



Brain drain danger

Author: Rachel Brushfield, Energise - The Talent Liberation Company

www.liberateyourtalent.com

rachel@liberateyourtalent.com

0845 22 55 010

07973 911137





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Many companies in the last 12 months have battened down the hatches, cutting headcount, freezing salary rises & bonuses, reducing hours, stopping recruitment, cancelling promotions and drastically reducing training to save money.

In the last 18 months, The City has been criticised by the public and the press, with bonuses curbed, reward packages restructured, and much recent poaching of key talent taking place. Many column inches have been filled about the fairness of bonuses amongst a landscape of bail-outs. The reality is that money talks, and money is the currency of The City. Companies need and want to keep the best talent – they always have and they always will and people who work in the City work hard and play hard, and are motivated by the high remuneration they can get.

In the last 12 months, employers have had the power because of high unemployment and a glut of supply of potential recruits, whereas before there was a talent shortage. The tide is turning.

Underneath, simmering in many companies, unless they have a good leader and internal communication, is a tide of discontent, which like a boil will burst, with exiting employees leaking the company's intelligence as the downturn lifts.





When unemployment is high, employees have no choice but to sit tight, but they have long memories about how they have been treated through challenging times, and will vote with their feet when the employment market picks up. In addition, with older employees needing to retire later to boost their pension, and younger workers hungry for fast progression, a stagnant yet frustrated diverse talent pool can



result. Often line managers avoid tackling performance issues, so employees are promoted unfairly, again demotivating the cream of the talent pool.

Now is the time, if they haven't already, for companies to take action to retain their valued employees and engage them to prevent brain drain. The opportunity cost of ignoring this issue is huge; companies simply cannot afford not to invest in employee retention, especially where there is a skills shortage.

In a knowledge economy, employees are the key to competitive advantage and the contribution of the City to the British economy cannot be underplayed.

In the UK the average recruitment is £5000, increasing to £6125 the associated labour turnover £10,000 for senior stand to have an expensive bill retention a business priority. Retention and Turnover Survey



cost of filling a vacancy per employee when organisations are also calculating cost. This recruitment cost rises to managers/directors, so companies should they not make employee (Source = CIPD, Recruitment, 2009)

City head-hunter fees, especially for senior talent in certain sectors are much much higher than these average industry figures.



In adverse times, it is natural for companies and individuals to be more risk averse, when actually what motivates 80% of people is having more challenging work. Source = Maynard Leigh *How 20 of the UK's best employers are rising to meet the challenges of turbulent times 2009*. Understandably, line managers want to protect their own position and prove their worth, so can be reluctant to delegate tasks to talent hungry for new stimulating challenges. The smart companies involve their talent in tackling business problems for a 'win win' for employee and employer.

Career development and progression has been hard hit by the recession according to the Chartered Institute of Personnel Development's (CIPD) Employee Outlook Survey Summer 2009; only 24% of employees agree that they are learning new skills in their organisation as a result of the recession and only 7% agree that there are more opportunities to progress.

"The best people will move when times get better if you don't treat them right. HR have got to create an atmosphere where staff feel they are in charge of their own destiny." Jack Welch, US Business Guru

Simple things like saying thank you, asking employees about their unutilised skills, values and motivation and redesigning their jobs, can re-energise employees and increase retention, preventing brain drain. When rewards are restricted, these become even more important.

Communicating with employees is easy to push down the priority list with many other pressures on time. The 2009 Best Companies research shows that employee motivation and commitment are linked to good leadership. Where there is not a great deal of faith in the leader, just 40% of employees are engaged compared with 93% of those who have faith in their boss.



Job clarity is also important; where people know what they are doing in their job, 88.% are engaged compared with 49.3% when they are not clear. 53% of employees think that increasing trust in senior management could be achieved by more frequent and honest communication and 35% by more meaningful consultation (Source = CIPD Employee Outlook Survey Summer 2009), so time on internal communication is time well spent.



Given time & attention, a defined role, clear information and an inspiring leader, employees develop, thrive and reward their employer with loyalty.

With bonus payment season upon us, it remains to be seen how bad talent drain in the City is going to be and how this will affect the long-term competitive advantage of companies.

Brain drain may be a small leak, or a growing flood. Failure to offer competitive reward packages will lead to disengagement and a haemorrhage of the best talent to competitors or abroad, and it will take companies years to recover. Employee engagement is business critical, so why isn't it treated as such?

My concern is that once again, short-term thinking rules with dangerous consequences and potential damage to companies' employer brands, affecting their attraction of future talent.

Rachel Brushfield is a director at Energise, The Talent Liberation Company, tel 0845 22 55 010; rachel@liberateyourtalent.com We do both career strategy with individuals and talent management and employee engagement for companies, www.liberateyourtalent.com so offer a unique perspective based on insight and up to date research.



To have a chat about your employee engagement and talent management needs, call Rachel Brushfield on 0845 22 55 010 or e mail rachel@liberateyourtalent.com

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