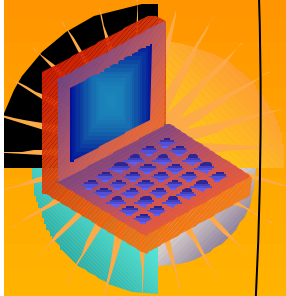


dH



**Retaining Your  
Hot Skills Employees . . .  
Use Dollars AND Sense**

Retaining  
Your  
Hot Skills  
Employees



# Hot Skills Market Still Strong

- **Business demands ↑**
- **Demand for Hot Skills ↑**
- **Pay ↑**
- **Turnover for high tech is 12%**
- **26% of companies have >10% high tech vacancies**
- **Takes half of companies 2 - 4 months to fill vacancy**
- **25% cos. have >20% contractors**

# Skill Premiums

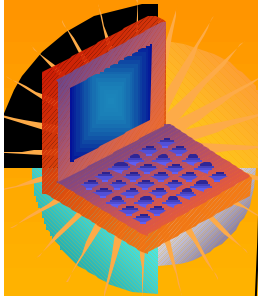
Retaining  
Your  
Hot Skills  
Employees

## Total Cash Index

Web Infrastructure	121.4	Dist Sys Mgt	109.1
PeopleSoft	120.8	Information Security	107.6
SAP	120.5	Disaster Recovery	106.8
Year 2000 Prog	115.9	Oracle	106.4
Data Warehousing	115.2	Grpwre Msg Prog/Adm	105.0
Num/Non-Num Rsch	114.4	Web Content Dev	104.5
Middleware	112.9	Oper Sys Prog	104.5
Supply Chain Mgt	112.7	High Perf Comp Sprt	102.6
Voice Systems Engr	112.0	Data Mining	102.6
Object Engineering	111.7	Call Center	101.9
Web Security	111.7	Lotus Notes	101.5
EDI/E-Commerce	111.7	Systems Adm	100.0
Web Design/Develop	111.6	Data Acq & Control Sys	99.0
Data Visualization	111.4	Multi-Media	95.4
Network Engineering	110.7	Appl Prog	94.5
Database Analy/Dev	110.7	Digital Artistry	*
Customer Rel Mgt	110.1	EAI	*
Rel DB Mgt Systems	109.4	J.D. Edwards	*

\* Insufficient data

Reference: Hewitt Spring 2000 HOT Technologies Survey



Retaining  
Your  
Hot Skills  
Employees

# Recent Top “Ten” Hot Skills

## Fall 1998

SAP  
PeopleSoft  
BAAN  
Oracle  
Data Mining  
Disaster Rec  
Call Cntr Arch  
Y2K  
Middleware  
Telecomm Engr

## Spring 1999

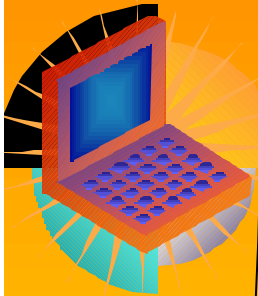
SAP  
PeopleSoft  
BAAN  
Oracle  
Object Engr  
Disaster Rec  
Call Cntr Arch  
Rel DB Mgmt  
Num/NonNum Rch  
EDI/E-Commerce

## Fall 1999

SAP  
PeopleSoft  
Y2K  
Data Visual  
Object Engr  
Disaster Rec  
Multi-media  
Rel DB Mgmt  
Num/NonNum Rch  
Middleware

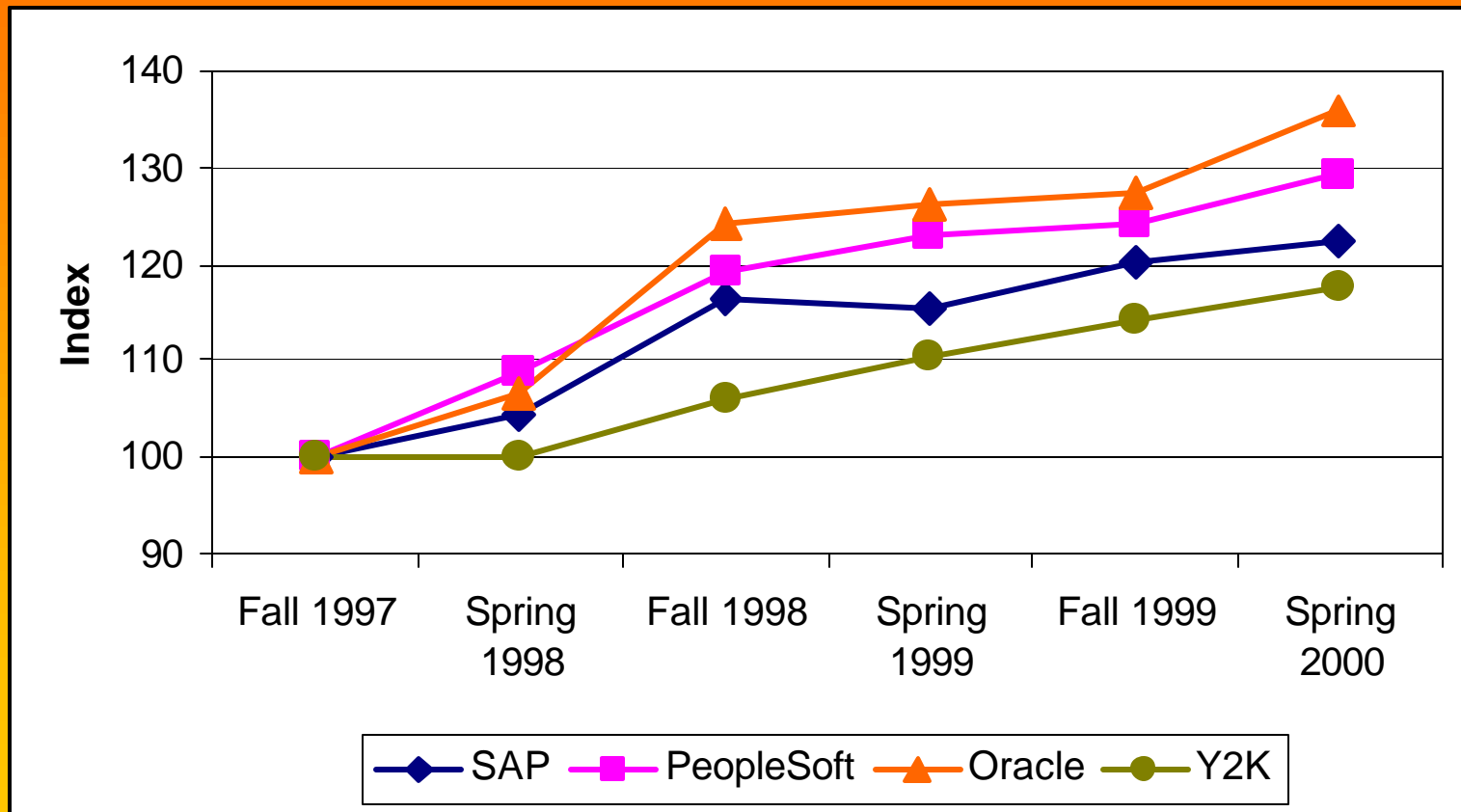
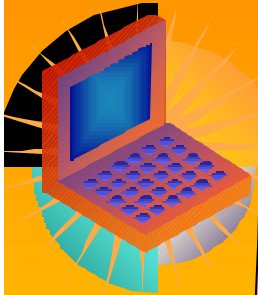
## Spring 2000

Web Infra  
PeopleSoft  
SAP  
Y2K  
Data Whs  
Num/NonNum Rch  
Middleware  
Supply Chain Mgt  
Voice Sys Engr  
Object Engr  
Web Security  
EDI/E-Commerce  
Web Des/Dev  
Data Visual



# Varied Market Movements Total Cash — Examples

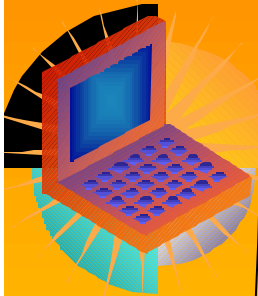
Retaining  
Your  
Hot Skills  
Employees



Reference: Various Hewitt HOT Technologies Surveys

# Bonuses

Retaining  
Your  
Hot Skills  
Employees



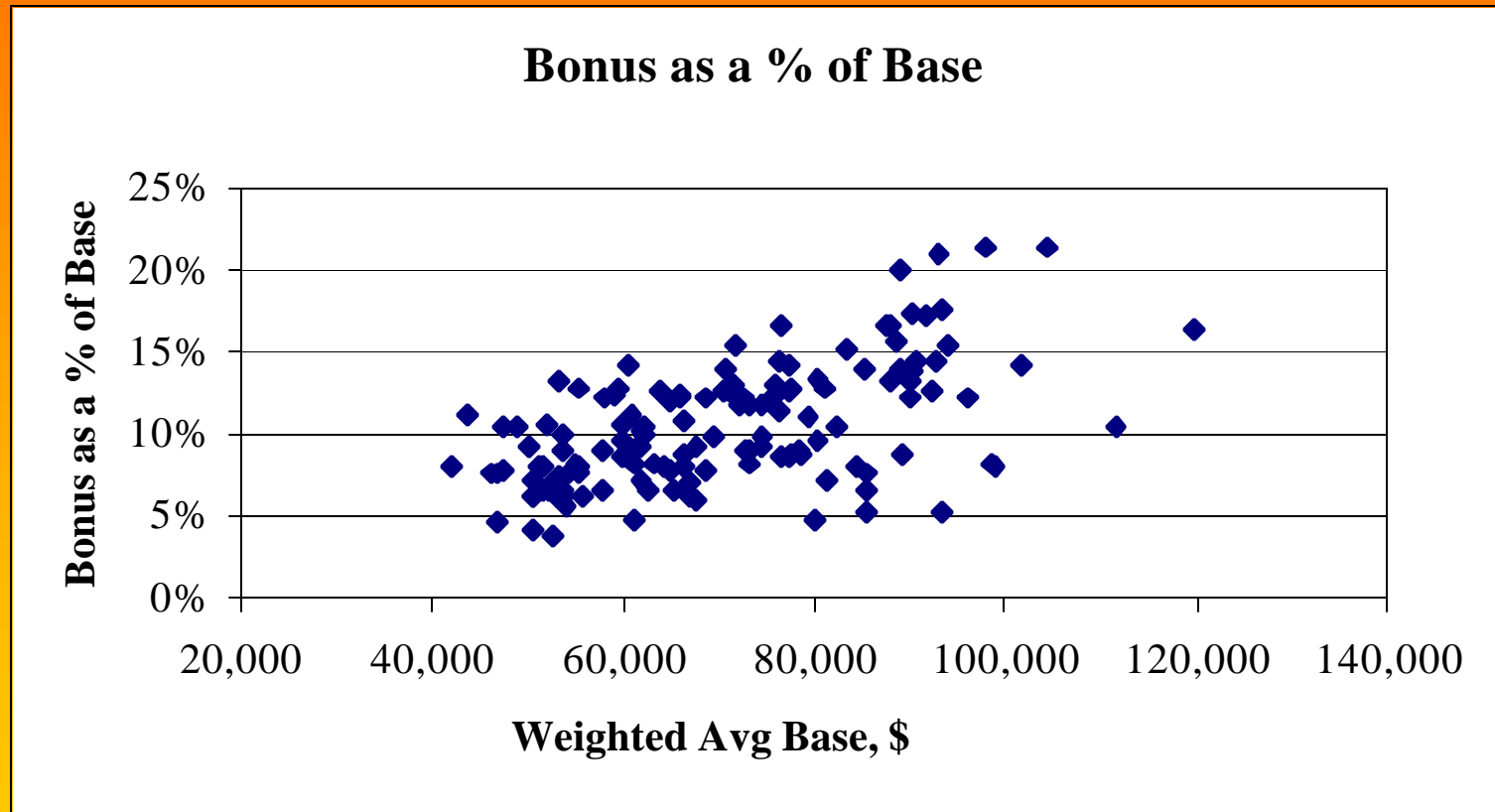
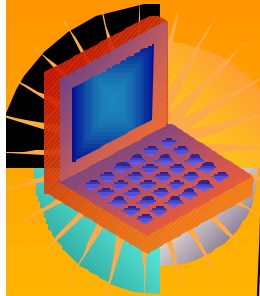
<b>% of skills receiving bonuses</b>	<b>97%</b>
<b>% of employees eligible for a bonus</b>	<b>89%</b>
<b>% of employees receiving a bonus</b>	<b>66%</b>
<b>Average bonus for those receiving</b>	<b>\$7,574</b>
<b>Bonus as a % of base for those receiving, average per skill</b>	
<b>Minimum</b>	<b>4%</b>
<b>Median</b>	<b>10%</b>
<b>Average</b>	<b>11%</b>
<b>Maximum</b>	<b>22%</b>

Reference: Hewitt Spring 2000 HOT Technologies Survey

# Bonus and Base

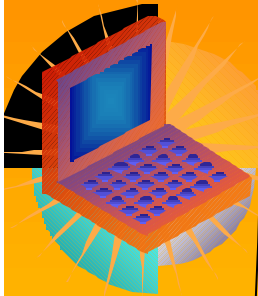
## - Averages by Job -

Retaining  
Your  
Hot Skills  
Employees



Reference: Hewitt Spring 2000 HOT Technologies Survey

**Retaining  
Your  
Hot Skills  
Employees**

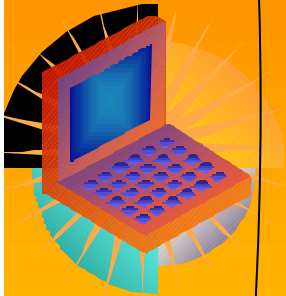


# Stock Options

- **Only 1/3 employees eligible**
- **13% of employees receiving**
  - **Up from 10% Spring 1999**
- **Average amount received 23% of base**

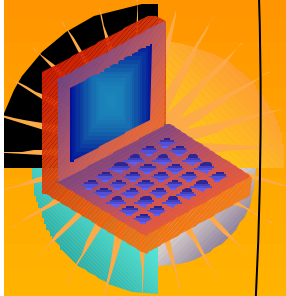
Reference: Hewitt Spring 2000 HOT Technologies Survey





# Who Are They?

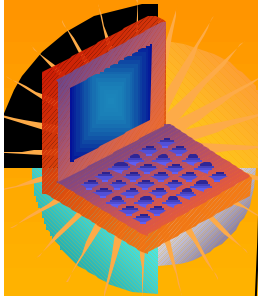
- **Population — non-managers**
  - Half 37 years old or less
  - Half in IT profession 8 years or less
  - Half with present company < 3 yrs
  - Half expect to remain <2 yrs
  - 48% currently looking for a job
    - 8% actively, 40% somewhat
  - 64% contacted by recruiters in past 12 months
    - Of those, half contacted at least 3 times in past 6 months



# What IT Folks Want

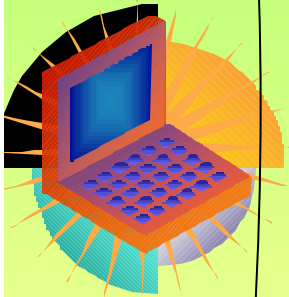
- **What IT people say matters most to them about their job — top four**
  - **Challenge of job/responsibility**
  - **Flexible work schedule**
  - **Job stability**
  - **Base pay**

**Retaining  
Your  
Hot Skills  
Employees**



# Situation Summary

- **Market is strong, very dynamic - \$ and people**
- **Rate of increase in market pay is slowing down**
- **Continues to be a churn as to which skills are the hottest**
- **Prevalence and amounts of bonuses leveled off**
- **Use of stock small but slightly increasing**
- **Majority of people are Gen Xers**
- **Challenge of work is still most important**

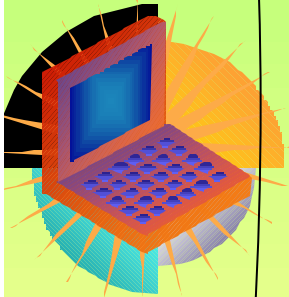


# First Step — Vital Signs

- **Where is the pain?**
- **Quick, simple, quantitative**
  - Hot skills market position
  - Turnover
  - Hiring cycle
  - Applicant ratio
- **Determine**
  - Areas needing immediate action
  - Areas needing more information



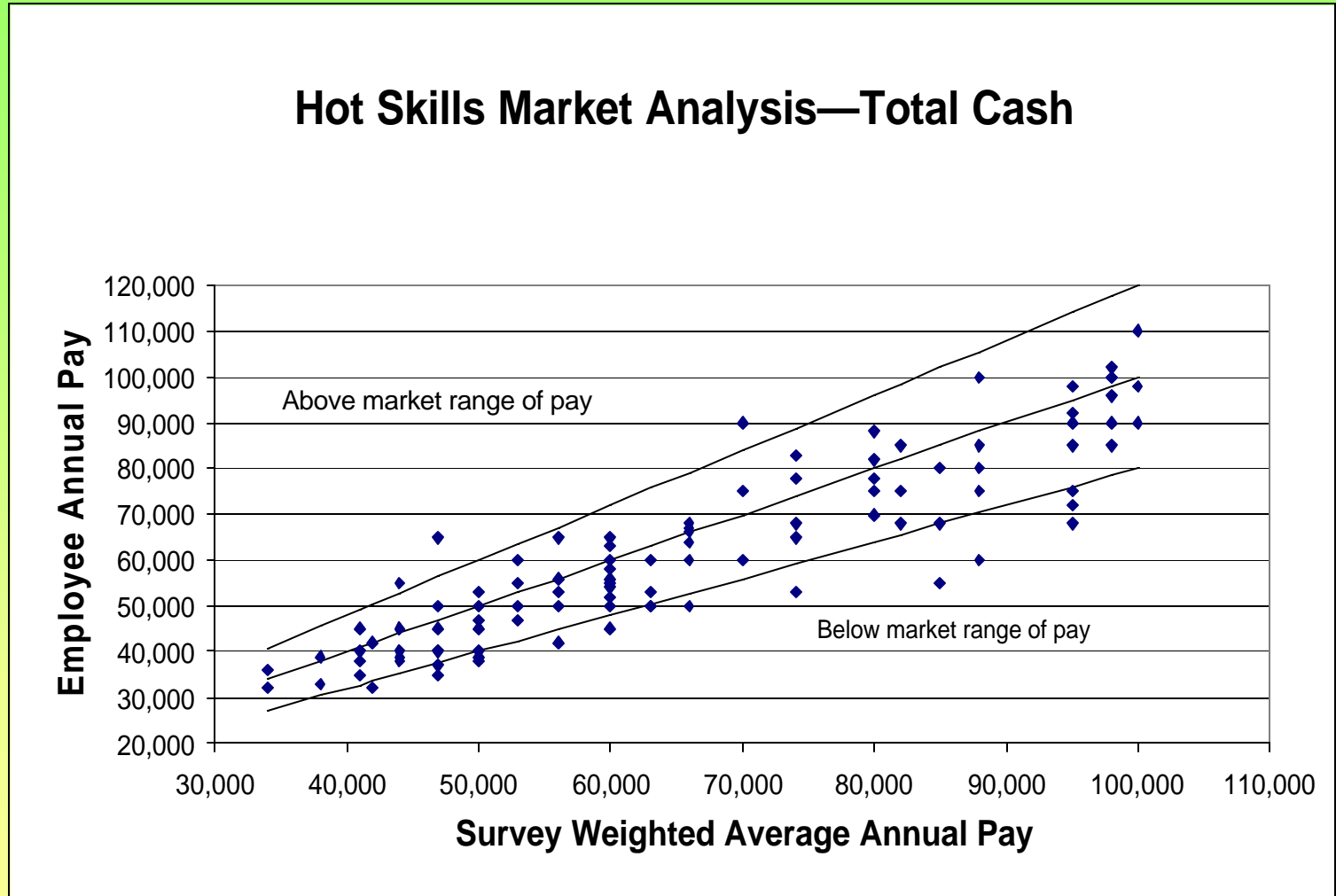
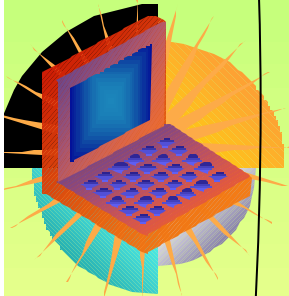
**Retaining  
Your  
Hot Skills  
Employees**



# Market Analysis by Individual

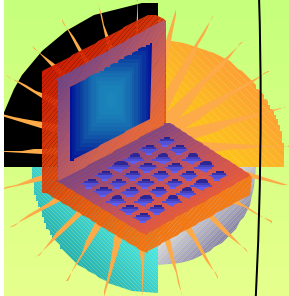
			Base Pay				Total Cash			
Name	Skill	Level	Emp Pay	Survey Wtd Avg	% from Survey	Position	Emp Pay	Survey Wtd Avg	% from Survey	Position
Jones,J	Inter/Intra	1	50,000	52,000	-4%		50,000	55,000	-9%	
Nerlman,A	Inter/Intra	1	60,000	52,000	15%		66,000	55,000	20%	Above
Dodger,R	Inter/Intra	2	60,000	60,000	0%		63,000	64,000	-2%	
Lightfoot,L	Middleware	1	45,000	55,000	-18%	Below	46,000	59,000	-22%	Below
Santos,J	Middleware	3	58,000	75,000	-23%	Below	62,000	80,000	-23%	Below

**Retaining  
Your  
Hot Skills  
Employees**

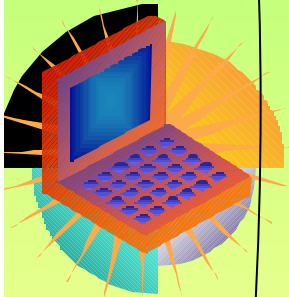


# Market Analysis by Skill/Organization

Retaining  
Your  
Hot Skills  
Employees



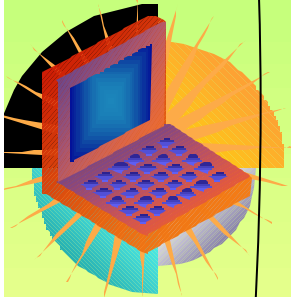
Skill	Level	No Emp	Base Pay				Total Cash			
			Emp Pay	Survey Wtd Avg	% from Survey	Position	Emp Pay	Survey Wtd Avg	% from Survey	Position
Inter/Intra	0	5	38,000	44,000	-14%	Below	45,000	46,000	-2%	
Inter/Intra	1	10	48,000	52,000	-8%		53,000	55,000	-4%	
Inter/Intra	2	20	55,000	60,000	-8%		56,000	64,000	-13%	Below
Inter/Intra	3	40	68,000	72,000	-6%		75,000	77,000	-3%	
Inter/Intra	4	5	95,000	88,000	8%		104,000	94,000	11%	Above
<b>Inter/Intra</b>	<b>Total</b>	<b>80</b>	<b>62,063</b>	<b>65,750</b>	<b>-6%</b>		<b>67,438</b>	<b>70,125</b>	<b>-4%</b>	
Middleware	0	0		44,000				45,000		
Middleware	1	15	48,000	55,000	-13%	Below	53,000	59,000	-10%	Below
Middleware	2	10	53,000	65,000	-18%	Below	58,000	69,000	-16%	Below
Middleware	3	5	67,000	75,000	-11%	Below	72,000	80,000	-10%	Below
Middleware	4	5	75,000	88,000	-15%	Below	83,000	97,000	-14%	Below
<b>Middleware</b>	<b>Total</b>	<b>35</b>	<b>56,000</b>	<b>65,429</b>	<b>-14%</b>	<b>Below</b>	<b>61,429</b>	<b>70,286</b>	<b>-13%</b>	<b>Below</b>
.										
.										
<b>Total Organization</b>		<b>480</b>	<b>28,300,000</b>	<b>30,000,000</b>	<b>-6%</b>	<b>Below</b>	<b>29,000,000</b>	<b>32,000,000</b>	<b>-9%</b>	<b>Below</b>



# **Market Analysis**

- **Thresholds for concern**
  - **JUDGMENT call**
  - **Not formula-driven**
- **Consider ...**
  - **Individuals — compare to 20% below**
  - **Skills/IT organization — compare to 10%  
– 15% below**



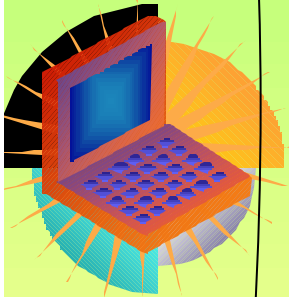


# Triage for Low Pay

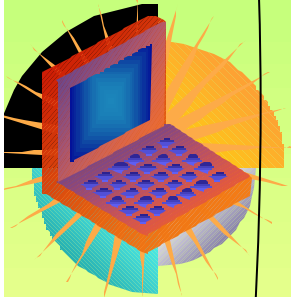
- **Identify CRITICAL individuals or skills**
  - Critical to business goals
  - Another JUDGMENT call
- **Consider ...**
  - Raise base pay to within 5% of market base pay
  - Target near-term total cash to 5% above market total cash

# Turnover

Retaining  
Your  
Hot Skills  
Employees



- **Identify “who” is turning over**
  - Voluntary, “regrettable quits”
  - By skill and level
  - By organization
  - By criticality of projects working on
- **Acceptable levels vary by organization**
  - Compare to 12% average for high technology employees

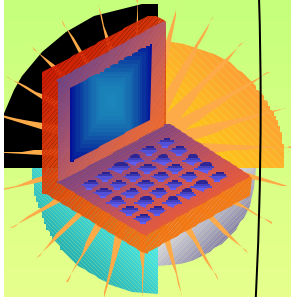


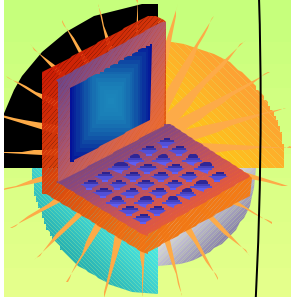
# **Action for High Turnover**

- **Do pay triage if needed**
- **MUST identify reasons**
  - **Ask employees**
    - **Top three issues they think need addressing**
    - **Top three things they like**
  - **MUST take action on feedback**
  - **Often, poor management will be an issue**

# Hiring Cycle

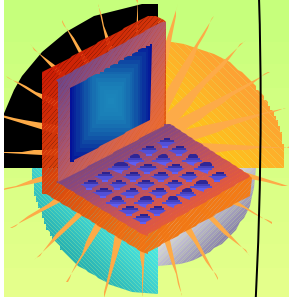
- **How long it takes to fill a vacant position**
  - **From initial recruiting activity to starting on the job**
  - **Compare to 61 – 90 days on average for hot skills**





# **Action for Long Hiring Cycle**

- **Build process map**
- **Identify and remove roadblocks**
- **If timely offers declined**
  - **MUST find reasons**
  - **Ask new recruits for improvement suggestions**
  - **Ask declines for reasons**



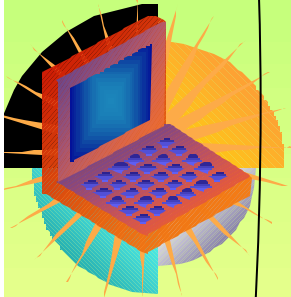
# Applicant Ratio

- **Number of applicants per employee**
  - Compare to median of 3.9 per mgr/prof employee for Best 100 companies
- **Top three attractions for IT professionals**
  - Reputation of IT function
  - Reputation of company
  - Promise of doing innovative technical work

Reference: People Practices of the 100 Best Companies to Work for in America 2000, CIO Communications/ICEX Survey 1998

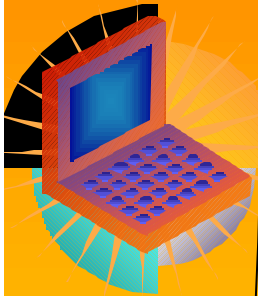
# Action for Low Applicant Ratio

- Identify reasons
  - Map and analyze recruiting process
  - Examine company and IT reputation
    - Examine characteristics of “100 Best Companies to Work for in America”
    - Develop YOUR “best practices”
  - Market your IT prowess



# Retention

Retaining  
Your  
Hot Skills  
Employees



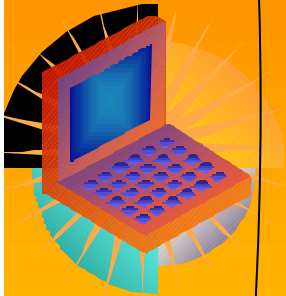
**“Retain” according to Webster’s dictionary . . .**

- To “hold or keep in possession”
- To “engage the services of”





**Retaining  
Your  
Hot Skills  
Employees**



# **Employment Relationships**

## **Comfort zone**

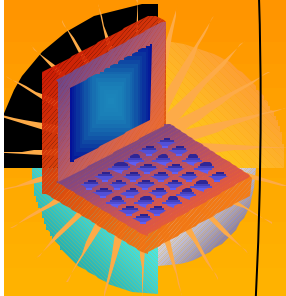
- Full time**
- On-site**
- Uninterrupted tenure**
- Exclusive focus**
- Job centered**
- Independent**
- Low turnover**

## **Discomfort zone**

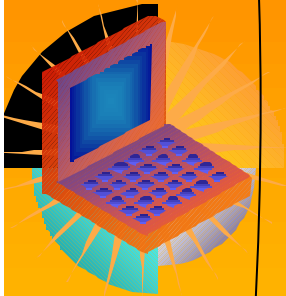
- Fluctuating time**
- Multiple locations**
- Interrupted tenure**
- Non-exclusive focus**
- Skill and task focused**
- Interdependent**
- High turnover**

# Why Is Retention Important?

Retaining  
Your  
Hot Skills  
Employees



- **Consistency of work, ability to meet goals**
- **Quality of work and products**
- **Business, customer, and work history and context**
- **Productivity and efficiency**
- **Control of activities**
- **Skill, knowledge and capability**
- **Culture, value and purpose constancy**
- **Escalating turnover impact and costs**

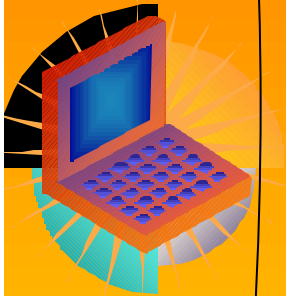


# **How Can We Get There with High Turnover?**

- **Rapid integration of new employees**
- **Rapid competency development**
- **Effective project management and tracking**
- **Employees with multiple skill sets**
- **Easy access to knowledge when needed**
- **Clear goals, expectations, processes**
- **Continual learning, feedback and knowledge transfer**

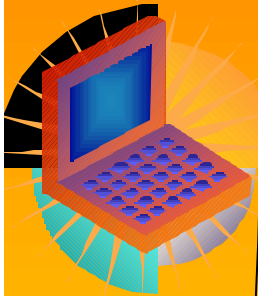
# Opportunities from High Turnover

Retaining  
Your  
Hot Skills  
Employees



- **Constantly challenging status quo**
- **Fresh perspectives**
- **Introduction of new thinking**
- **Conscious transfer of learning**
- **Innovation**
- **Disruption of complacency**
- **Greater awareness of key support systems**

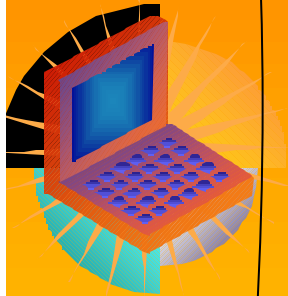
**Retaining  
Your  
Hot Skills  
Employees**



# Looking at the Whole Picture

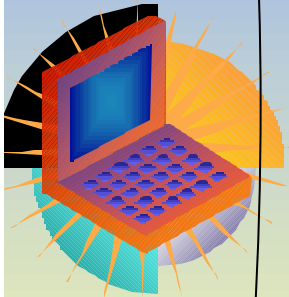
<b>Environment</b>	<b>Business Impact</b>	
	<b>Positive</b>	<b>Negative</b>
<b>High turnover</b>	<ul style="list-style-type: none"><li>• <b>New thinking</b></li><li>• <b>Shakes status quo</b></li><li>• <b>Continual learning</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Disruption of work</b></li><li>• <b>Loss of history</b></li><li>• <b>Cost</b></li></ul>
<b>High retention</b>	<ul style="list-style-type: none"><li>• <b>Continuity</b></li><li>• <b>Community</b></li><li>• <b>Consistency</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Complacency</b></li><li>• <b>Well worn paths</b></li><li>• <b>Skepticism of new</b></li></ul>

**What is YOUR picture?**



# **Create Your Retention Profile**

- **Analyze loss: turnover rate, skills lost, reasons for loss**
- **Analyze gain: tenure profile, skills you keep, reasons for staying, acceptance ratio, job satisfaction or engagement factors**
- **Identify your retention risks**

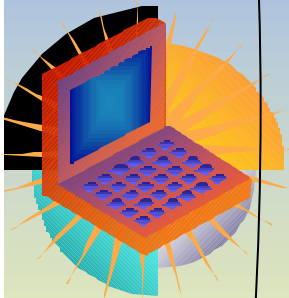


# Retention Strategies

- **Competitive compensation** → **Required**
- **Strategic people practices** → **Key differentiators**
- **Workforce strategy development, execution and change** → **Critical supporting systems**

# Hot Technologies Survey Participants and 100 Best Companies

Retaining  
Your  
Hot Skills  
Employees



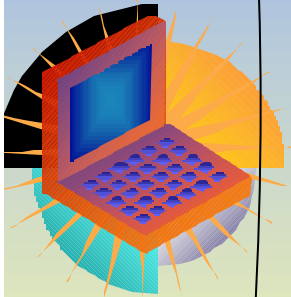
## Hot Technologies

- 92% alternative work schedules
- 28% mentoring programs
- 8% paid sabbaticals
- 63% on-site ATM
- 32% convenience services
- 9% personal concierge services
- **12% voluntary turnover (high tech employees)**

## 100 Best

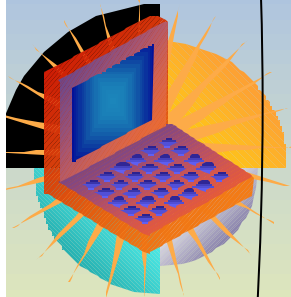
- 100% alternative work schedules
- 64% mentoring programs
- 29% paid sabbaticals
- 82% on-site ATM
- 77% convenience services
- 26% personal concierge services
- **10% voluntary turnover (mgr/prof employees)**





# **What You Need to Find Out**

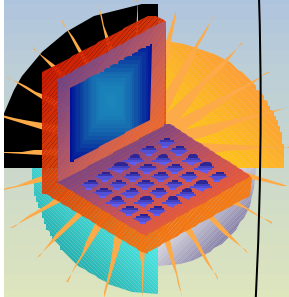
- **What are employees experiencing in their work here?**
- **What are the primary reasons that people join and remain in the organization?**
- **Why do some employees contribute extra effort and others do not?**



# **Engagement**

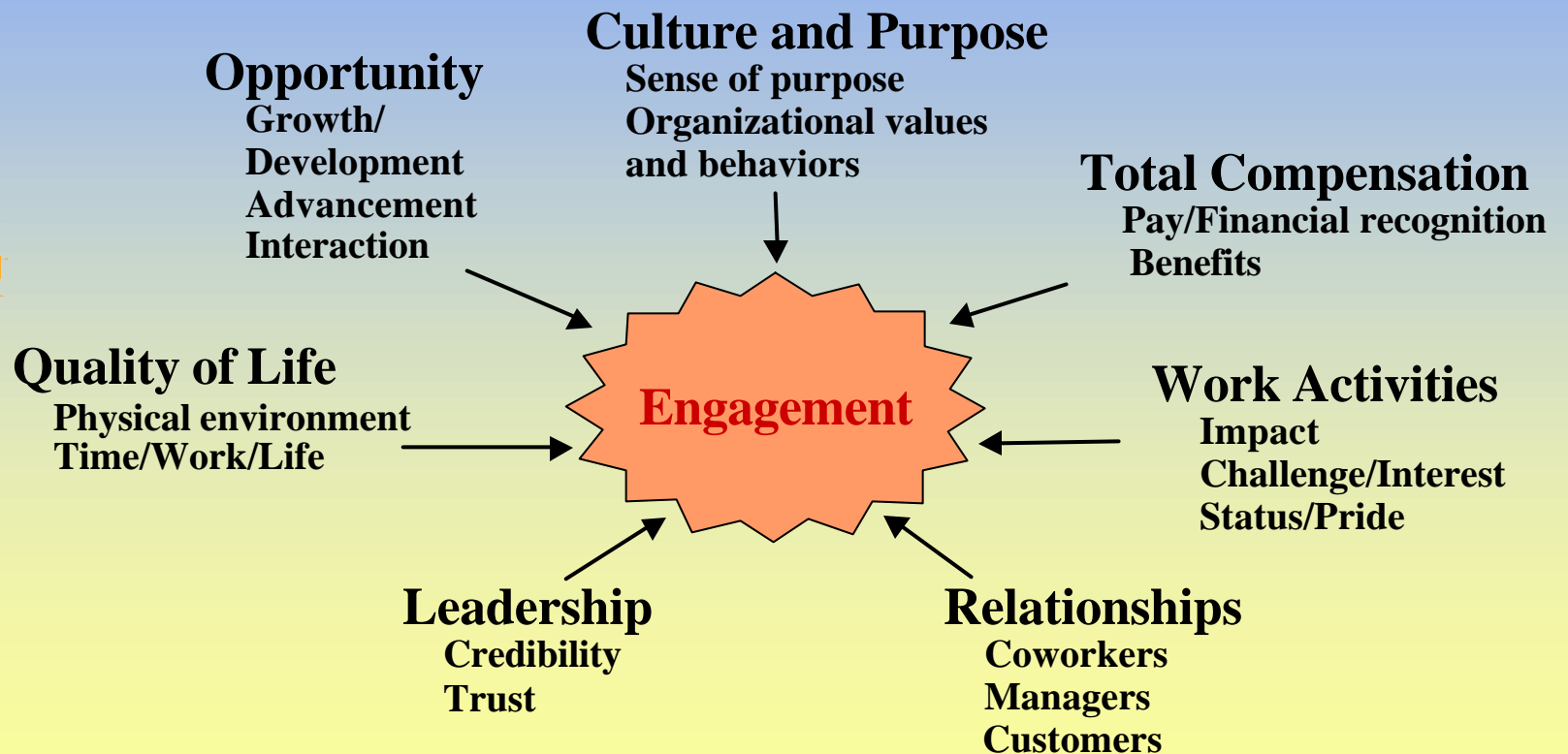
- **“A state of emotional and intellectual commitment to an organization”**
- **Engaged employees will be more likely to**
  - **Stay with an organization despite competitive offers**
  - **Express a consistently positive viewpoint about their company**
  - **Exert discretionary effort that contributes to business results**

Retaining  
Your  
Hot Skills  
Employees



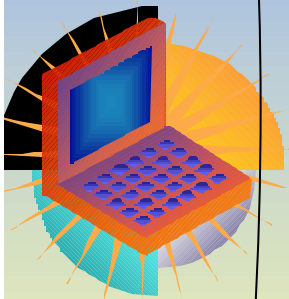
# Overview of Engagement

## The Seven Factors



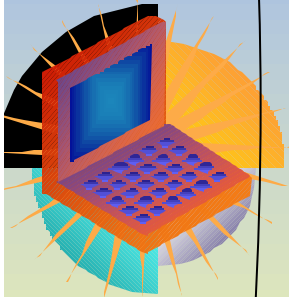
# Enhancing Engagement at One Company's IT Groups

Retaining  
Your  
Hot Skills  
Employees



Impact of This Predictor	IT Logistics	IT Strategic Solutions	IT Operations Data Center	IT Application Development
Culture and Purpose	1.9	2.0	1.8	1.0
Total Compensation	0.7	0.6	0.6	1.3
Work Activities	1.1	1.2	0.8	1.9
Relationships	0.5	0.7	0.5	0.5
Leadership	0.3	1.0	1.4	0.7
Quality of Work/Life	1.4	2.1	1.1	0.6
Opportunity	1.7	2.5	2.1	3.2
<b>Engagement Rating</b>	<b>81</b>	<b>78</b>	<b>73</b>	<b>78</b>

Source: Proprietary survey conducted by Hewitt Associates

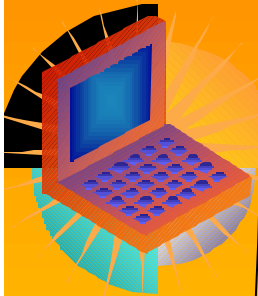


# **Key Considerations**

- **Identify your retention needs**
- **Create your retention profile**
- **Determine the “systems” that will help you manage well with high turnover**
- **Match these with your IT and business strategy**
- **Work in partnership with IT**

# Managing the Hot Skills Contradictions

Retaining  
Your  
Hot Skills  
Employees



## **I want ...**

- **Autonomy**
- **Flexible assignments**
- **Promotions, fast rise**
- **Sense of community**
- **Continuous learning**
- **High compensation**

## **and I want ...**

- **Team membership**
- **Specific roles**
- **Short tenure**
- **Remote, flex-hours**
- **Critical assignments**
- **Greater life balance**

dH

# Retaining Your Hot Skills Employees . . . Use Dollars AND Sense

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**John H. Davis, Ph.D., CCP**  
**Hewitt Associates**  
**Suite 100**  
**2201 West Royal Lane**  
**Irving, Texas 75063**  
**972-402-8700**  
**[www.hewitt.com](http://www.hewitt.com)**