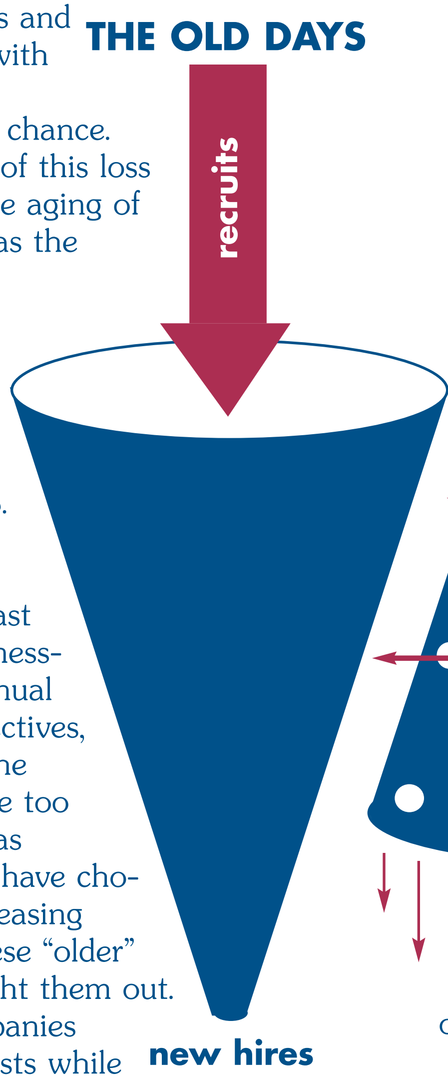
# BRAIN DRAIN—& THE THREE ENVELOPE STORY

FROM THE SERIES
THE CHANGING WORLD OF WORK

*If you've always believed that "Brain Drain" meant how you felt at about 3:30 p.m. on a Friday afternoon after a hard week's work, attending two nights of MBA classes, traveling a couple days during the week and "fitting in" a soccer game or two, welcome to today's reality!*

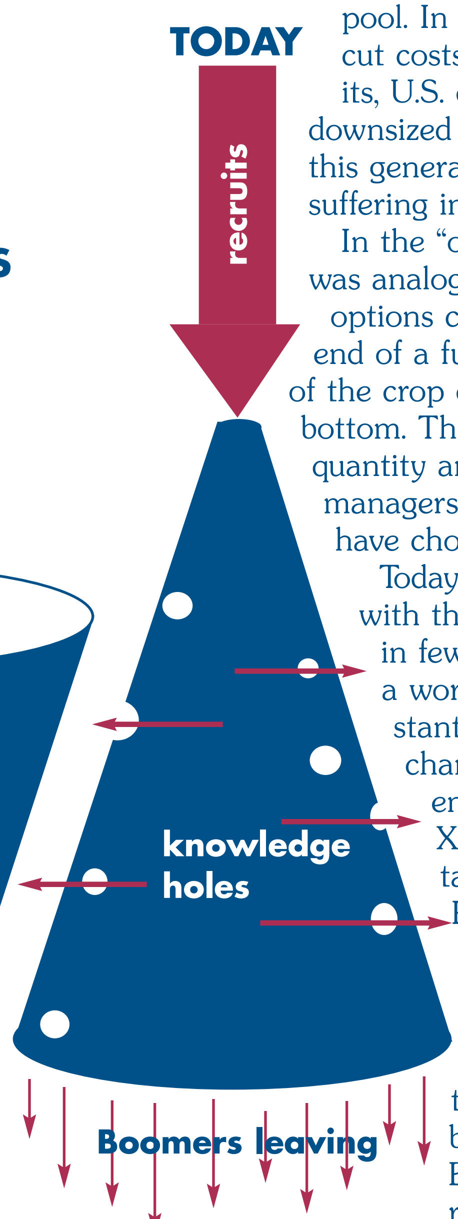
Have you or someone in your company recently recruited one or a group of specialist workers? Then you know the problem. Our labor force is losing skilled professionals at a mind-boggling rate. And it will only get worse. It's called the Brain Drain!

Very simply, the Brain Drain is the outflow of skilled, talented, knowledgeable workers who leave organizations and take vital information with them. Some depart by choice and some by chance. Not surprisingly, much of this loss may be attributed to the aging of the generation known as the "Baby Boomers."




## Boomer Losses

Because of this short-term financial focus on the part of much of corporate America, U.S. businesses are losing many of their best and brightest. During the past 10–15 years many businesses, in order to meet annual financial goals and objectives, have determined that the Boomers, in general, are too expensive to maintain as employees. Companies have chosen not to pay the increasing costs of benefits for these "older" workers and have bought them out. But far too many companies have bought out the costs while failing to replace the lost knowledge and, consequently, are having great difficulty replacing the lost talent from today's available labor pool. In essence, in order to cut costs and increase profits, U.S. companies have downsized the loyalty out of this generation—and they are suffering in the process.




In the "old days," filling jobs was analogous to having many options coming into the wide end of a funnel and the cream of the crop coming out of the bottom. The abundance of both quantity and quality allowed managers and recruiters to have choices. Lots of them.

Today's funnel is inverted, with the small end taking in fewer replacements in a world of massive, constant technological change. There aren't enough Generation Xers and others to take the place of the Boomers now fleeing from the wide end of the inverted funnel. And the poor information transfer methods between the Boomers and their replacements are opening holes in the sides of the funnel

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through which massive amounts of knowledge are lost—we refer to these as "knowledge holes."

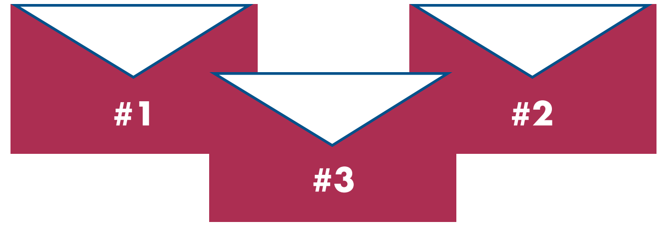
## What's a Company to Do?

By now you might be wondering about the Three Envelope story and what it might have to do with Brain Drain? There is an old business-focused urban legend that tells about the transition of knowledge from an older to younger manager. It was popular in the pre-Brain Drain days of American business.

> An older manager takes his replacement to lunch after showing her the office, the telephone and introducing the people who will be working for her. At lunch the oldie hands his replacement three envelopes, numbered 1, 2 and 3, with directions to open each one when things get tough. They finish lunch, and life moves on. After about the first six months, business starts heading south, so the new manager remembers her predecessor's advice and decides it's time to open an envelope. Inside Envelope #1 she reads: "Blame me!" So for the next six months the new manager tells anyone who will listen how bad her predecessor was. At the end of six more months and mounting problems, the not-so-new manager decides she needs to take a look at Envelope #2. Inside it says: "Blame my staff!" This leads to six more months of excuses because the manager can say, "But I can't be successful with such a poor team of people." Finally, at the end of one full year, the "new" manager sees that business is even worse, so she goes to her desk and opens Envelope #3. It reads: "Start preparing three envelopes!"

If this story were told today, there could be one problem—there may not be someone capable of replacing the departing manager and opening the three envelopes!

This is a cute story but, as often is the case, there is more than a modicum of truth behind it. How can that be, you say? It's impossible! There are so many younger, qualified, people out there. It's just a short-term thing.




## The Facts

Consider this: According to a recent article in *American Demographics* magazine, aging Baby Boomers will inflate the proportion of workers 45 and older to 40 percent of the labor force by 2008—a 33 percent increase since 1998!

And according to a recent *Chicago Tribune* article about the impact of older population needs on programs aimed to help children, "There are more older and middle-aged people compared with young people than at any time in U.S. history."

The median age in 1900 was 22.9 years. It was 32.9 in 1990 and 35.3 in 2000. In 2000 about one-third of the population were Boomers. If the alleged 60 percent of Boomers who are planning to take early retirement becomes reality, 2005 could be the year of the Brain Drain crisis.

## Do We have Your Attention?

Do you need more numbers? Check the U.S. Census. Check Bureau of Labor Statistics. Maybe start preparing three envelopes.

If you're saying, "OK, I buy this, but what do we *do*?" think about the following suggestions to mitigate the impact of the Brain Drain on your company offered by Dr. Judy Strauss, an HR consultant and FLEX EXECS resource:

- Find a way to help Boomers balance career and life. Talk to your seasoned, mature employees and ask them what they want. The first step to success is communication.

- Gain the understanding that many, if not most, Boomers don't want to quit working. But realize that the role of work in their lives is changing. Work with them to help fill a need or desire for work in a way that's different than the historical model. (An employee worked for one or two companies throughout his or her entire career until retirement at age

65. Employer and employee exhibited continued loyalty to one another.)

■ Redefine "success" from today's quantification of things to a sense of competence that allows for balance of work and family. By the way, you'd better get good at this because the younger generations coming along have seen the impact of work on their parents and families and won't/don't want to live for work.

■ Help targeted workers update their skills. If Boomers fill key positions in core functions in your company, then don't stop training them. Target hard-to-replace workers for upgrading and retention. But maybe you should consider training them in a different manner. Let them trade the transfer of information to a younger cohort in return for the younger person training the Boomer in technology. Knowledge Barter works well among equals, i.e., I teach you what I know and vice versa. Some people refer to this as "reverse mentoring."

■ Sell your younger workers on the fact that you have a mentoring program so that they can know and learn the "what" the "why" and the "how" from their Boomer counterparts. Let them learn the reasons for what is done in your company, why it's been done that way and how it's done before the younger worker chooses to change something that he or she doesn't know about.

■ Move away from the timeline concept of doing things for the reasons of efficiency vs. effectiveness (i.e., short term vs. longer term). Dr. Strauss suggests moving to a timeline that saves knowledge by allowing for short-term efficiency and changing effectiveness to mid-term and organizational health to the long-term goal of fixing what ails your organization.

■ Become strategic rather than just tactical in the way you manage your human resources. Make it your job to know what motivates each employee rather than using work or monetary reward as the key motivator. Avoid being a "human parts changer." Redesign your compensation plan to recognize that it's not just the money that moves a Boomer. Co-develop a plan for a discrete number of job transitions for the Boomer in lieu of one drastic change that requires movement out of the organization.

■ Make knowledge transfer and change a step in the retirement process.

■ Build day-to-day trust through human relationships. Without trust all the technology and rewards won't help you cover the "knowledge holes" in your organization.

■ Overtly encourage people to stay. We all like to be needed and wanted, and this can be accomplished in creative ways.

■ If your company or industry is on the merger and acquisition treadmill, then be careful of what you ask for after the merger or acquisition. You may "receive" a loss of knowledge after too many Boomer workers take you up on your buy-out package. "Plug and Play" may work for computer software and hardware but it doesn't fit into the transition of knowledge. Your competitive future depends upon it.

■ Customize a solution to the Brain Drain in your company. A cookbook recipe won't necessarily work for you even though it worked for another firm you know about. Get some help and make the effort part of the performance management bonus process for your operating management. This will help balance the short-term financial needs of the management and the marketplace with the long-term organizational health of the company.

Finally, some of you reading this are saying: "I lived through Y2K and my computer is still working. The Brain Drain is the same thing. Nothing is going to go wrong."

Think about the old made-for-TV movie called *Westworld*. It was an adult type of Disneyland in which the main character was able to act out his fantasy—to be a gunfighter against a robot in an environment that was guaranteed safe because **NOTHING COULD GO WRONG, GO WRONG, GO WRONG, GO WRONG. . . .** ■

## Where Does FLEX EXECS MANAGEMENT SOLUTIONS Fit In?

The law of supply and demand is a frequent topic in all kinds of business discussions. Most often, we encounter the topic when we are considering the price for goods and services. But rarely does this topic enter into discussion when we are talking about human resources.

We believe the time has come for these economic laws to become a part of our working vocabulary as we discuss whom we want to hire, where we will find the talent we need and why we need them. Without question, there exists today a sizeable supply of available talent. The big issue is actually the skill level and experience of the professionals needed to enable corporations to retain their competitive edge. What happens, for example, when the people with extensive experience—many of them Baby Boomers—leave the corporation for retirement or entrepreneurial opportunities or because of downsizing and/or budget cuts?

This is called the "Brain Drain." And it's our thought-provoking topic in this issue of the WORLD OF WORK. The ready supply of workers needed to accomplish key tasks and projects in your company demands your management team's attention—now!

Please call us at **630-655-0563** if we may be of service.