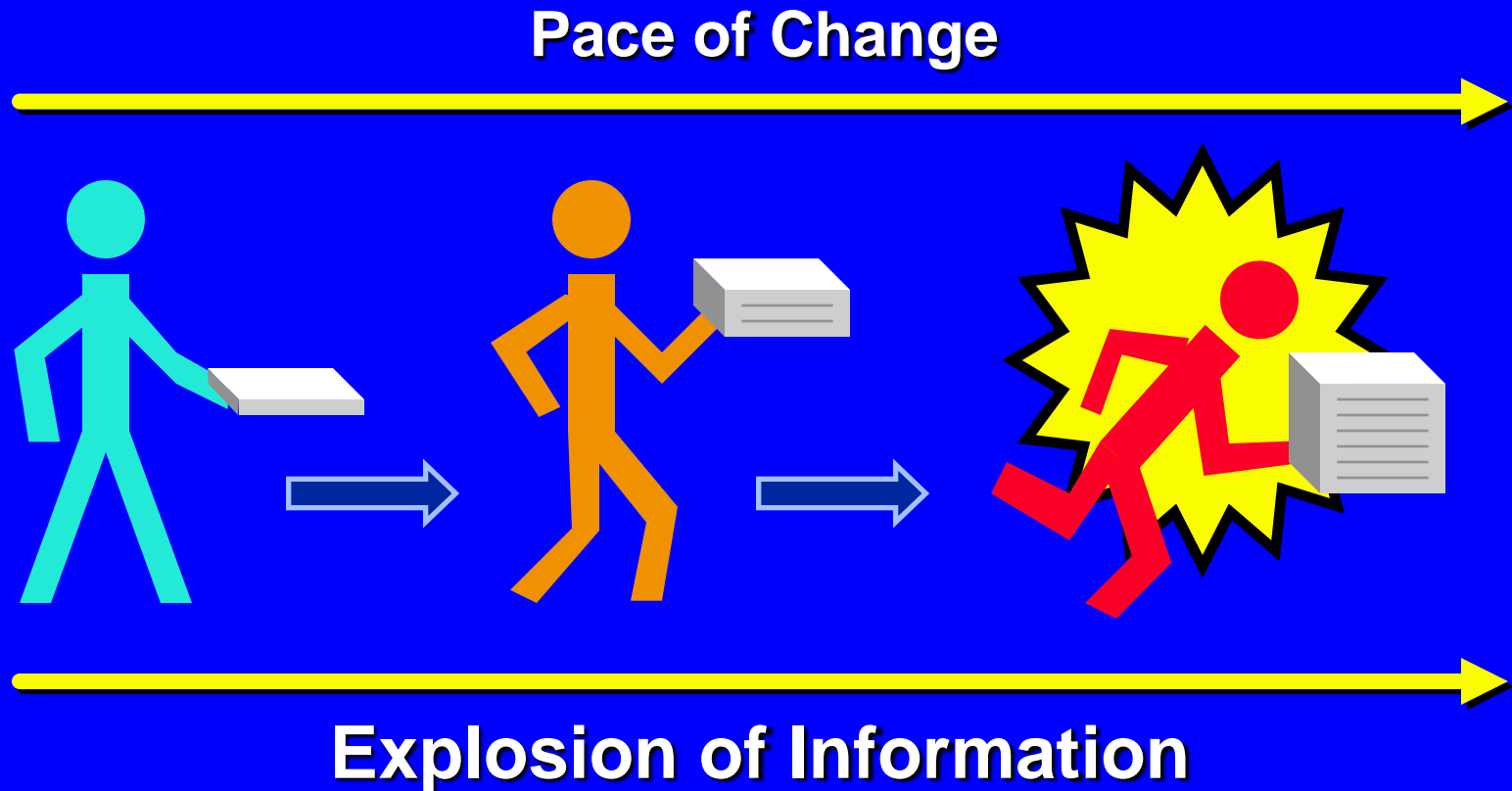
Mergers and acquisitions, intended to leverage IC, can, if mismanaged, serve to dissipate it.

In 1998, when word got out that Bayer was buying Chiron Diagnostics, many long-term Chiron employees wasted no time in updating their resumes and going to work for local startups eager for their experience and talent. Bayer failed to acquire the depth of talent it expected.

**Grant, Susan and Cherkis, Carol,
“M&A: Plugging the Brain Drain,”
*Pharmaceutical Executive***

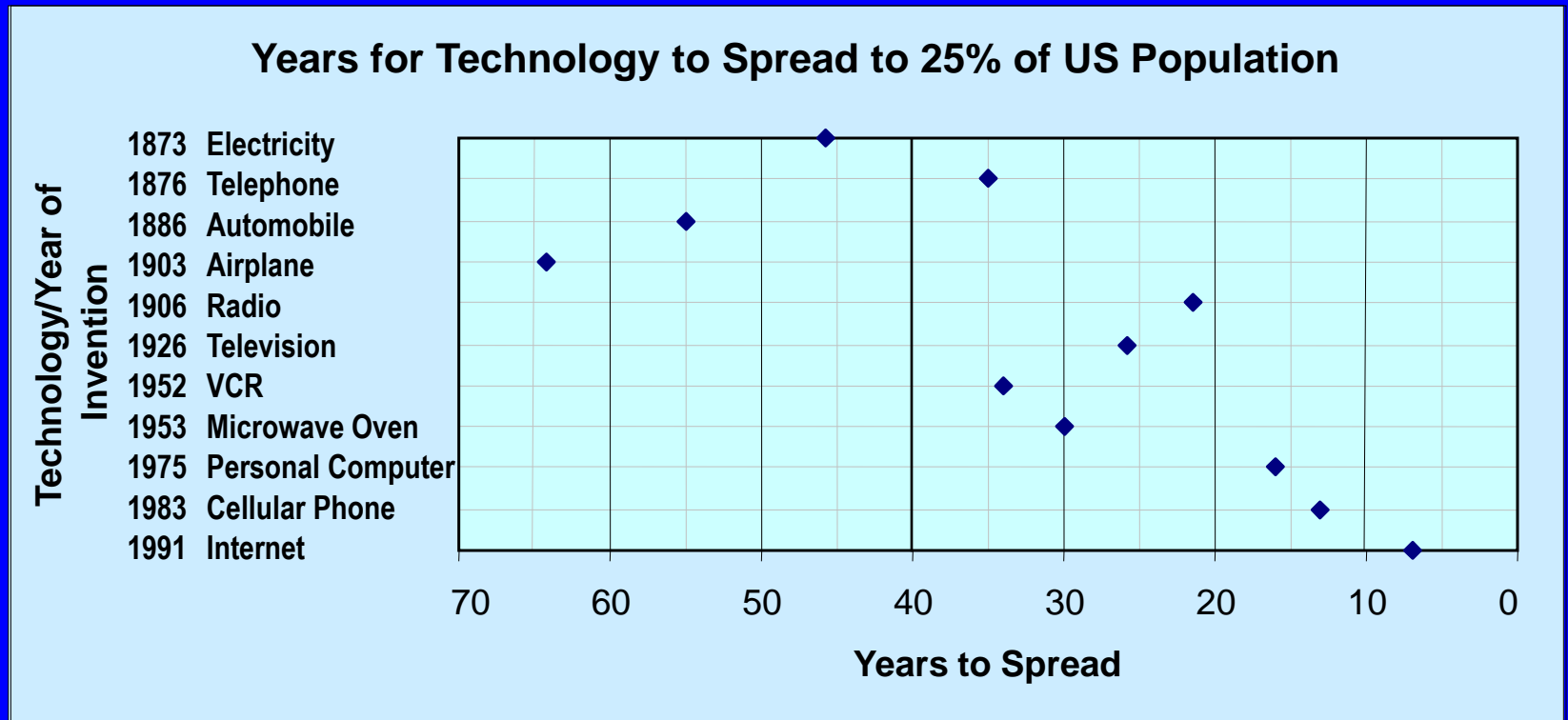
The Brain Drain—*Pace of Change/Information Explosion*

Accelerating change and an explosion of information are contributing to the Brain Drain.



The Brain Drain—*Pace of Change*

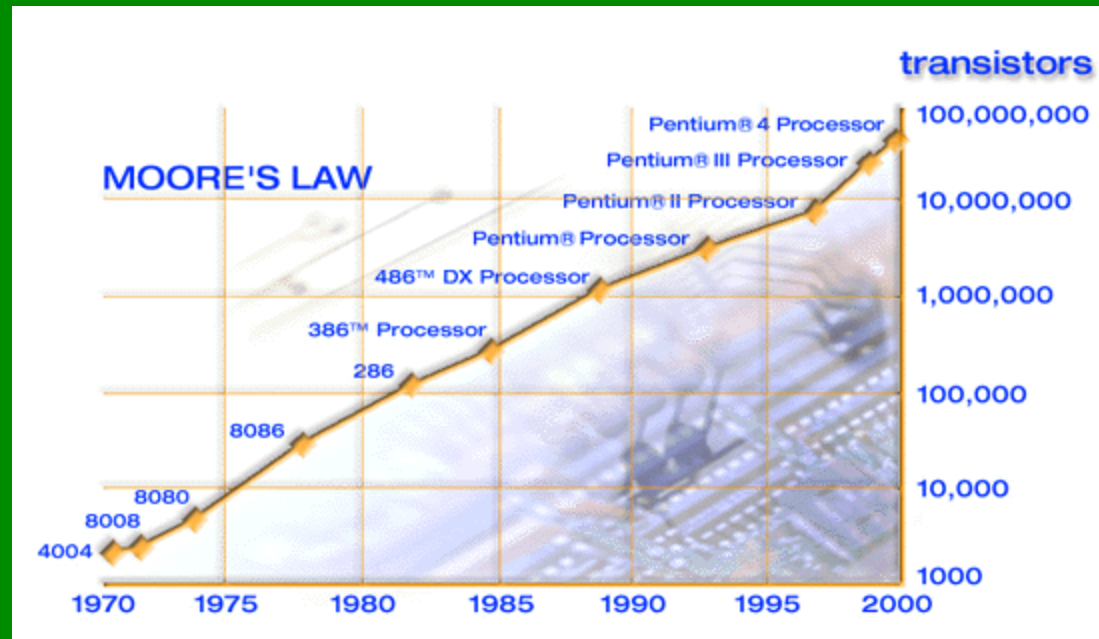
The increased speed of the spread of technology is truly amazing.



Source: NCPA Policy Backgrounder No. 147. *Technology and Economic Growth in the Information Age*

The Brain Drain—*Pace of Change*

Much of the blistering pace of change can be attributed to the impact of Moore's law..

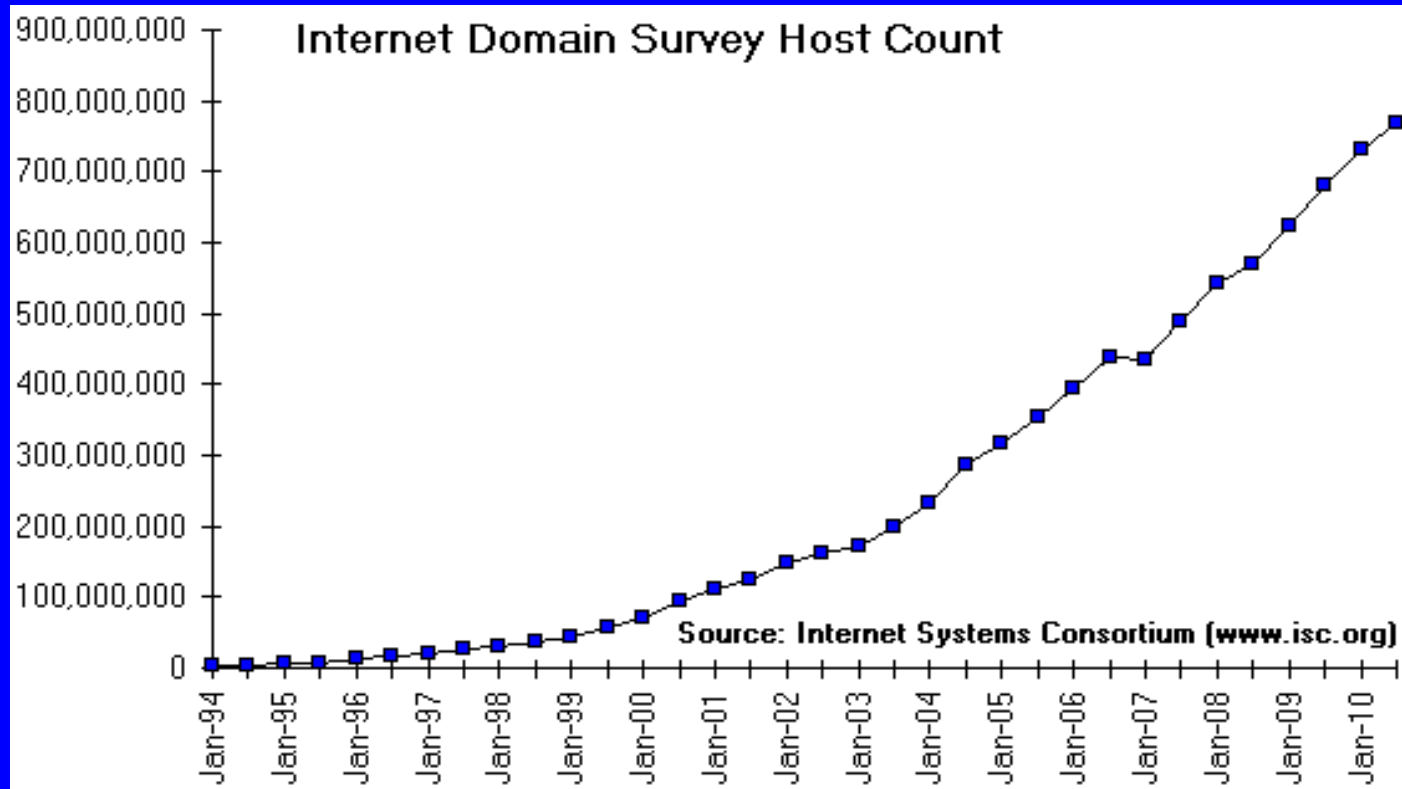


© 2001 Intel Corporation

“...no barriers to slow the pace of chip performance growth for the next five-to-ten years.” Intel, January, 2001

The Brain Drain—*Information Explosion*

...and the Internet, itself, has been a major accelerator...



Source: *Information Navigators*

The Brain Drain—*Information Explosion*

...and look what has resulted!

- Number of indexed web pages **9.38 billion¹**
- Number of “deep” web pages **~1 trillion²**
- Number of Web sites **644 million³**
- Number of Internet users **2.3 trillion⁴**

Sources:

1 WorldWideWebSize.com

2 CNN

3 Business Insider

4 Internet World Stats

The Brain Drain—*Information Explosion*

Research showed that information is being generated at such a rapid rate...that the amount created [in 2000 and 2001] exceeded all the previous information produced throughout human history.

University of California, Berkeley
How Much Information?

Agenda

Plugging the Brain Drain

- The Brain Drain
- **Implications**
- Brain Drain Quiz
- Stemming the Tide
- Final Thoughts

Implications

The Brain Drain has major implications.

The Brain Drain



Turnover =
Lose IC

**Information
Explosion =**
*Can't find IC;
"data smog"*

Employment Model =
Never get IC

Pace of Change =
Never fully develop IC

Corporate Restructuring =
Premature loss; new barriers

The implications of turnover are significant...

- **Lost productivity—before, during, and after**
- **Severance, unemployment, litigation, overtime**
- **Lost opportunities in sales, service, R&D**
- **Replacement: search, recruiting, hiring, relocation**
- **Assimilation: Orientation, training, coaching, mentoring**
- **Loss of competitive edge**

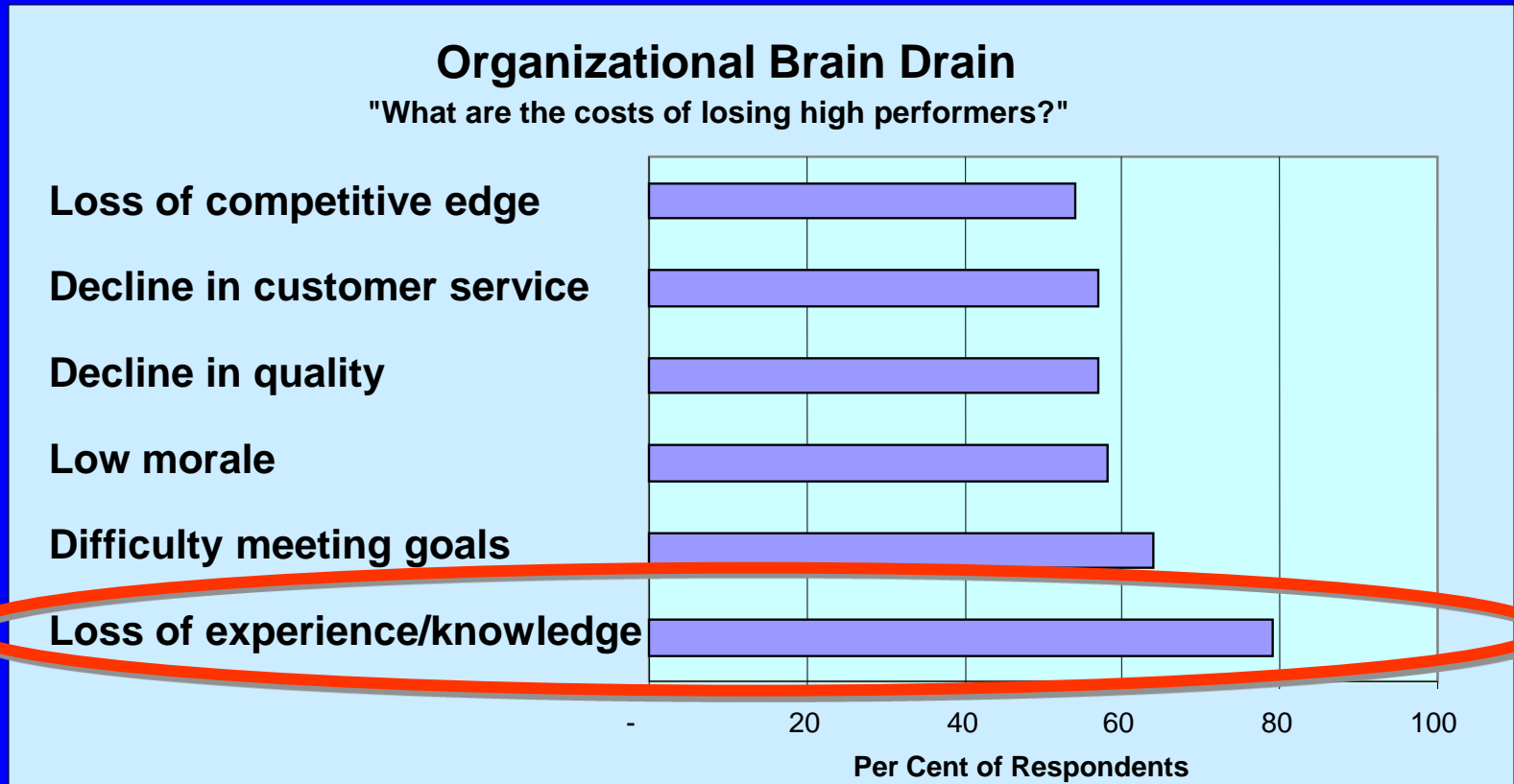
...but what does turnover really cost?

- Lost productivity
- Severance, unemployment, litigation
- Lost opportunities in sales, service, R&D
- Replacement: search, recruiting, hiring, relocation
- Assimilation: Orientation, training, coaching, mentoring

Multiples of salary =

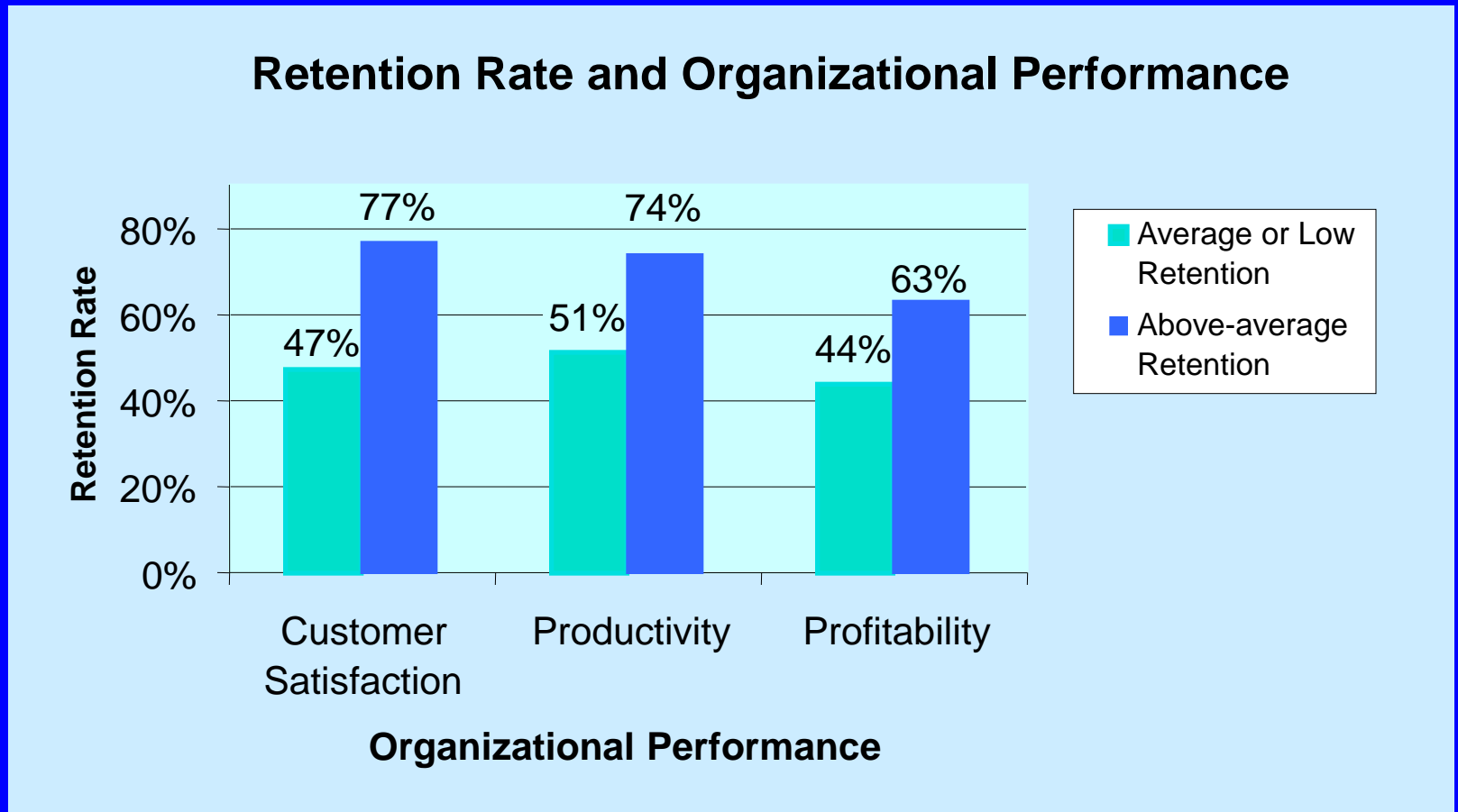
- **.75x for support staff**
- **1.2x to 2x for salaried staff and professionals**
- **10x for executives and critical staff**

But the greatest cost of losing key staff is the loss of their experience and knowledge...



Source: Kepner-Tregoe Survey as published in *HR Focus*

...and the impacts on customer satisfaction, productivity, and profitability.



Source: "Retaining Talent: A Benchmarking Study," Dynamic Dimensions International

Intellectual capital has legs!



What if Henry left?

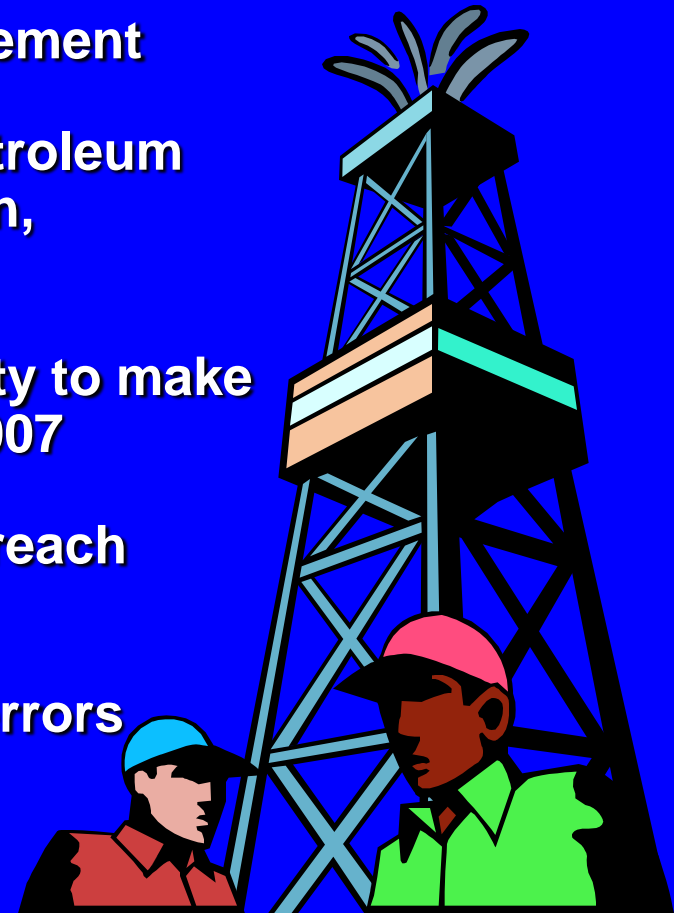


Brown, R. and Woodland, M. in Journal of Applied Management Studies

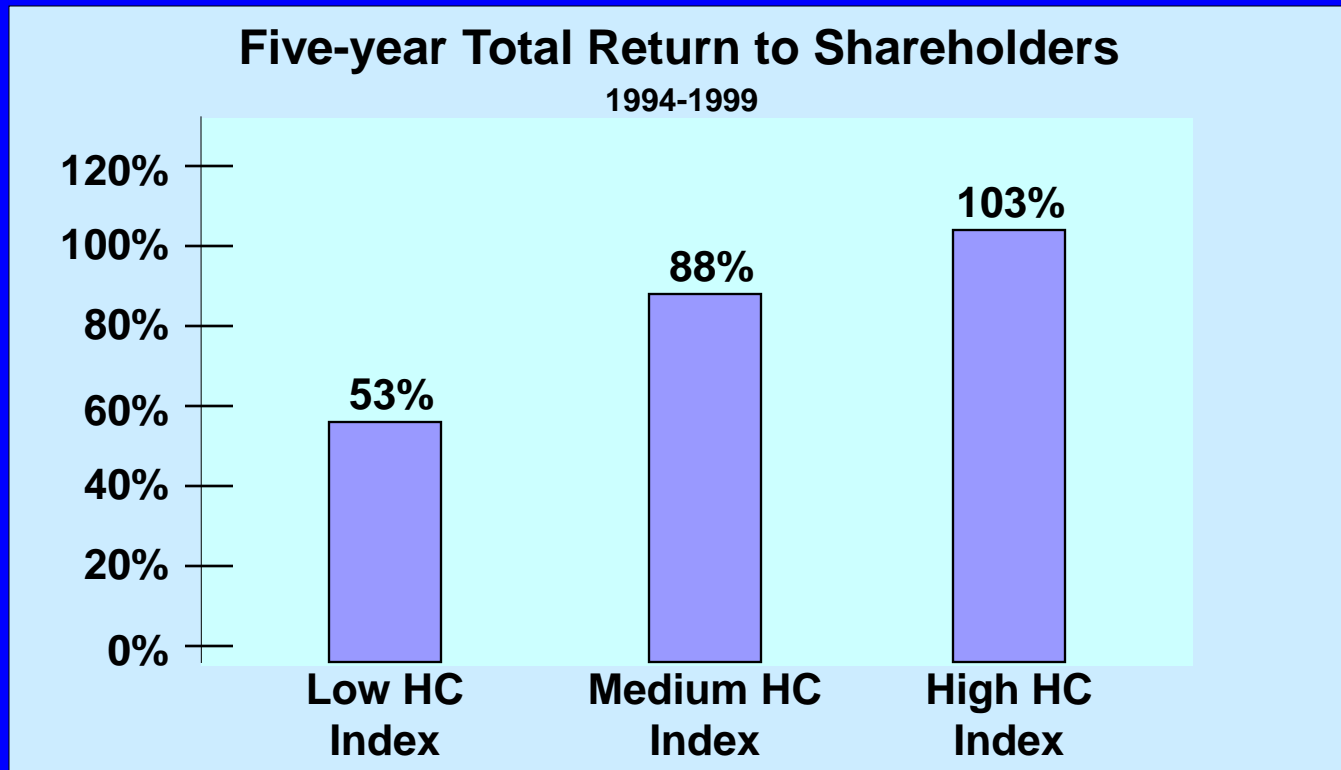
- Henry Blake worked in R&D in a major Pharmaceuticals company
- He was more experienced in vaccine R&D, production and QC than anyone else in his group—or even company
- Henry was retiring in 18 months, and no systems were in place to retain his knowledge for the organization
- Henry has shared knowledge openly at the individual level over the years, but the culture led to this knowledge being internalized by its recipients and used as a component of their own individual power bases for control and defense
- In this company, organizational knowledge tended to reside at the individual level, which generally results in poor feedback systems and very little production of new knowledge
- Bottom line: *It was generally accepted that his knowledge would be lost!*

Another example...upstream oil and gas companies

- Companies will lose >60% of employees, 1998-2010
- Much of workforce approaching retirement
- By 2010, rising global demand for petroleum products will require more production, manpower, and expertise
- If workers leave at current pace, ability to make wise decisions will drop to 40% by 2007
- Takes seven years for employees to reach full productivity
- Inexperienced workers make costly errors
- Companies may not have staff to supply world's growing demand



Human Capital practices aren't just associated with positive business results, but actually create them.



Source: Watson Wyatt Worldwide, *Human Capital Index Study*

“Human Capital practices are leading indicators of business success.”

Agenda

Plugging the Brain Drain

- The Brain Drain
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Do you have a “Brain Drain” problem?

1. Can you think of one or two people in *your* organization who have critical knowledge – people whose loss would really hurt?
2. Do people join *your* organization, only to leave much sooner than you would like?
3. Does *your* organization regularly reinvent the wheel because it does not capture lessons learned, or identify who knows what?
4. Does *your* organization suffer because its flow of knowledge is regularly blocked or impeded?
5. Do the culture and behaviors in *your* organization support effective knowledge sharing?

Agenda

Plugging the Brain Drain

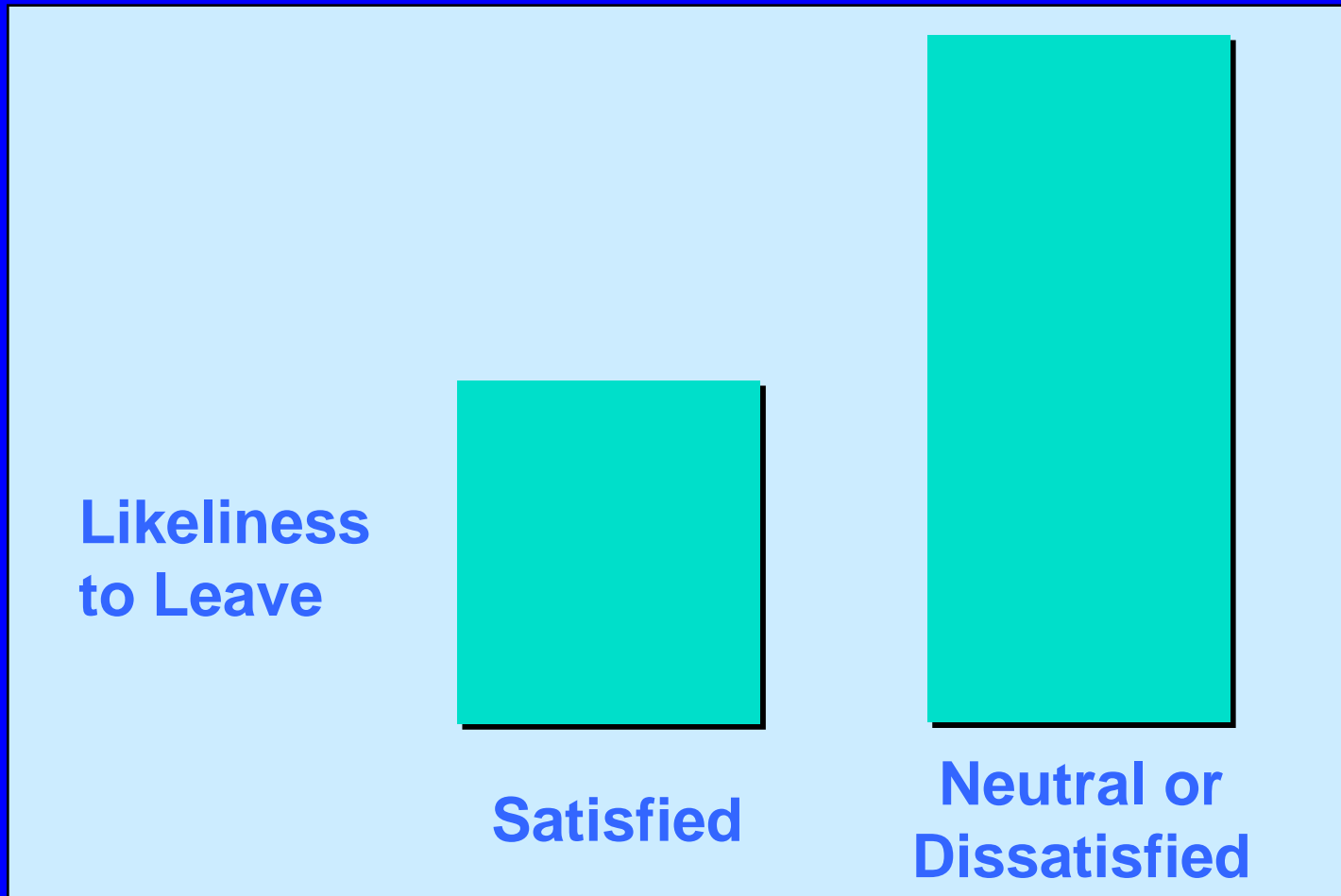
- The Brain Drain
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How to plug the Brain Drain.

- 1. Keep employees with critical skills.**
- 2. Effectively assimilate, acculturate, and “bind” new employees.**
- 3. Capture knowledge as it flows; make tacit explicit, or at least identify who holds what tacit knowledge.**
- 4. Increase the velocity of knowledge sharing.**
- 5. Build a culture with behaviors that promote knowledge sharing.**

Stem the Tide 1. Keep Employees

**As far as turnover is concerned, the bottom line is:
*keep employees satisfied!***

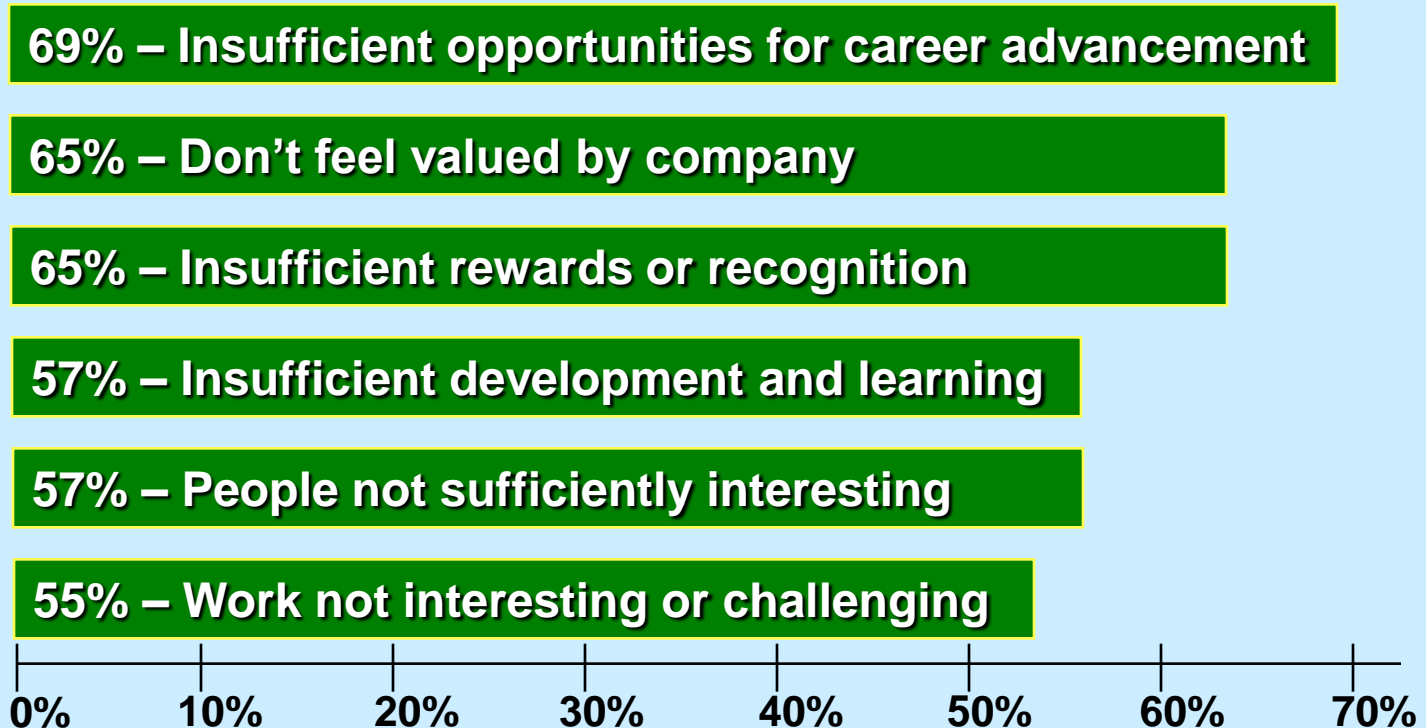


Source: "Retaining Talent: A Benchmarking Study," Dynamic Dimensions International

Stem the Tide 1. Keep Employees

It's all about understanding why people leave, and doing what must be done to make sure they don't.

Why People Quit



Source: *CIO Insight*, (from Michaels, Handfield-Jones, and Axelrod, "The War for Talent": McKinsey & Company)

Stem the Tide 1. Keep Employees

But beware—this study showed that those who *should* know why employees leave often *don't*.

Employees' Ranking	Factor	HR Professionals' Ranking
1	Quality of relationship with manager	4
2	Balance of work life and home life	5
3	Meaningfulness of work	19
4	Level of co-worker cooperation	20
5	Level of trust in workplace	21
6	Compensation package	2
7	Opportunity for growth and advancement	1
8	Clear understanding of work objects	15

Source: "Retaining Talent: A Benchmarking Study," Dynamic Dimensions International

Keep employees with critical skills.

- Pay market rates—*plus!*
- Give them what they *really* want
- Challenge them
- Recognize them for their contributions
- Give them a “Great Place to Work®”



Have you heard the story of Ron Toledo?



- Ron Toledo, Webmaster for Cellular One in San Francisco, was recently offered significantly more money—and options—by a Bay area competitor.
- He was ready to make a move, but in the end decided to stay with Cellular One. It wasn't a lucrative counter-offer that kept him from leaving.
- When he thought about it, Toledo realized he cared enough about his co-workers, his managers, and the projects he was working on to stay at CellOne.
- Toledo said, "When I told my manager I was leaving, she said, 'But we have so much more to do.'"
- It was the use of the word, 'we,' that really hit him. He said, "This company makes a personal investment in my career, and I reciprocate by investing in this company."

Effectively assimilate, acculturate, and “bind” new employees.

- Make them feel really welcome
- Make them part of your family
- Keep them involved
- Give them support



At *FedEx*, turnover rates were unacceptably high. They studied the problem and discovered attrition could be traced to an employees' very first days on the job. They weren't being properly assimilated.

While you're at it, effectively assimilate, acculturate, and "bind" current and former employees, as well.

- **Current employees**
 - Indoctrination is an ongoing effort
- **Former employees**
 - Half the cost of recruiting
 - High-quality referrals
 - *[Off topic...lucrative source of new business]*



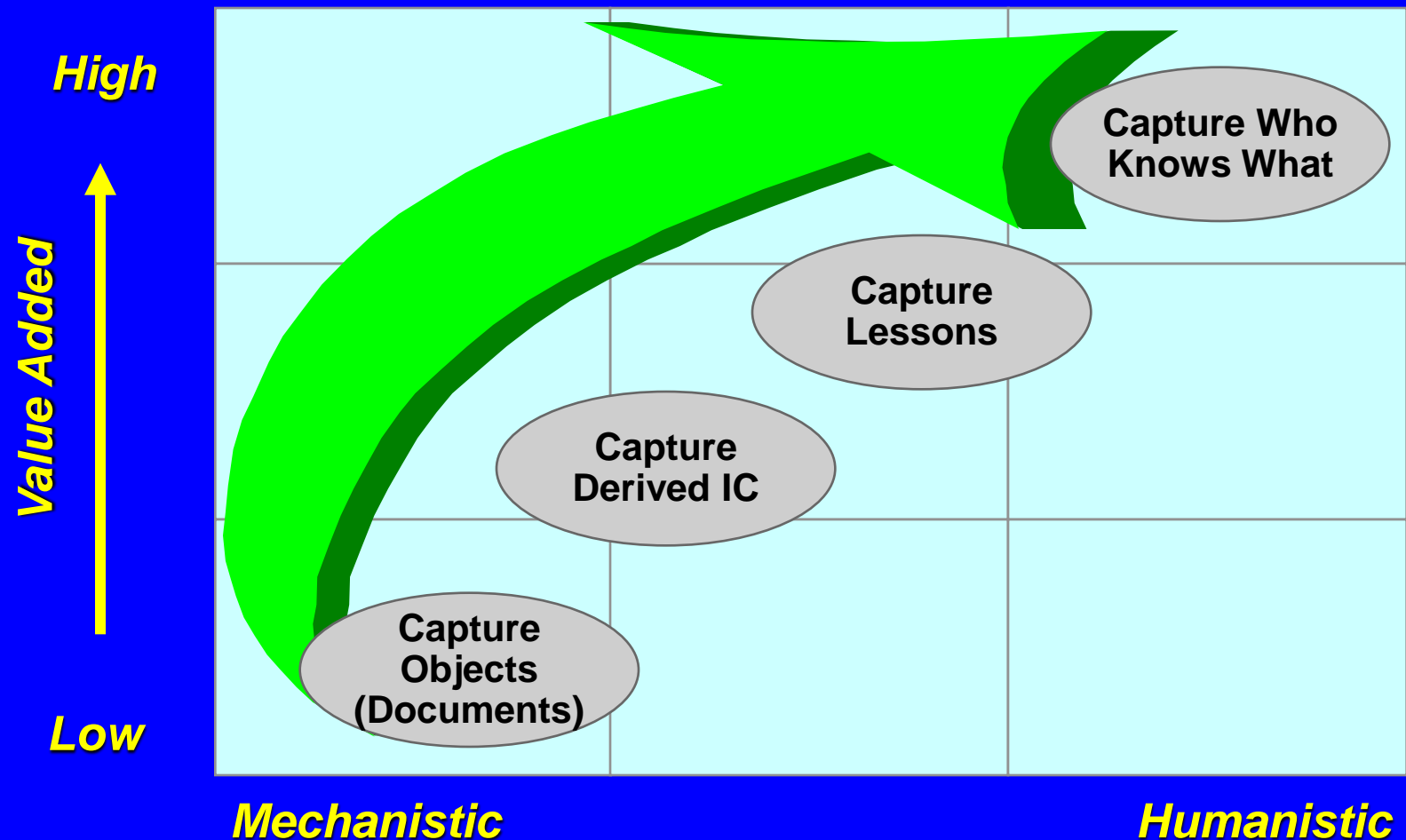
Capture knowledge as it flows; make tacit explicit, or at least identify who holds what tacit knowledge.

- Pan for gold
- Emulate the chronicler of old
- Track who knows what
- Document key processes



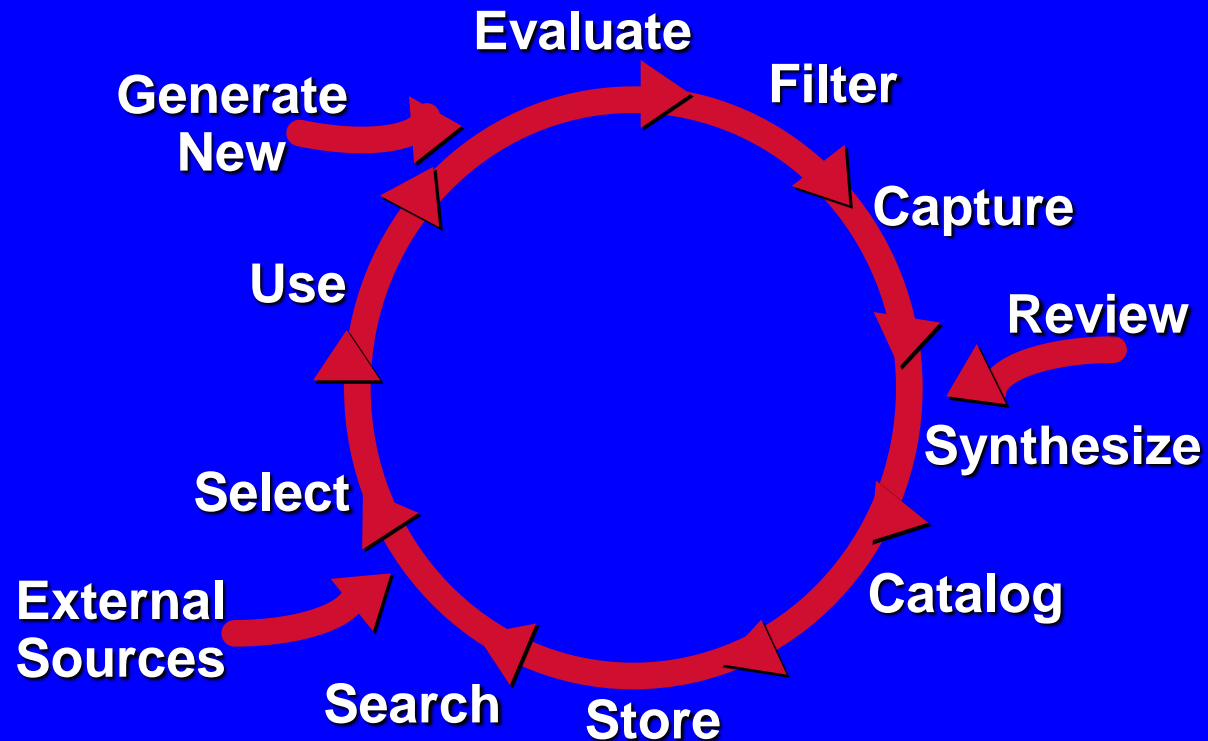
Stem the Tide 3. Capture Knowledge

Knowledge can be captured at multiple levels.

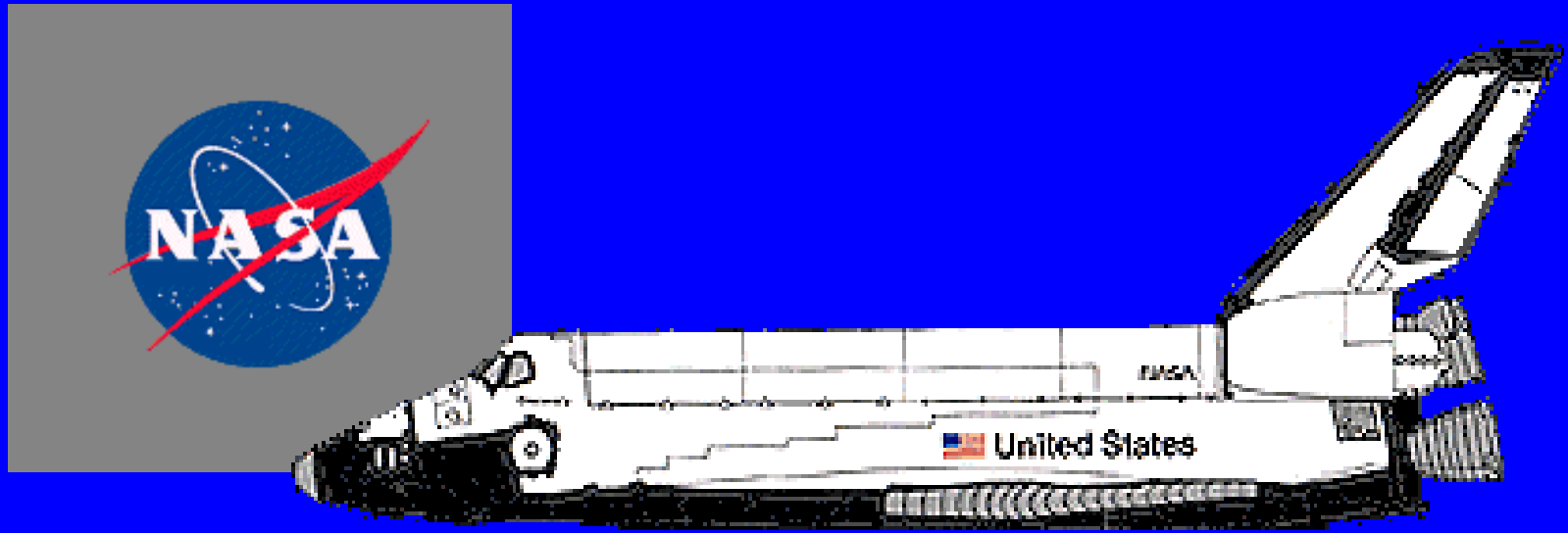


Stem the Tide 3. Capture Knowledge

To be successful, knowledge processes must be embedded into everyday work.



NASA has *generational* issues when it comes to intellectual capital.



- 17,000 workers and vanishing knowledge
- Three-pronged approach
 - Experts directory
 - Lessons Learned Information System—white papers, instructional documents
 - Portal—lessons, other content, community support



Stem the Tide 3. Capture Knowledge, 4. Increase Sharing

An appropriate technology infrastructure can be a key enabler in knowledge capture and sharing.

- Library
- Internet/intranet
- Repositories
- Discussion databases
- Email stores
- Skills locator (human heads)



Increase the “velocity” of knowledge sharing.

- Provide continuing opportunities for interaction
- Make knowledge easily available
- Do the same for “who knows what”
- Provide human help

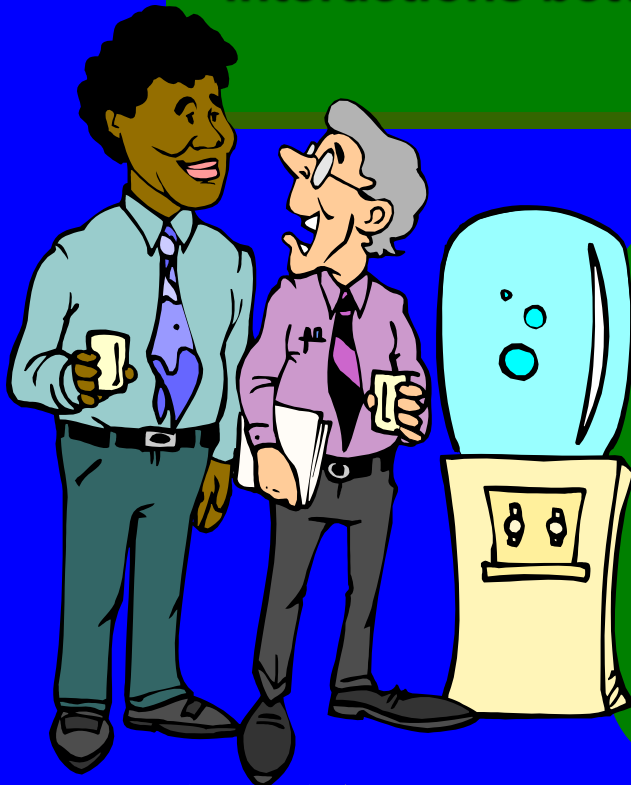


Stem the Tide 4. Increase Sharing

The only way to get at most tacit knowledge is through interactions among human beings.

Successful knowledge transfer involves neither computers nor documents, but rather interactions between people.

Tom Davenport



The best information environments will take advantage of the ability of IT to overcome geography, but will also acknowledge that *the highest bandwidth network of all is found between the water fountain and the coffee machine.*

Tom Davenport

Several tools and techniques can be used to increase the velocity of knowledge sharing.

- 
- **Communities**
 - **Sharing events**
 - **Formal training**
 - **Intermediaries**
 - **Coaching, mentoring**

Stem the Tide 4. Increase Sharing

One way to facilitate such interactions is through the use of intermediaries – like Audrey.



Stem the Tide 4. Increase Sharing

It turns out that even sharing with *former* employees can provide major advantages.

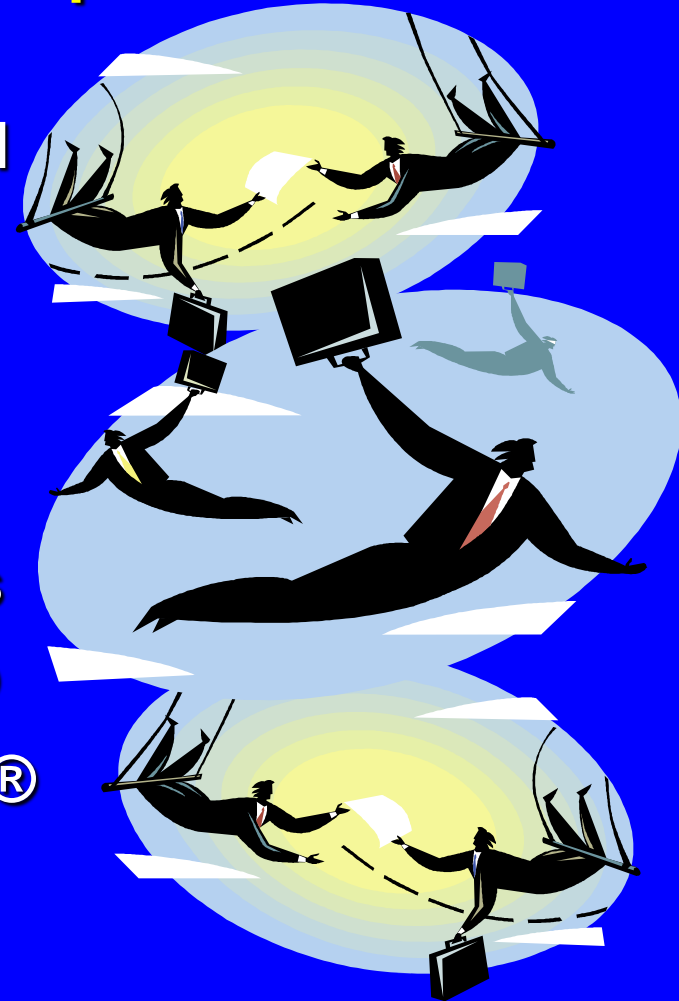
- Alumni networks provide hiring referrals, and rehiring former employees can both save significant dollars and “recirculate” intellectual capital
- Effective corporate alumni networks can be a major source of revenue
- Alumni networks can provide critical market intelligence



Source: WWW.SelectMinds.com.

Build a culture with behaviors that promote knowledge sharing.

- Know what behaviors you need
- Be a “Learning Organization”
- Be a “Great Place to Work®”
- Use Change Management tools
 - Seven Streams of Influence®
 - Unwritten Rules of the Game®



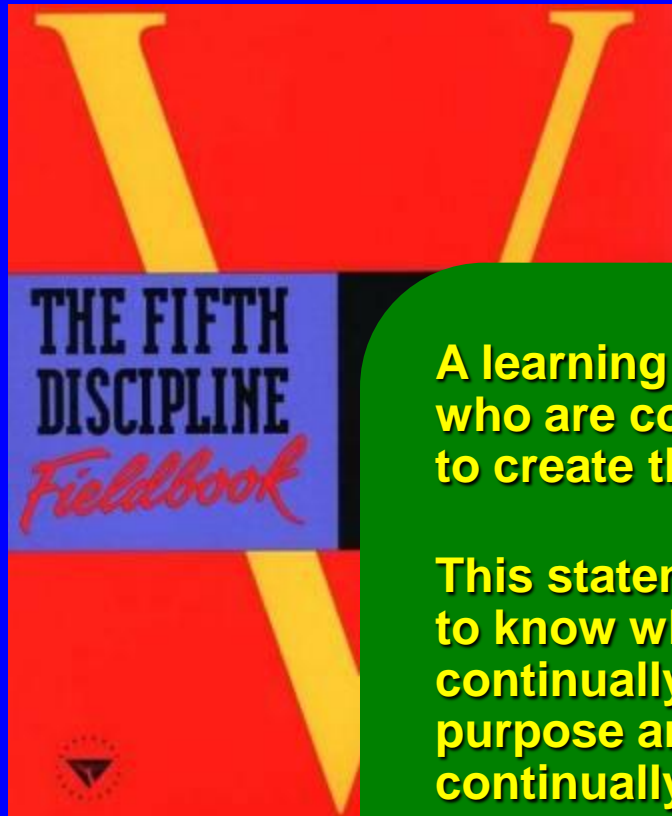


Building a knowledge culture requires establishing positive knowledge behaviors.

- **Visible management commitment**
 - Shared vision, resources, and support
 - Consistency and reinforcement
- **Active sharing**
 - “Sharing knowledge is power”
 - Best for all, part of the job
 - High participation, continuous learning
- **Measurement and response**
 - Goals set, results measured, actions taken
 - Behaviors have consequences

Stem the Tide 5. *Build Knowledge Culture—Learning Organization*

A sure-fire way to ensure an IC-friendly environment is to make it a “Learning Organization.”

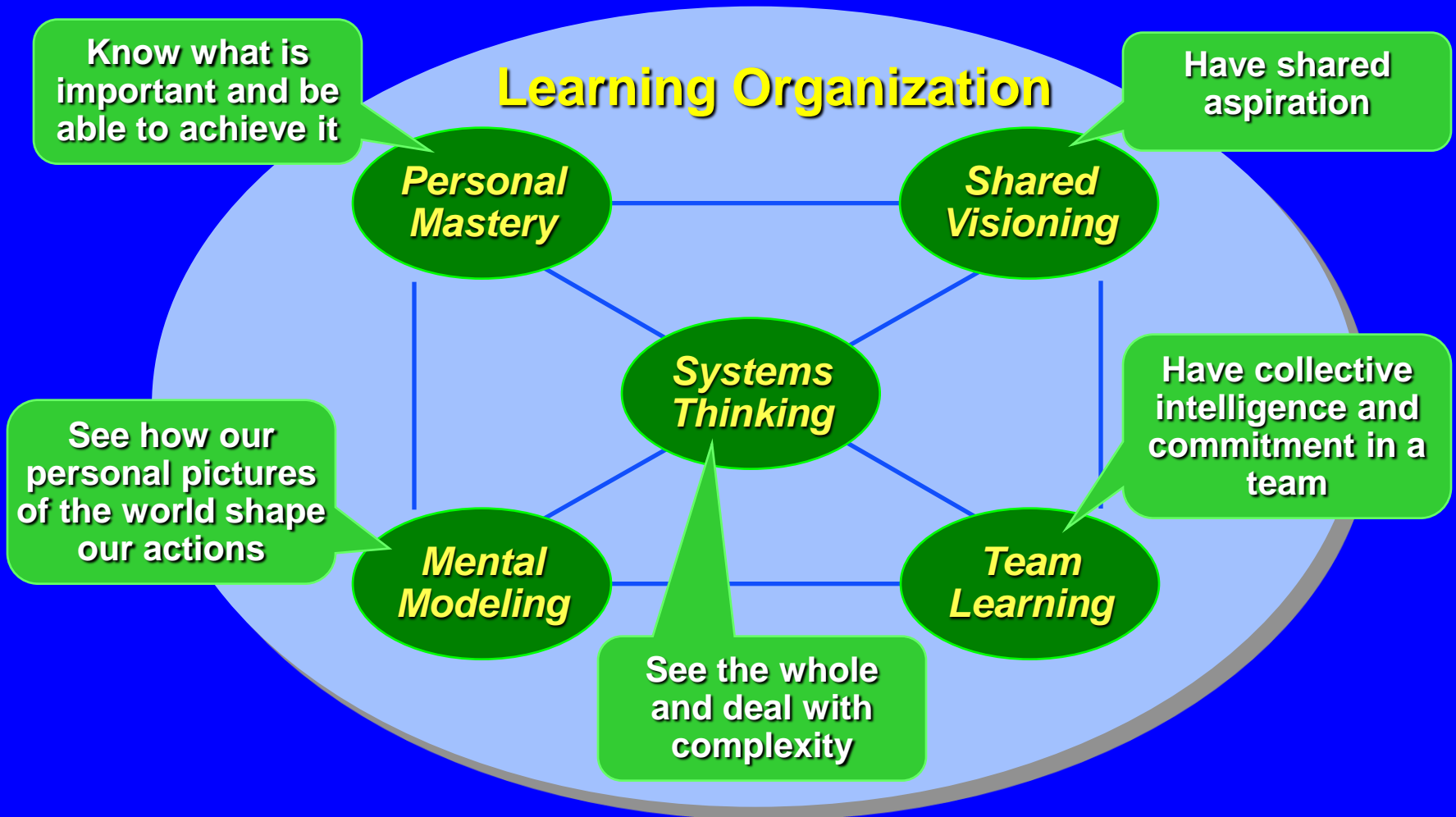


A learning organization is a group of people who are continually enhancing their capacity to create the results they want.

This statement has two parts: First, you have to know what you want to create, so you're continually reflecting on your sense of purpose and vision. And second, you must be continually developing the capability to move in that direction.

Peter Senge

A Learning Organization adheres to five disciplines.



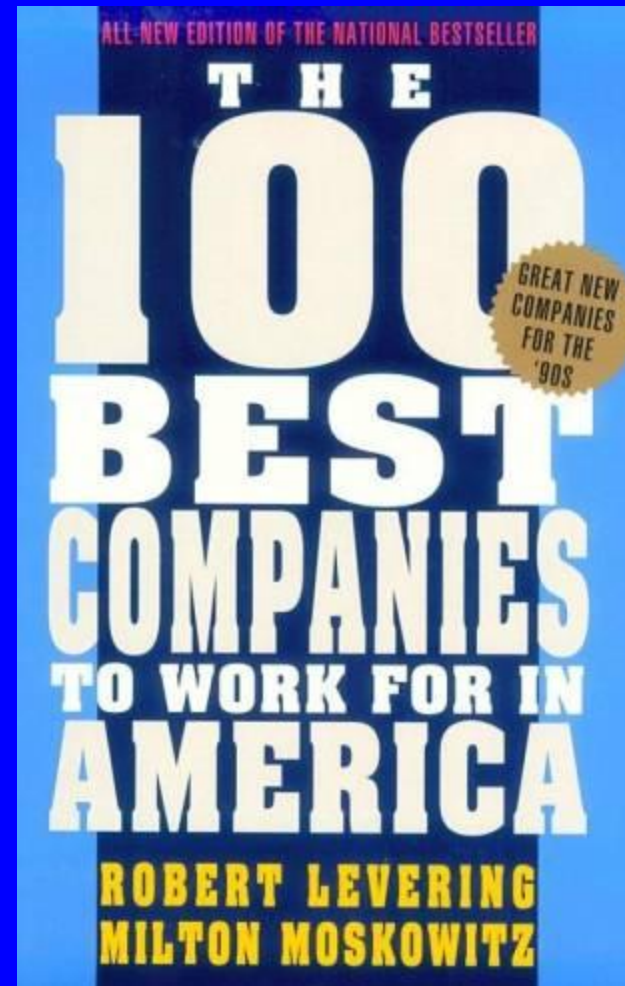
Being a Learning Organization can be a major factor in stemming the tide.

We can only expect to increase the wealth of the enterprise with personnel turnover if the *organization* is in the business of learning.

Doug Wesley
*Optimizing Employee Retention
in the Era of Knowledge Capital*

Stem the Tide 5. *Build Knowledge Culture—Great Place to Work*

A Great Place to Work® has built into it all of the enablers for a strong knowledge culture.





SERVICES



- 100 Best
- Services
- About
- Contact
- Resources
- Jobs

The Great Place to Work® Institute's work is based on workplace expert and Institute co-founder [Robert Levering's](#) pioneering research for best-selling books like *The 100 Best Companies to Work for in America*. His research led him both to define and create the model of a "Great Place to Work" and to conclude that **any company can become a Great Place to Work**. A company doesn't become a "Great Place to Work" by accident, however - it is a result of the attitudes and actions of management that support the development of **Trust**.

The Institute has developed a unique employee opinion survey instrument to help companies accurately assess the level of trust in their organizations and take actions to improve the quality of workplace relationships. Called the **Great Place to Work® Trust Index®**, it measures the three main elements of workplace trust: management credibility; an attitude of respect toward employees; and fairness in the workplace. It also measures employees' pride in their job/company and camaraderie among employees. [Learn more about the Trust Index® services](#)

The Institute offers these services to companies wishing to improve their workplace:

- **Great Place to Work® Trust Index®** - measures employees' perceptions of the quality of their workplace relationships. Clients are presented with a comprehensive report tabulating employees' answers to each question on the Trust Index® questionnaire, and how those scores compare to two national benchmarks. The Trust Index® benchmark represents the scoring patterns of the upper 1/3 of the Great Place to Work® Institute's consulting clients at both the organization and work-group levels. The 100 Best benchmark includes the average scores of the nation's top workplaces as established in the annual selection of "The 100 Best Companies to Work For in America" conducted by the Great Place to Work® Institute and published in *Fortune* magazine in January 2001.
- **Great Place to Work® Trust Audit** - Our exclusive technique for in-depth analysis of trust within the organization through employee focus groups. Can be used alone or in conjunction with the Trust Index®. **360° Trust Appraisal®** - Developmental tool that offers individual managers specific feedback about how they

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[Terms of use](#)

Stem the Tide 5. Build Knowledge Culture—A Great Place to Work

A Great Place to Work® has characteristics that support staff retention and knowledge sharing.

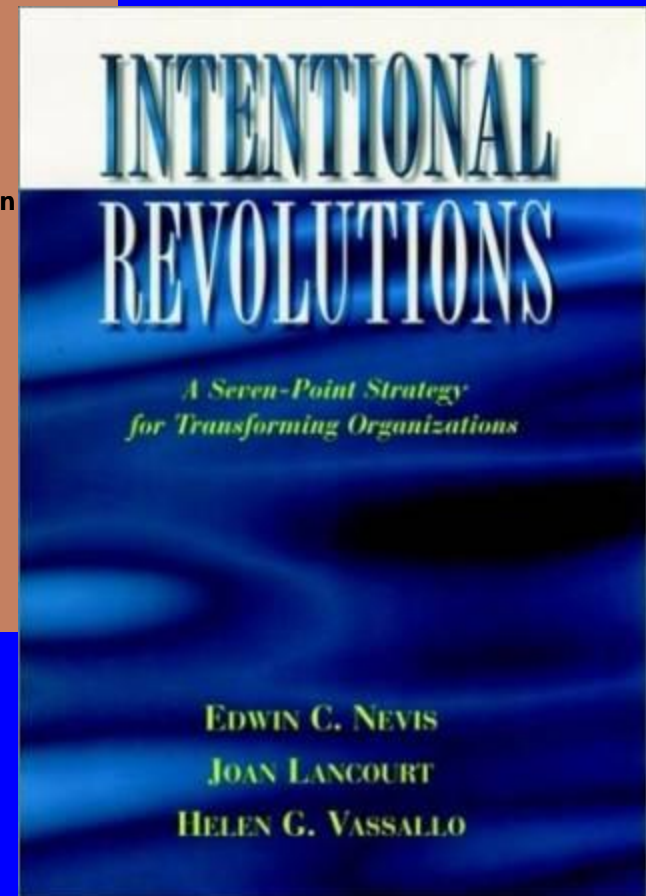
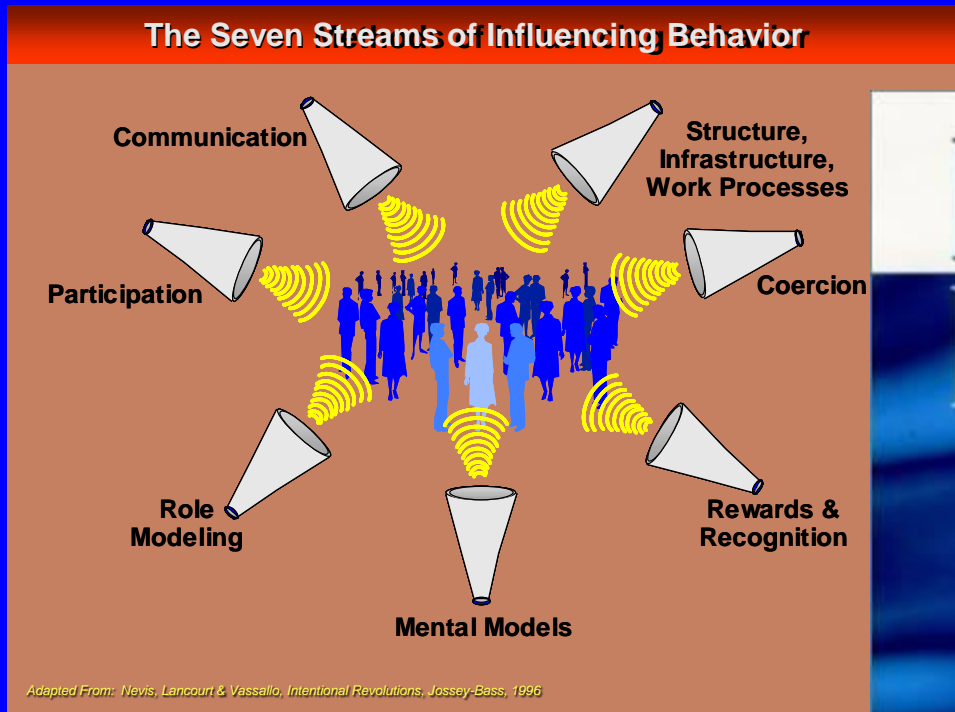
DIMENSIONS OF A GREAT PLACE TO WORK®

Dimension		How it Plays Out in the Workplace
T R U S T	Credibility	Communications that are open and accessible Competence in coordinating resources Integrity in carrying out its vision
	Respect	Supporting professional development and showing appreciation Collaborating with employees in relevant decisions Caring for employees as individuals with personal lives
	Fairness	Equity - balanced treatment for all in terms of rewards Impartiality - absence of favoritism in hiring and promotions Justice - lack of discrimination and process for appeals
Pride		Personal job Work produced by own team or work group Organization's products and standing in community
Camaraderie		Ability to be yourself Socially friendly and welcoming atmosphere Sense of "family" or "team"

©2000 Great Place to Work® Institute, Inc.

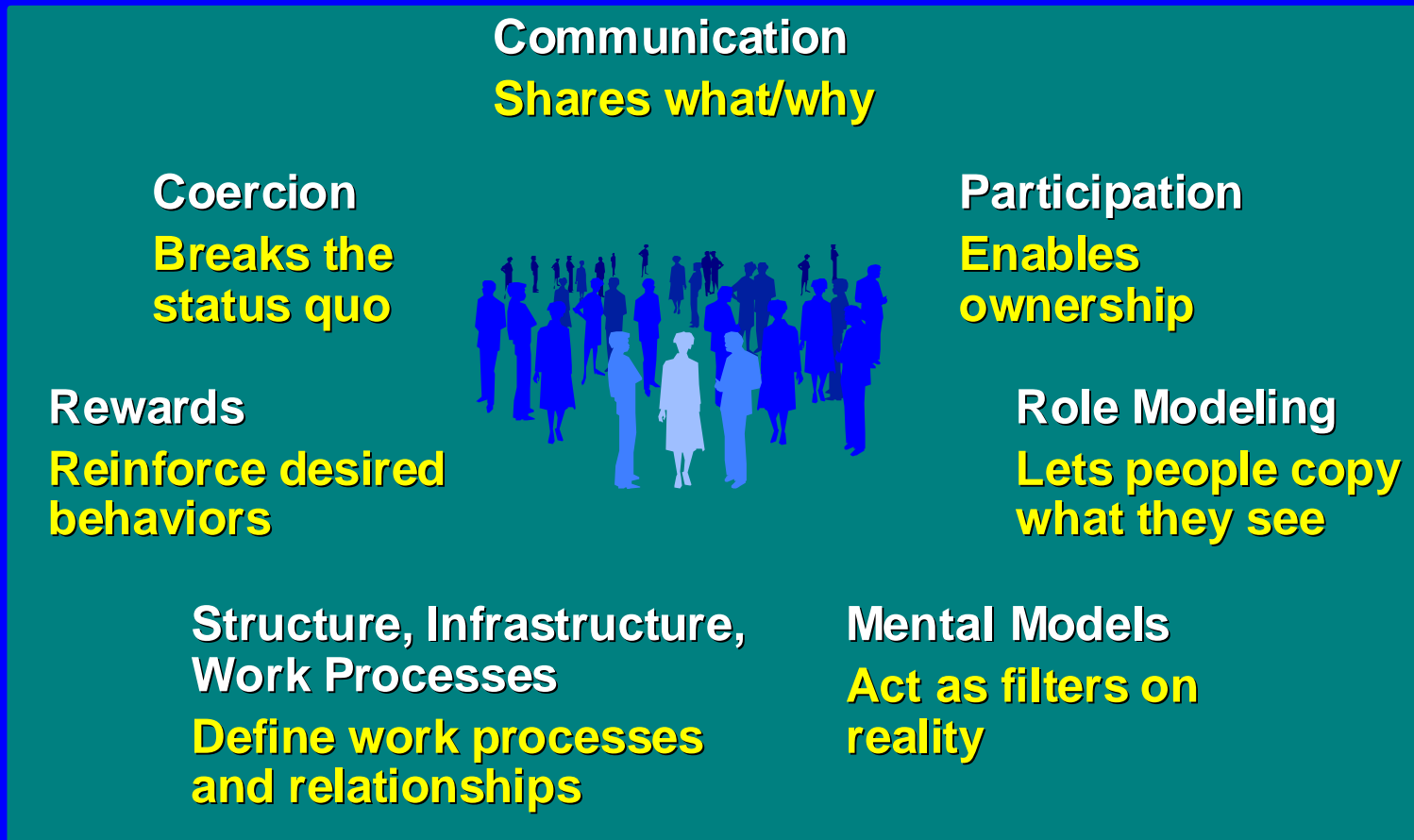
Stem the Tide 5. Build Knowledge Culture—Seven Streams

One tool is known as “The Seven Streams of Influencing Behavior.”



Stem the Tide 5. Build Knowledge Culture—Seven Streams

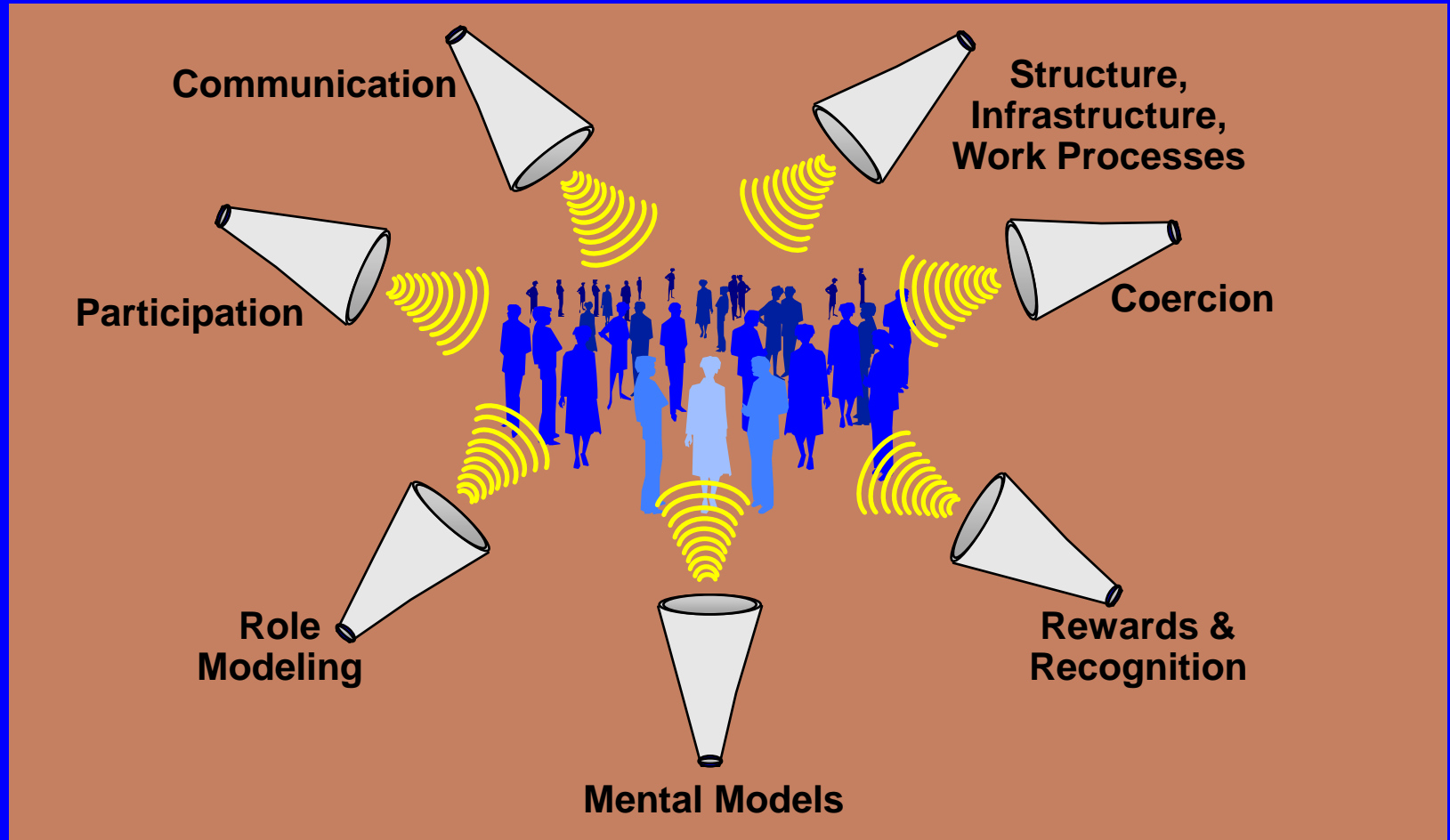
To impact culture and change behaviors, the seven streams must be aligned.



Adapted From: Nevis, Lancourt & Vassallo, Intentional Revolutions, Jossey-Bass, 1996

Stem the Tide 5. Build Knowledge Culture—Seven Streams

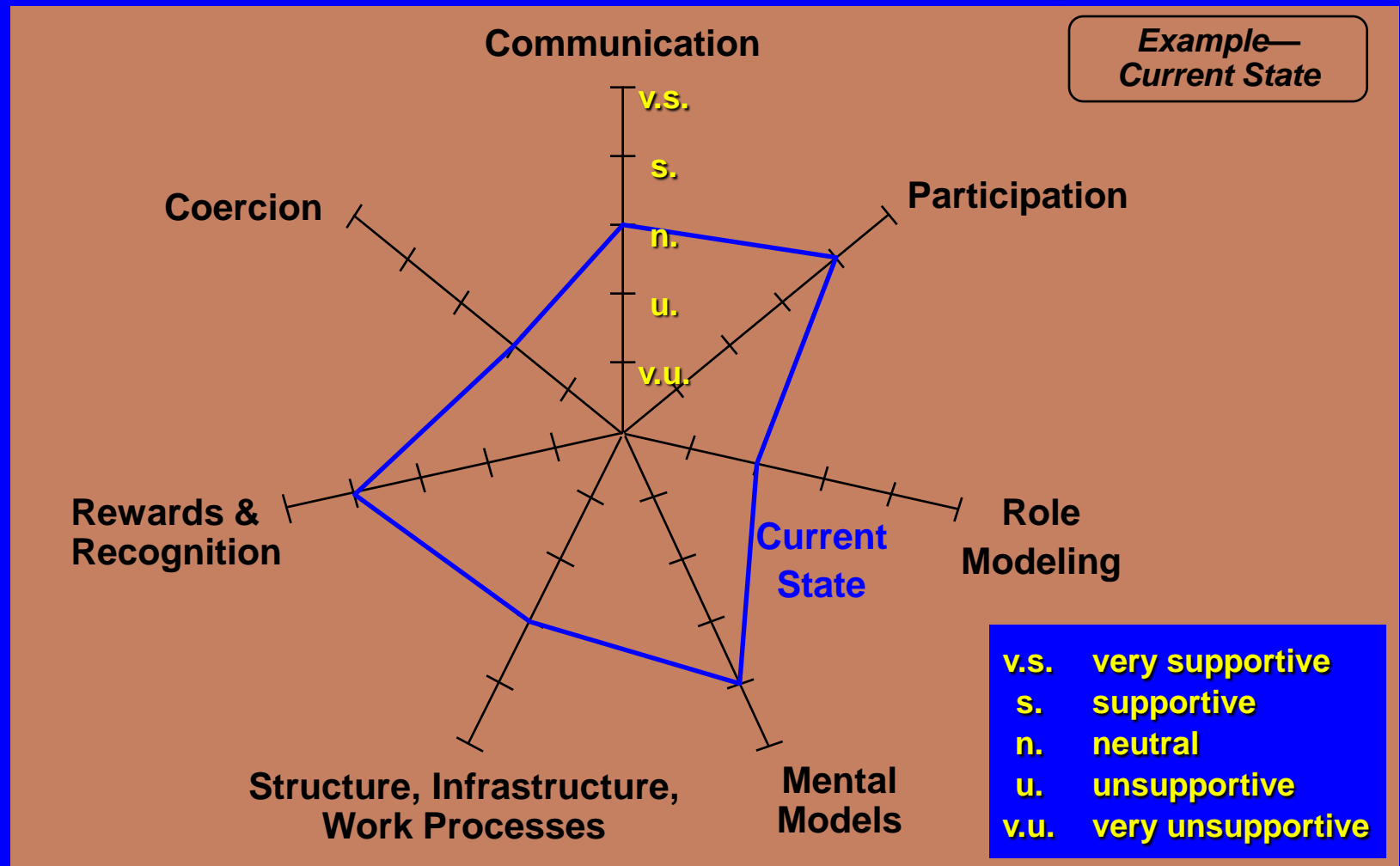
All seven streams operate interdependently; each stream is sending “messages” all the time.



Adapted From: Nevis, Lancourt & Vassallo, Intentional Revolutions, Jossey-Bass

Stem the Tide 5. Build Knowledge Culture—Seven Streams

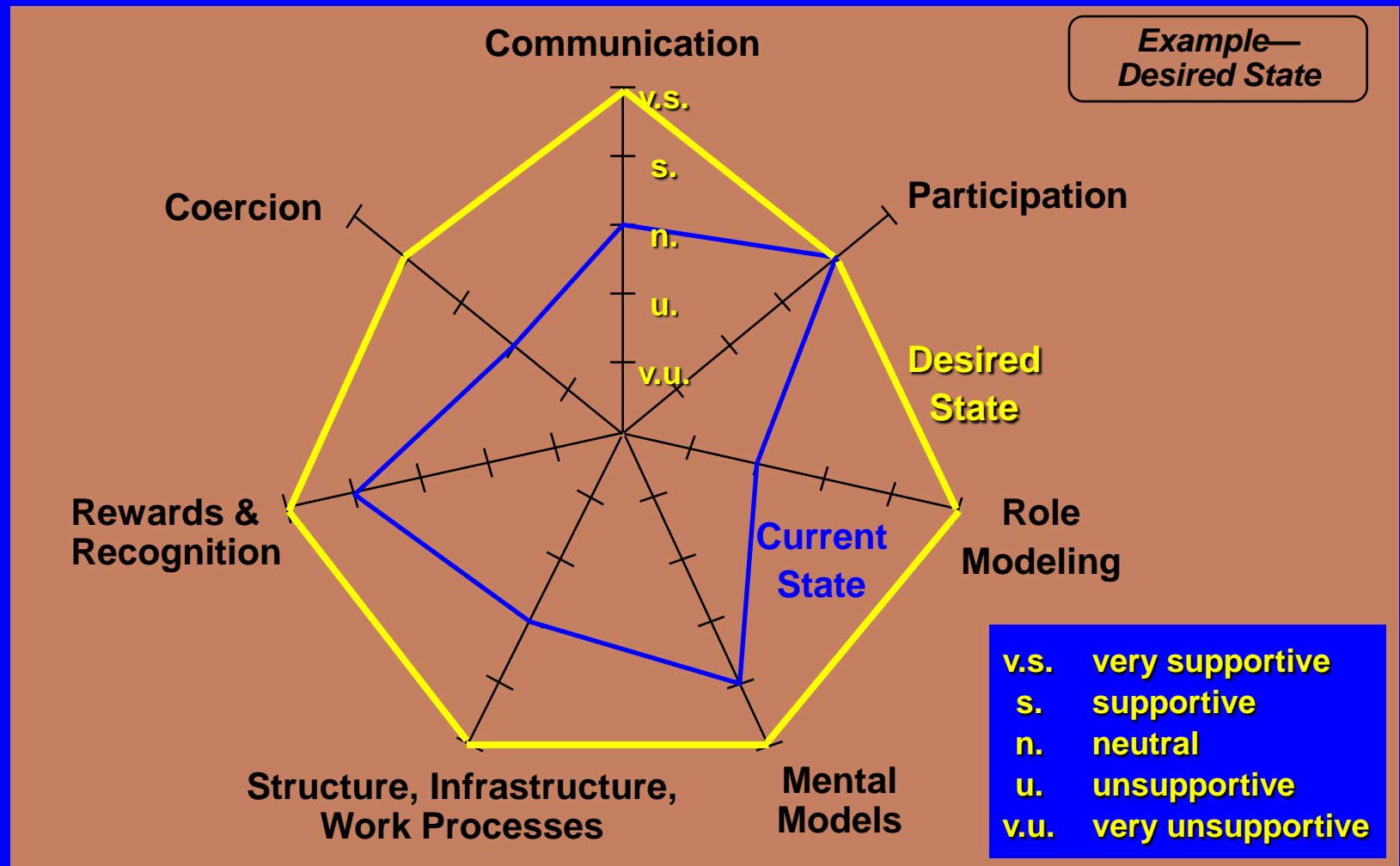
The first step in using the tool is to map the current state on a Culture Assessment Summary Sheet.



Adapted From: Nevis, Lancourt & Vassallo, *Intentional Revolutions*, Jossey-Bass

Stem the Tide 5. Build Knowledge Culture—Seven Streams

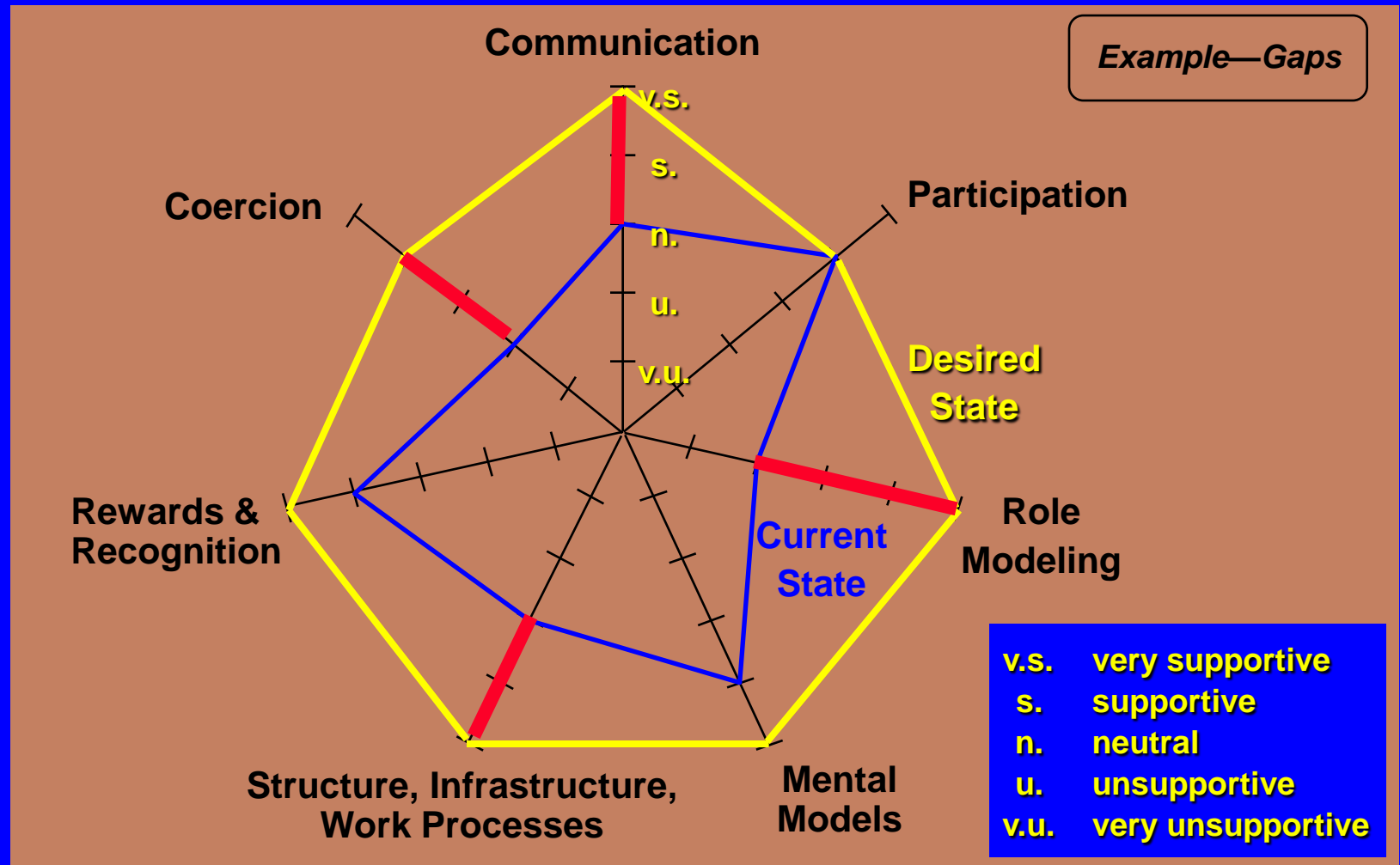
Next, the desired state is mapped.



Adapted From: Nevis, Lancourt & Vassallo, *Intentional Revolutions*, Jossey-Bass

Stem the Tide 5. Build Knowledge Culture—Seven Streams

Finally, the gaps are identified, prioritized, and addressed through multiple interventions.



Adapted From: Nevis, Lancourt & Vassallo, *Intentional Revolutions*, Jossey-Bass

Stem the Tide 5. Build Knowledge Culture—Unwritten Rules

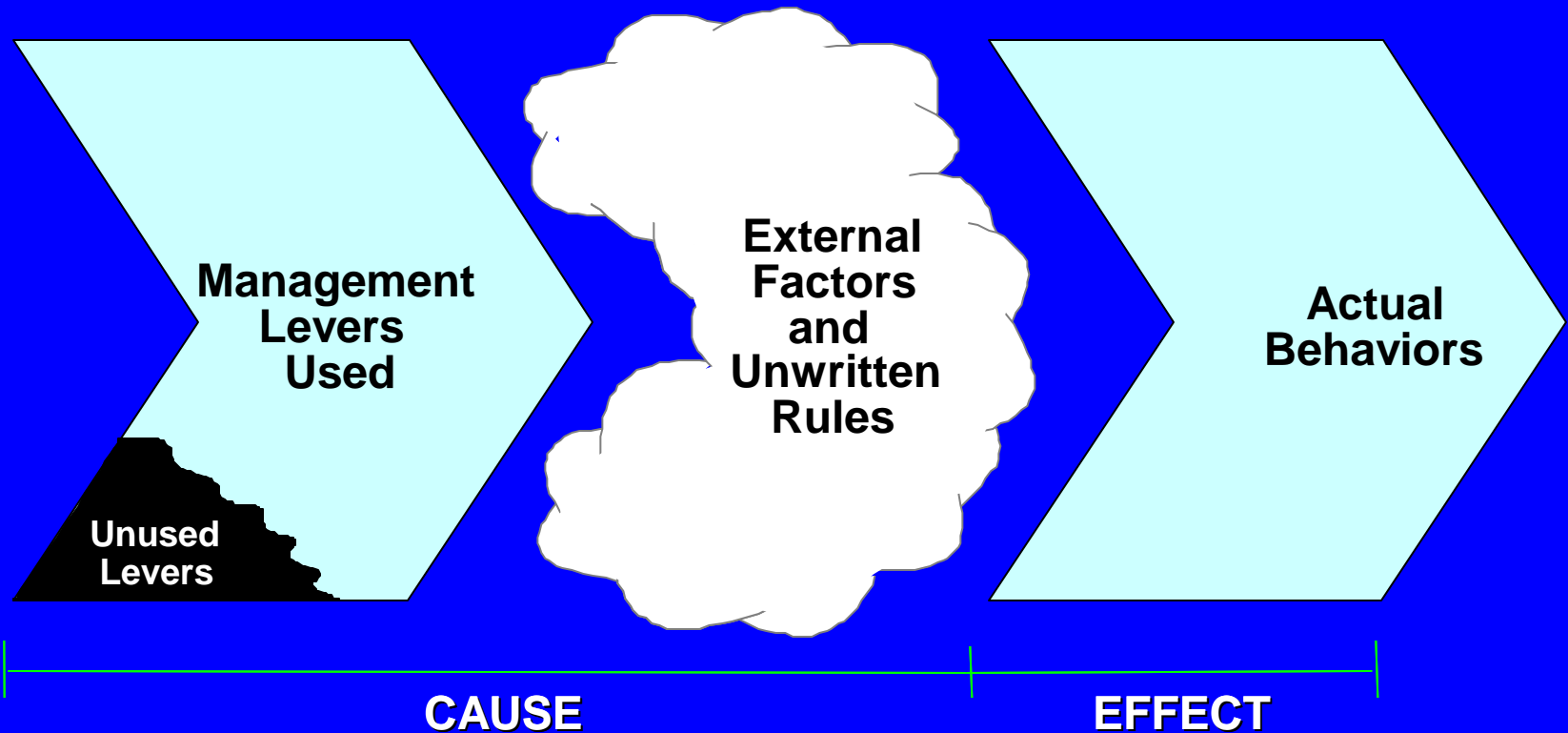
A second change management tool is the “Unwritten Rules of the Game™.”



For a text description of the following slides, see:
http://www.adlittle.com/downloads/tx_adlprism/1993_q4_01-05.pdf

Stem the Tide 5. Build Knowledge Culture—Unwritten Rules

Every organization has unwritten rules that are primary drivers of behavior and barriers to change.



The tool links behavior back to management levers, providing guidance on how to change.

Stem the Tide 5. Build Knowledge Culture—Unwritten Rules

Barriers inevitably arise that reduce potential performance gains.

Top management saw that performance needed to be improved



So, 18 months ago, they started a cross-company training and awareness initiative

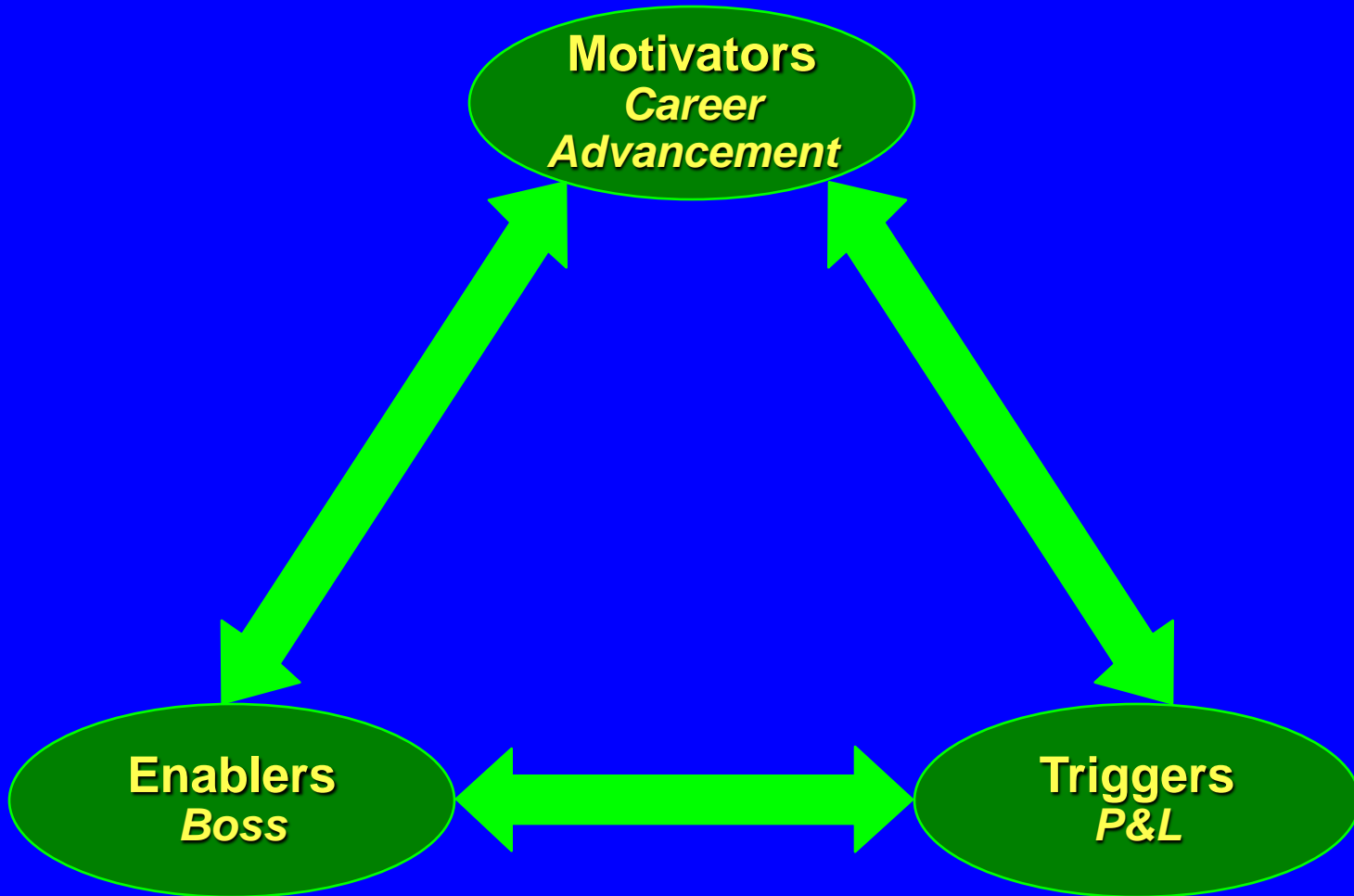
Since then, little has changed



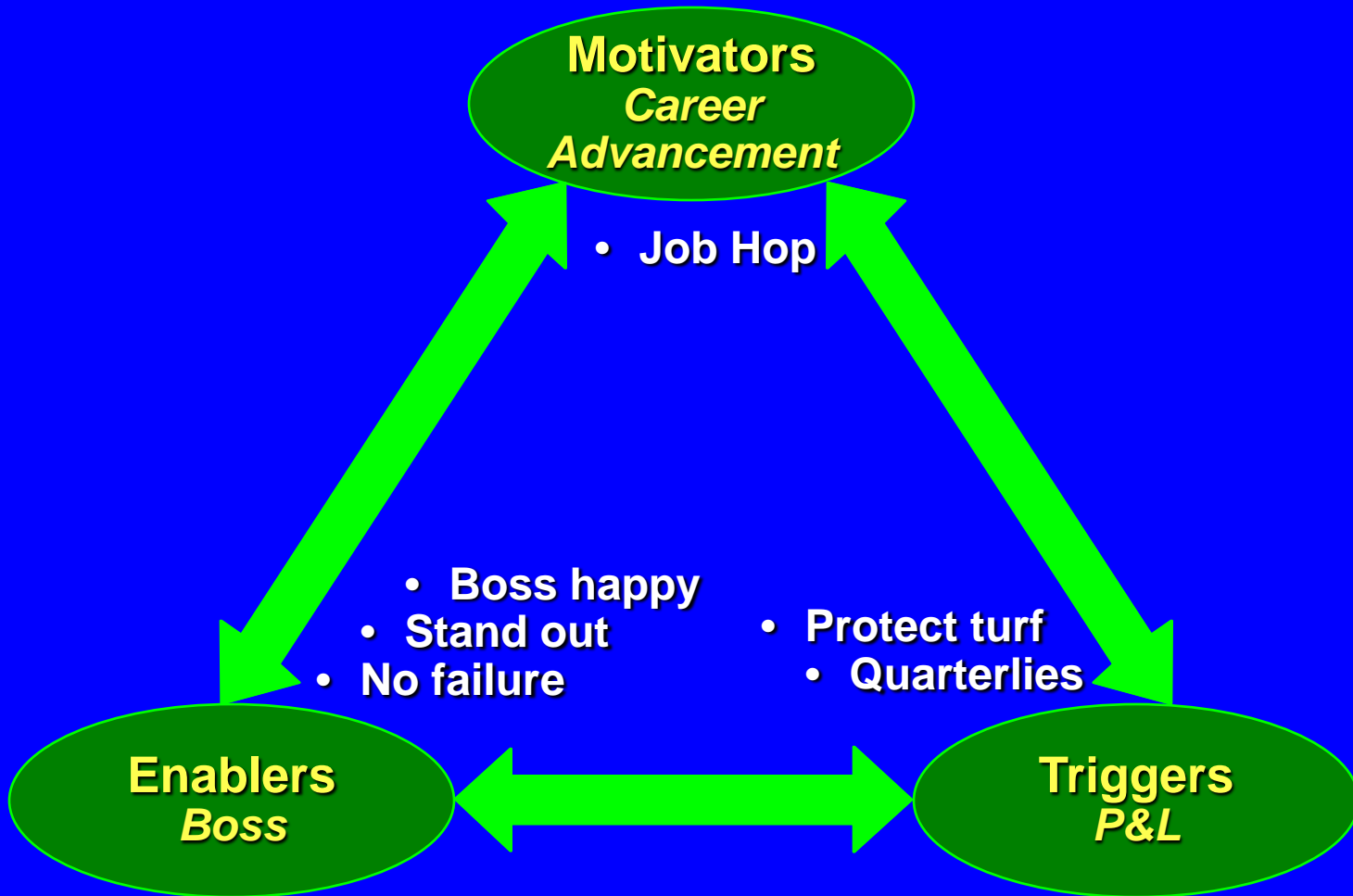
Everyone blames
CULTURE

What is going wrong?

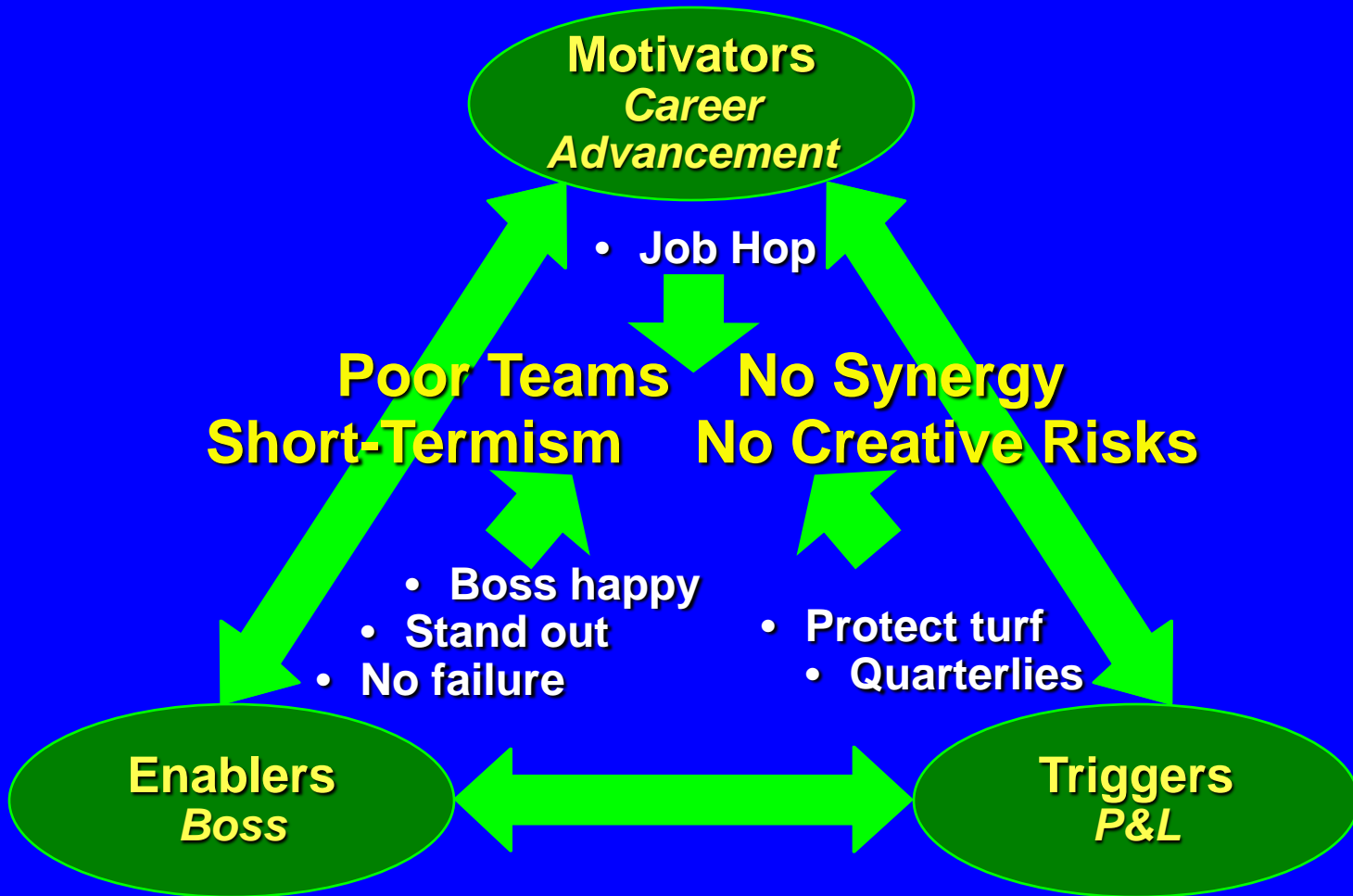
Unwritten rules can lead to counter-productive behavior and undesirable results.



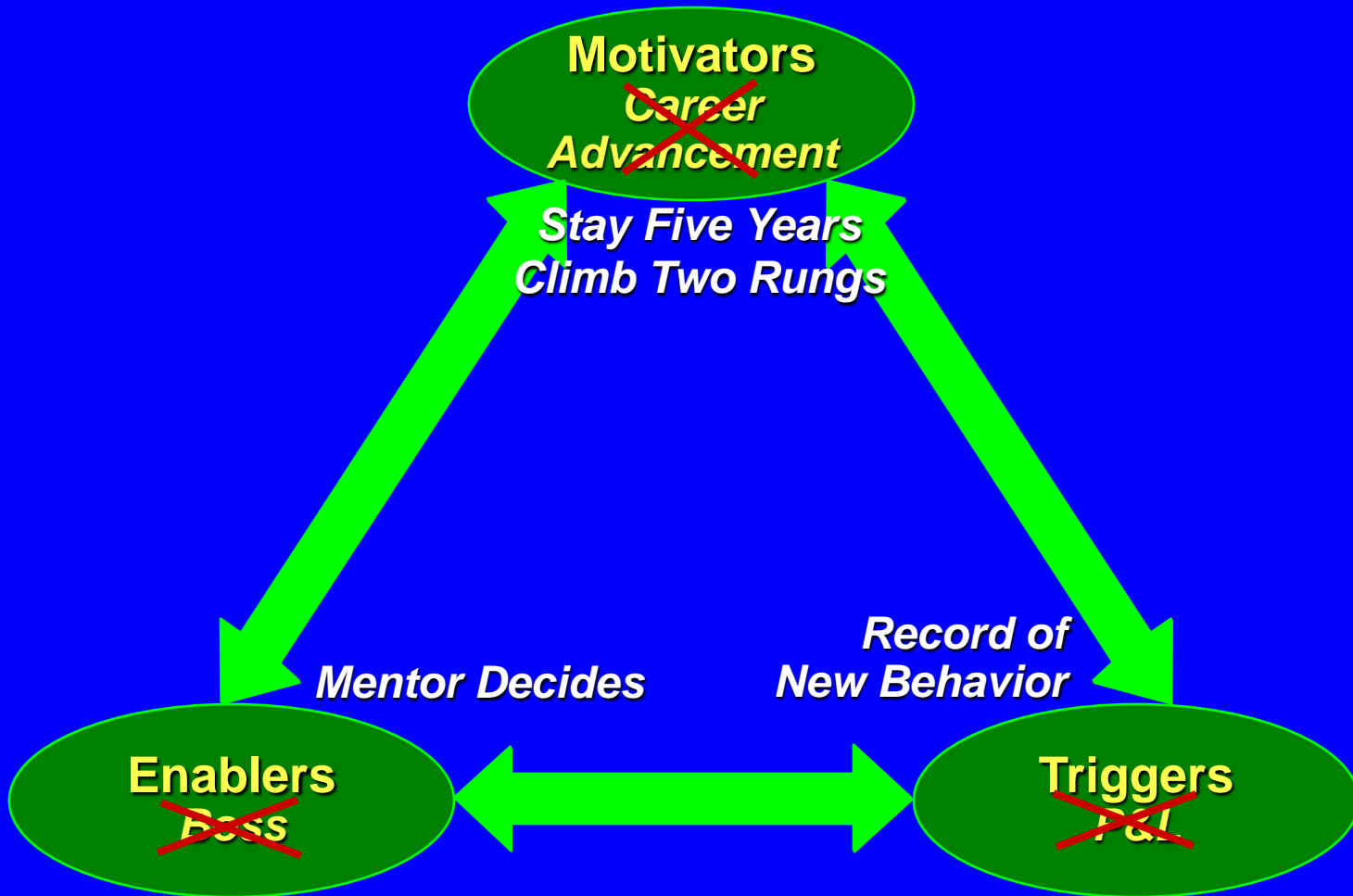
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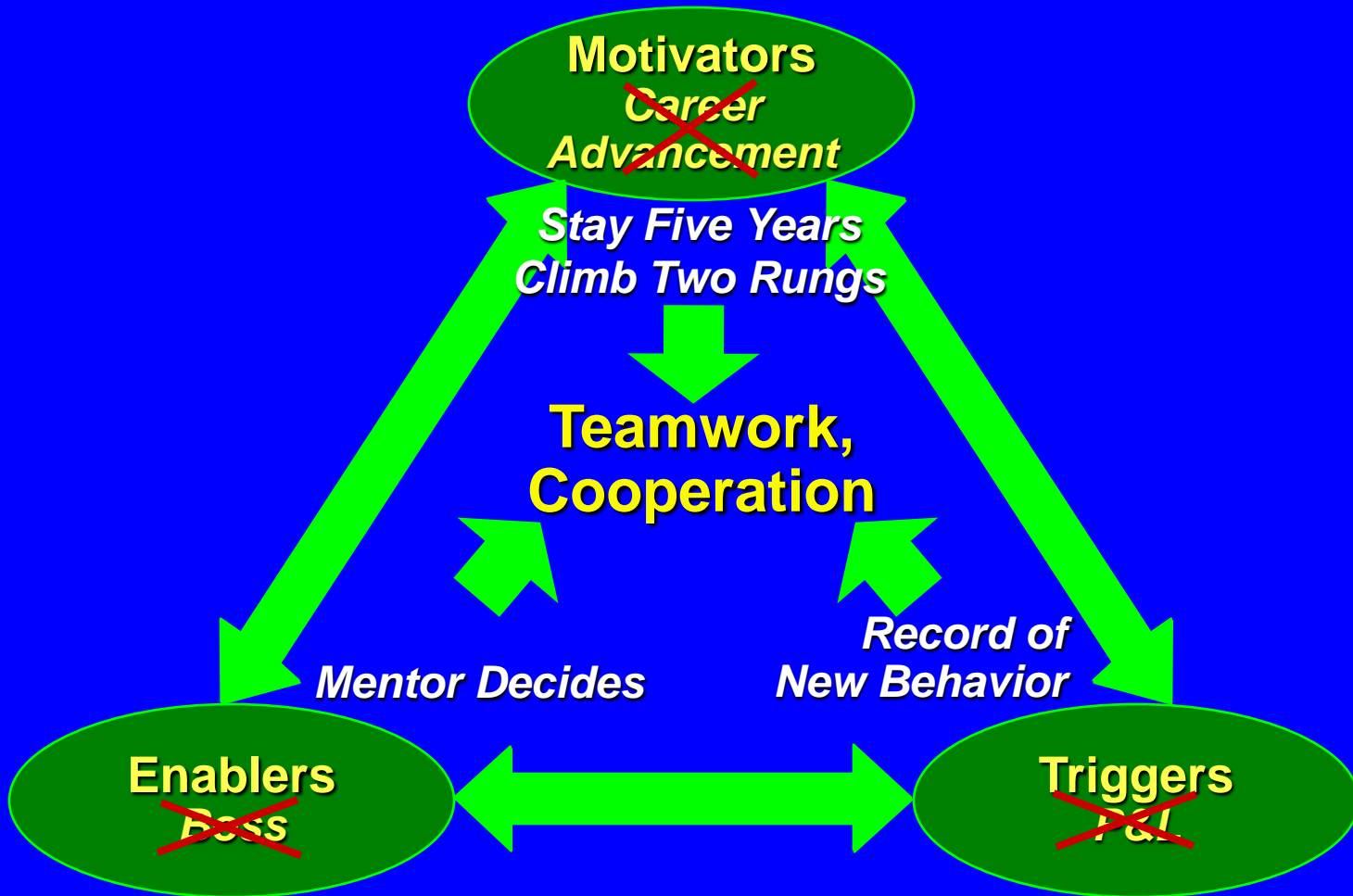
Unwritten rules can lead to counter-productive behavior and undesirable results.



Changing rules can realign actual behavior with management's intentions.



Changing rules can realign actual behavior with management's intentions.



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Final Thoughts

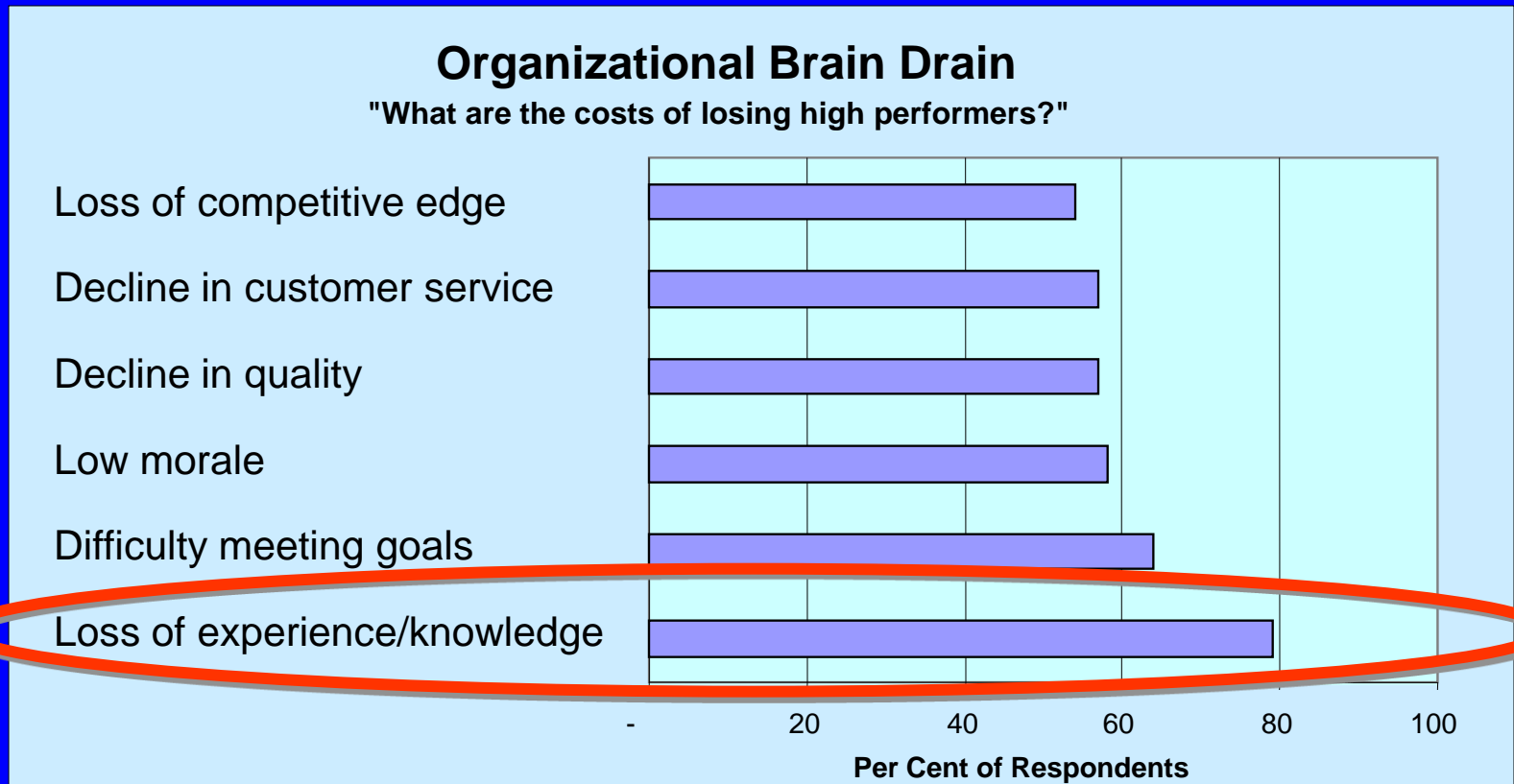
The Brain Drain is real.

The Brain Drain



Final Thoughts

The costs of the Brain Drain are significant.



Source: Kepner-Tregoe Survey as published in *HR Focus*

You know how to stem the tide.

- 1. Keep employees with critical skills.**
- 2. Effectively assimilate, acculturate, and “bind” new employees.**
- 3. Capture knowledge as it flows; make tacit explicit, or at least identify who holds what tacit knowledge.**
- 4. Increase the velocity of knowledge sharing.**
- 5. Build a culture with behaviors that promote knowledge sharing.**

Final Thoughts

When you get home, do your own assessment—and then take action.

- 1. Can you think of one or two people in *your* organization who have critical knowledge – people whose loss would really hurt?**
- 2. Do people join *your* organization, only to leave much sooner than you would like?**
- 3. Does *your* organization regularly reinvent the wheel because it does not capture lessons learned, or identify who knows what?**
- 4. Does *your* organization suffer because its flow of knowledge is regularly blocked or impeded?**
- 5. Do the culture and behaviors in *your* organization support effective knowledge sharing?**

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KEEPING YOUR INITIATIVES ON TRACK

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