



## Brain Drain

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*Ayn Rand foreshadowed it in her bestseller, *Atlas Shrugged*, but what can be done about brain drain? The NEO model offers a new kind of vision for leveraging intellectual property and assets*

During the past twenty odd years I have held various titles and positions - almost always with the same small twist to them. I am typically asked to take on the most troublesome areas of a business or project. Part of this is by choice and part of this is by reputation. In days past, people like myself were called corporate troubleshooters or consultants. We had very vague titles and charters to go forth and do good work fixing whatever we saw as a problem within the business. It is from that perspective, as a dispassionate observer, that I offer the following thoughts on business practices today.

Nowadays in the fast paced dot.com and the post-large corporation world, the apparent need for deep knowledge, skills and refinement appears to have vanished. If a process or product doesn't work right out of the gate, the rationale goes something like this: patch it quickly, if it doesn't survive in the market, dump it fast. Businesses have become the ultimate example of what was called the disposable generation, tossing products, companies, and people like used Kleenex™

However, like all trends and fads, this too shall pass. As corporations like Microsoft, Boeing, CISCO, and Sun Microsystems field new technologies and other corporations wish to field the same; the need for skills beyond typical project management competency becomes more apparent.

### ***Shortage of Skilled Workers***

For evidence of this, we need look no further than the advertised shortage in the I.T. field. The statistics you see from Gartner Group, IDC and the like all show the same painful result. The majority of IT projects fail to meet expectations of the business, and in too many cases just plain fail in some technical aspect. While internally this failure is rationalized away by statements like "the technology just wasn't available yet" or a plethora of other excuses, the simple fact is that the deep knowledge and skills, those that make an employee part of the enterprise versus just another set of arms and legs, are not there anymore. Neither is the commitment of employees to develop such deep knowledge since corporations are increasingly taking a short-range view and as a result, have broken the perceived employer/employee bond.

Corporations are reaping what they sowed years ago as they broke faith with employees. As such, employers are now forced to not only compensate higher, but in addition give a piece of the pie away also, just to attract or retain the basic or core skills needed to produce. Industrial karma you might say.

### ***Atlas Shrugged***

What isn't showing, but was foreshadowed in Ann Rand's book, Atlas Shrugged, is what has been labeled *brain drain* at various corporations. This occurs within a business's lifecycle when the perceived full motivating factors versus the de-motivating factors such as lack of freedom, interest & fun in the job and low to average financial compensation do not add into a net sum gain in the technical employee's eyes. What occurs is compliance to rules and measure, but not commitment to the business's success as they see no linkage to their efforts, business performance, and their professional success. This results in not only the mass trend that employers are seeing now -difficulty in finding needed skills-but a more wicked issue hiding like an undercurrent in the visible employment waters above.

Essentially, the best and brightest are voting on a corporation's perceived short & long viability with their feet. Look at the dot.com phenomena; shortly after many of these companies IPO, the intellectual horsepower in the corporation leaves and the company falls. Mergers and acquisitions are another area in which these conditions abound. In days past, smart businessmen knew enough to insist that the key talent and staff stay long enough for the company to be assimilated. This at least gave it a fighting chance to survive. However, these organizations too are now suffering the realities of the shift in the power in the employment contract they pushed to change to.

### ***The Matrix (I'm going to show you a new world...)***

What does that mean? A new business model is needed. One that truly integrates employees and employers in a common purpose and direction. Enter NEO, a code name for a new collaborative environment named for a character in the pop film, "The Matrix".

The interesting aspect about the NEO model is that it is not "a" model per se but several models integrated into a dynamic context. This context is the recognition that the electronic infrastructure (a.k.a. the WEB) is a vehicle to link people together enabling

them to collaborate. This collaboration occurs in three parallel dimensions: E-space, P-space, and I-space.

*E-space* is the rushing world of bits and bytes, the data processing and telecommunications that the I.T. community submerge themselves into divorcing themselves from the rest of the world. It can be characterized by the terms access, connectivity, and bandwidth.

*P-space* is that physical world we all belong and are aware of. It contains the phenomena that scientists spend their days describing and engineers capitalize upon to build products that the rest of the world finds value in.

*I-space* is that abstract dimension of ideas, information, knowledge, and principles. It is the area where creativity and imagination live. It is less investigated and documented than the other dimensions and therefore harder to understand the rules and laws that governs this environment. NEO operates on all three planes; however, it is primarily an I-space entity which is manifested in P-space via the E-space entities that represent I-space properties and behaviors.

So what does all this 2nd year philosophy rhetoric have to do with how an engineering service company works? To quote the movie, *The Matrix*, "Imagine a world..." NEO is a set of rules describing how an enterprise without boundaries works, an enterprise based upon several simple principles. 1) People should be compensated on the value they bring to the corporation, not the time they dwell. 2) Knowledge and information are the means to collaboration and have a measurable value just like P-space entities (ie. copyrights, patents, and other intellectual property.) 3) Value is in the eye of the recipient. That is what I value may not be the same as you or have the same priority.

Having shown you the linkage between philosophy and business management, the extension of this yields several models which describe how this boundary-less enterprise is structured and behaves. First is a model of compensation called "Personalized Employment<sup>TM</sup>". Next is a model of intellectual capital called "the Registry<sup>TM</sup>", which is intimately tied with a model of how to manage all assets whatever class they are called Interlocking Portfolio Management<sup>TM</sup>.

Glimpses of this model have been seen within the technical community during the past decade.

### ***Show Me the Money (Personalized Employment)***

Devices like options, grants, incentive pay, and improvement & performance bonuses are now part of the typical high tech compensation plans. Each has its pros and cons.

For employers, options, grants and incentive pay represent a way to motivate an employee risking very little up front. This compensation is based upon demonstrated performance of the company, the employee or both. In many new companies this is the way to attract new talent or retain talent without having to lay out significant cash. This works well as long as the corporation is on a fast growth path. However, just like other forms of compensation this can setup an internal competition between employees as they vie for a share of the pie. Look at the exodus from corporations once their double digit growth is over.

For the employee, these devices can also be boom or bust. If the corporation does well, your performance is perceived well and critical to the success of the company, gold flows into your pockets or at least the promise of gold. Options valued at x dollars may not be worth a tenth of that when it is time to exercise them. Witness Microsoft's recent drop and the adjustment it made to their stock options plan needed to retain employees.

Compensation within NEO is characterized by the concept of personalized employment. Similar in principle to the cafeteria style benefits program that many large corporations have instituted, but extended to create a flexible total compensation package. Remember value is in the eye of the recipient. This is balanced against the value contribution an employee makes to the corporation.

Within NEO, each contributor is compensated in several ways according to the value-add they bring to a project. The first level of compensation is on a deliverables basis, no different than work for hire or other contracted labor. The difference is that the compensation is for that unit of work only. If someone can do the job, with the same quality, in one day versus two weeks it makes no difference. The compensation is for the result, not the level of effort. The next level of compensation is a little trickier to follow. It is based upon the original value-add a contributor creates and value added beyond the project or other corporate assets outside the scope of the original work unit. That value-add is determined as a percentage of the project's entire value-add. A portion of the revenue generated from the project's life is segmented into a pool for contributors to share. That pool is distributed to contributors based upon the value-add percentage determined earlier. In effect, the contributor now has a royalty check or annuity for the life of the project.

### ***Asset Management (The Registry and Interlocking Portfolio Management)***

NEO takes advantage of a unique asset management technique called Interlocking Portfolio Management™ (IPM). Unlike the typical view of asset management, NEO views almost every object or entity as an asset which potentially should be managed. This includes physical, fiscal, and intellectual types of objects. These assets are classified and categorized into subsidiary portfolios to be managed. Each portfolio then

is also managed and cross analyzed to identify opportunities and liabilities within the entire portfolio (i.e., synergy).

The way this is achieved is through a classification matrix and assessment of the value of this assets in an economic context. Thus each asset is monitored as to its past, present, and future value singularly and jointly when combined with other assets. This is done through a dependency analysis and several other proprietary economic models. These results are then displayed on what's called an Enterprise Dashboard so that portfolio managers can make decisions as to what positions should be taken regarding these assets. These positions can be to divest, retain, or reinvest in these assets.

The primary function of the registry is to provide a means to capture, encode and disseminate information, the knowledge within the NEO sphere of influence. Thus the Registry and IPM represent a new kind of knowledge-based system - one that is capital-driven. (And, as such, one that we might expect capitalist Ayn Rand to advocate as a viable means of combating *brain drain*.)

Of course, it isn't Rand who is responsible for attracting the brainpower necessary to fuel innovation in your company and it isn't Rand who is the one prepared to offer her brainpower at some agreed upon 'price.' But maybe one of these scenarios describes you. If so, and if you're interested in learning more about how the NEO model works, contact the author at [briankseitz@earthlink.com](mailto:briankseitz@earthlink.com), or check out the Intellectual Arbitrage Group's website: <http://www.mcadcafe.com/cgi-bin/goto.cgi?http://home.earthlink.net/briankseitz>.

**Originally Published in MCADCAFE August 2000**