
Are You Making Your Employees Attractive to Competitors?



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Trumpeting your firm's achievements makes your top managers more attractive to competitors and gives them a leg up in the labor market. Greater care should be taken with media splashes to hold on to your talent.

Positive media coverage can help companies; it is associated with financial gains and reduced underpricing of initial public offerings on the first day of trading. By voluntarily disclosing positive information about their value-creating breakthroughs, firms can also attract potential alliance and licensing partners, access financing, reduce funding costs and deter competitors from entering their technology space.

But there is a side effect. By making big media splashes about their achievements, organisations could be putting their best people on display for poachers from rival companies. Today, one of the main factors contributing to executive departures is poaching. Big organisations have entire departments dedicated to spotting talent in rival companies and enticing them to jump ship, proving costly for the firms on the losing end of the battle.

Engineers and scientists are increasingly sought after for their ability to exploit technological opportunities and introduce innovative products and hence competitive advantage.

The high value firms are attaching to their scientific and technological personnel was reflected in the recent class action lawsuit filed against Apple, Google, Intel and Adobe, alleging that the firms conspired to refrain from recruiting one another's employees. During the case, which was settled for \$324 million, it was also revealed that Steve Jobs, the former CEO of Apple, threatened the Palm Company with a patent lawsuit if it refused to stop recruiting Apple employees.

Given the lengths to which firms go to hire talented engineers and protect their own talent, the emergence of critical information about rivals' advances, resources and competencies attracts significant attention.

Who are you promoting?

In [a recent paper](#), Sharon James of Arkansas State University and I found that the more frequently a firm communicates early-stage R&D disclosures, the more top executive voluntary departures take place. Signaling to the labour market that executives possess the rare and sought-after skills related to an early-stage R&D success will increase executives' value and attract the attention of hiring firms. The greater the opportunities the more likely the executive will voluntarily leave their firm for a competitor.

And it doesn't end there. Firms frequently engage in R&D alliances, where effective partnership management determines an alliance's success. We find that disclosure of alliance successes also increases the likelihood of executive turnover. This is helped by the fact that alliance-related disclosures are rarer than other kinds of R&D announcements, which means they receive more attention. The communications around partnerships also require the consent of both partners and are less likely to be interpreted as cheap talk. This effect is exacerbated when firms are doing well as the visibility of the firm's achievements will be enhanced by news of its strong financial performance, adding credibility to its claims of success.

Beware the signals you're sending

While voluntary public disclosures are not the only organisational activity that leads to turnover, they are a contributing factor. This doesn't mean

firms should stop communicating with the media, but it does mean firms need to better understand the tradeoffs of voluntary public disclosures. It should be noted that firms do benefit from voluntary public disclosure and can attract as well as lose talent as a result.

To enhance the benefit of media attention and reduce the risks, a better understanding of how a firm's signals are received would be helpful. Most existing research looks at the effect of signals between two parties. For instance, how attracted someone is to join a company has been associated with recruiter status and preparedness, job advertisements, or corporate social performance. But this does not account for the impact a signal can have on multiple receivers. The labour market is not only influenced by signals sent between employers and employees, but also by other signals that firms routinely broadcast.

To counterbalance this, firms should strive to coordinate the activities of their human resources and media relations departments, to ensure they collectively weigh the benefits and costs of public disclosure. This job may fall to the media relations function, which is becoming a much more strategic one. Media managers will need to have a much more general understanding of the overall strategy of the firm and its human resources function, while also demanding more information from various stakeholders to better assess the implications of their communications.



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