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PREVENTING AND REVERSING BRAIN DRAIN

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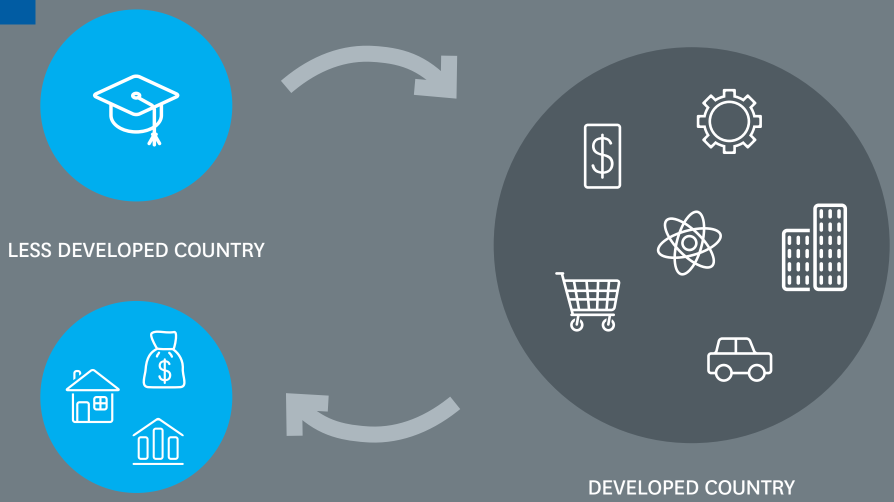
What Is Brain Drain?

The departure of educated or professional people from one country, economic sector, or field for another, usually for better pay or living conditions.

REVERSING BRAIN DRAIN

Less developed country loses highly skilled workers to developed country based on higher standard of living.



By offering education, incentives for start-ups, modern housing, and other services, less developed country lures diaspora back home.

SOURCE INSEAD GLOBAL TALENT COMPETITIVENESS INDEX 2014

TALENT COMPETITIVENESS

What regions are the most talent-ready?

GLOBAL TALENT INDEX BY REGION

REGION	TOTAL INDEX	ATTRACT	RETAIN
North America	67	73	56
Europe	53	47	59
Eastern Asia/Oceana	48	41	43
North Africa/Western Asia	42	38	41
Latin America and the Caribbean	40	43	39
Central and South Asia	34	31	37
Sub-Saharan Africa	34	28	28

SOURCE LINKEDIN 2015

GLOBAL TALENT MIGRATION

The UAE leads the way in attracting skilled labor.

TOP FIVE MARKETS	
United Arab Emirates	+ 1.89%
Switzerland	+ .90%
Saudi Arabia	+ .85%
Singapore	+ .47%
Germany	+ .45%

BOTTOM FIVE MARKETS	
United Kingdom	-.12%
Spain	-.18%
Italy	-.19%
France	-.20%
India	-.23%

PREVENTING AND REVERSING BRAIN DRAIN

When scientists, health care providers, entrepreneurs, and other business and management talent consistently leave the country of birth for opportunities abroad, it creates a persistent drag on the home country's economy and blights its growth. This phenomenon is popularly known as brain drain, a coinage of the British Royal Society in response to the emigration of scientists from the United Kingdom to the United States and Canada in the 1950s and '60s.

Brain drain affects the home country and the companies within it in numerous and interconnected ways, making cause and effect difficult to disentangle. With a depleted entrepreneurial class, who is there to develop goods and services, create jobs, and drive economic growth? The departure of physicians and nurses stresses the health care system and compromises public health. Scientists and technologists leave, taking with them not only the knowledge and skills they may have obtained at the state's expense but also their capacity to drive the innovation that fuels economic development and international prestige.

Companies in places with high emigration rates also face significant challenges that can stifle innovation and hinder execution on strategy. Among them are a more limited talent pool from which to hire and promote, and higher turnover among the ranks as employees seek opportunities outside the home country — employees that the business has spent time and money developing. An exodus of business and management talent deprives the home countries' companies and especially start-ups of the skills and savvy needed to grow and flourish.

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One of the challenges: in emerging economies, countries often spend scarce resources educating doctors, engineers, and scientists in the hope that they will build growth at home, only to watch in dismay as they migrate to the West.

This in turn becomes a vicious circle: home countries need talent to create opportunity, but without opportunity, talent gravitates to the bigger cities and better jobs elsewhere in the world.

So what can countries and companies that see their best and brightest leave do in response? What can they do to reverse the brain drain?

A recent McKinsey survey in China found that senior managers in global organizations switch companies at a rate of 30 to 40 percent a year—five times the global average.

THE PROBLEM TO BE SOLVED

"Talent in emerging economies is scarce, expensive, and hard to retain," reads a recent McKinsey & Company report. Studies have found that more well educated individuals are much more likely to leave. For example, a large 2004 survey of Indian households found that close to 40 percent of emigrants had a high school education or above, compared with only 3.3 percent of Indians age 25 or older.

Then, once they have a foreign university degree under their belt—usually from a Western institution—they often do not return to their country of birth. At the peak of Taiwan's brain drain, in 1979, fewer than 10 percent of students who attained degrees abroad returned to Taiwan.

This exodus leaves local talent markets thin, with too many companies chasing too few skilled individuals. For example, barely two million local managers in China have the managerial and English-language skills multinationals need, according to McKinsey & Company. "One leading bank reports paying top people in Brazil, China, and India almost double what it pays their peers in the United Kingdom. And a recent McKinsey survey in China found that senior managers in global organizations switch companies at a rate of 30 to 40 percent a year—five times the global average."

Brain drain has long vexed policymakers. Investments in education are seemingly squandered when the educated depart for greener pastures. But dialing down investment in education will not help grow the opportunity at home that would lure the best and brightest to remain.

Of course, remittances from emigrees mitigate some of the economic toll. For instance, a study cited in The Economist found that Ghanaian emigrants sent home enough money over their working lives abroad to cover the cost of their education several times over.

And there are softer benefits of emigration. For example, they help build a country's prestige. Some 40 percent of graduates of India's elite engineering schools migrate to Silicon Valley. There they have burnished the country's image and fueled investments in it.

WHAT COUNTRIES CAN DO TO REVERSE BRAIN DRAIN

Still, brain drain is an issue countries and companies need to tackle, to turn a vicious circle into a virtuous one. Even though brain drain affects developed countries such as New Zealand, where nearly a quarter of college graduates emigrate, brain drain has a greater impact on developing countries. Hence, the need to reverse it is stronger and more urgent.

The first imperative for policy makers is to create opportunity and a critical mass of the educated and entrepreneurial. Taiwan's example is particularly instructive. Aided by a growing economy, Taiwan has been able to stem the flight of its top talent. The country forged business-friendly policies that encouraged entrepreneurs to stay and emigrants to return. It founded the Hinschu Science-based Industrial Park in 1980, with the goal of replicating the density of talent found in Silicon Valley and other hotbeds of technological innovation.

Networking with the diaspora and offering them incentives to return is another of Taiwan's strategies. Back in the early 1970s the government established the National Youth Council, which tracks emigrees in a database, advertises Taiwan-based jobs, and provides travel subsidies. When these migrants return, they bring with them the expertise they acquired abroad. Last year Ireland appointed its first minister for the Irish diaspora and the government supports dozens of groups that court successful emigrants.

Quality of life is important. Taiwan, for instance, subsidized Western-style housing and hosted international conferences that polished its image and gave scientists and entrepreneurs access to the international community. The United Arab Emirates has done the same, with positive results.

Devoting resources to education can be tricky when a high percentage of graduates leave because suitable jobs for their skill level are not available. Vietnam took an interesting approach to this dilemma, focusing on lower-level education that equipped the future workforce to take the jobs available, which helped build a stable economy that could launch further growth.

WHAT COMPANIES CAN DO

Individual companies, for their part, can take action to stem brain drain in their ranks. Boris Groysberg, a Harvard Business School professor, and coauthor Deborah Bell write in *Harvard Business Review* about the challenges faced by companies in New Zealand, where a quarter of university graduates leave. They surveyed more than 1,000 corporate board members in 59 countries, among them New Zealand. Forty-two percent of all respondents cited attracting and retaining top talent as their biggest challenge to attaining their strategic objectives.

The authors write that it is critical is to execute flawlessly on talent management practices that attract and retain the highly skilled individuals who otherwise might leave the company. These practices are:

- Attracting top talent
- Hiring top talent
- Assessing talent
- Developing talent
- Rewarding talent
- Retaining talent
- Firing
- Aligning talent strategy with business strategy
- Leveraging diversity in the company's workforce

"To gain advantage in the war for talent, companies should execute superbly on each of these dimensions, but when talent is fleeing outstanding execution is essential," they write.

The authors asked the company directors in the survey whether their organizations were doing a great job — those whose response was "strongly agree" when asked whether they were performing each practice effectively. Not more than 20 percent of either the full pool of respondents nor of those specifically from New Zealand-based companies could say they executed effectively on any one practice. The percentage of directors from those New Zealand organizations who could say that their talent management practices were "great" was in the single digits for six out of the nine practices: developing talent, assessing talent, rewarding talent, retaining talent, firing, and leveraging diversity in the workforce.

At the board level, New Zealand companies need to improve succession planning, the training of new directors, and managing board dynamics. "Change starts at the top and boards need to be exemplars for their organizations by providing leadership, stability and effectively executing their own talent management practices," write Groysberg and Bell.

OPPORTUNITY: WHAT THE BEST AND BRIGHTEST CRAVE

To keep talent in-country and attract those who emigrated, the basic ingredient is opportunity.

Clearly talent flows naturally to countries—and companies—that create an environment for economic growth; that make life easy for enterprise; that attract and welcome investment; and that nurture a culture of achievement. Skills are attracted to challenge and possibility.

Some smart multinationals recognize this and invest in local talent accordingly. McKinsey & Company points to German media giant Bertelsmann, which develops and tries to retain talented local managers by offering them the opportunities they seek. In India, for example, high-potentials can apply for a global executive MBA from INSEAD. Over the three-year period that this this benefit has been available, motivation and retention rates among program alumni sharply increased, and for less than it would have cost to raise their salaries. What's more, Bertelsmann has another program that invites local-market employees to corporate headquarters, where they tackle the functional and geographical issues they can expect to confront as leaders.

After spending a couple of years training this way, the managers then compete for senior roles in local or regional

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markets. “They return with a solid understanding of the organization and its strategy, as well as an extended network based on trust gained from working intensively with leaders across the company,” according to McKinsey.

NURTURING TALENT AT THE LOCAL LEVEL

As Groysberg and Bell explain, superb execution on talent-management strategies is essential if a company wants to compete for and retain top local talent. One company that puts a special emphasis on nurturing talent at the local level is the beverage company Diageo. The organization questions whether top managers need necessarily be rotated through developed markets as part of their training.

Says Nick Blazquez, the company’s president for Africa: “I used to think that to optimize the impact, a general manager should work in a developed market for a period of time, because that’s where you see well-developed competencies. But I’m just not seeing that now. If I think about marketing competencies, for example, some of Diageo’s most innovative marketing solutions are in Africa,” including the company’s leading digital-marketing programs.

“For global companies in a similar position,” according to the McKinsey report, “acknowledging that local highfliers can drive global innovation without first serving a long apprenticeship in a developed economy could unlock massive reserves of creative energy.”

Unlocking such energy is the end game, for countries and companies both. Unlocking it, deploying it, channeling it, until a virtuous circle is created in which individuals, their companies, and their countries can flourish.

ABOUT THE SUMMIT

The World Government Summit is the primary global forum dedicated to shaping the future of government worldwide. Each year, the Summit sets the agenda for the next generation of governments with a focus on how they can harness innovation and technology to solve universal challenges facing humanity.

The World Government Summit is a knowledge exchange platform at the intersection between government, futurism, technology, and innovation. It functions as a thought leadership platform and networking hub for policymakers, experts, and pioneers in human development.

The Summit is a gateway to the future because it functions as an analysis platform for the future trends, issues and opportunities facing humanity. It is also an opportunity to showcase innovations, best practices, and smart solutions to inspire creativity to tackle these future challenges.