Opinion and feedback

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Firms need balanced 'campaign to retain' IT workers

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Guest Columnist

COMMENTARY

Fully 55 percent of chief executive officers with the fastest-growing technology companies recently reported in a survey that finding, hiring and retaining qualified employees is their most significant challenge.

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While this statistic may not seem remarkable, consider what only 17 percent of these CEOs said is their second-biggest challenge — "keeping up with technological advances and rapid market changes."

The **Information Technology Association** has forecast a need for 1.2 million new IT professionals. About 850,000 of these positions will go unfilled because demand far exceeds the supply. Things will get worse over the next 15 years as we experience a 15 percent decline in people age 35 to 44.

Because about one-third of IT workers believe that pay matters most, many companies enhance their compensation packages, stock options and signing bonuses. While paying competitively is necessary, the companies with the highest turnover rates actually pay higher salaries on average than those with lower turnover.

The companies who are winning the war for IT talent are those with balanced retention strategies.

American Century began by asking its IT workers what would keep them there. Responses included more-flexible work schedules, training and development tailored to their skill deficits, and performance-based bonuses. American Century complied. Within a year, it reduced turnover rate among IT staff from 16 percent to 5 percent.

Software developer **SAS Institute** ranked third among *Fortune* magazine's "Best Places To Work in America" without offering a single stock option. Instead it implemented a "lifestyle benefit" strategy.

SAS built the best on-site child care center in the state; added a gymnasium, billiards, pingpong, volleyball and art on every wall; and showed its commitment to a balanced life for its employees by not opening the company gates until 7 a.m. and closing them promptly at 6 p.m.

With salaries that are no better than competitive, SAS has achieved a 3.7 percent turnover rate in an industry that averages 20 percent. With 5,000 employees, that works out to 850 employees per year it isn't losing, saving it $67.5 million a year.

The list of new perks and benefits offered by employers of IT workers gets longer every year. The list includes pets at work, office playrooms and quiet rooms, coffee bars, food cabinets, catered meals and on-site services of every kind — dry cleaning, laundry, haircuts, shoeshines, massages, flu shots and concierges to run errands. And yes, these are all expensive investments.

But the seminal question is actually: Which is more expensive — absorbing turnover costs that average 100 percent of a departing IT professional's salary, or investing in a strategy to keep current employees?

Companies willing to look at actual turnover costs generally choose the latter course. Many begin their "campaigns to retain" by engaging consultants to do what only an outside party can really do well — exit interviewing. Former employees are much more likely to reveal their root-cause reason(s) for leaving and give more rich and detailed feedback when interviewed by a trained outside professional after leaving.

What companies learn from such interviews is that cutting turnover is about good management. The companies with the best IT retention rates are not the ones with the most designer perks — they are the ones that have weeded out the bad managers.

Entex Computer Services, for example, realized savings of $3 million in one year through a retention strategy that included better people-management training and its decision to base 20 percent of managers' bonuses on their turnover-management skills.

Leigh Branham is vice president, consulting services, with the heartland region office of Right Management Consultants and leads the firm's regional talent management practice. His new book is Keeping the People Who Keep You in Business: 24 Ways to Hang On to Your Most Valuable Talent (Amacom Books, 2000).

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