



## Retention Strategies for IT Professionals

*Not a problem? Think again.*

An organization's ability to achieve its business mandate is increasingly dependent on the use of information technology and the performance of IT professionals.

For many organizations, IT is mission-critical and IT professionals are strategic resources. The effective utilization of IT depends on the availability of IT professionals to plan, develop, maintain and integrate information systems applications.<sup>1</sup>

CIO's are expected to adopt and make the most cost-effective use of the latest technologies – which change at a relentless pace. At the same time, older systems must be maintained. Against this backdrop, human capital (your people resources) will always be needed to sustain and enhance existing capabilities as well as to exploit new opportunities.

Unanticipated changes in your IT resource pool can have devastating business impacts -- disrupted projects, overruns on schedules and budgets, quality issues, and loss of corporate memory to name just a few.

It may be relatively easy to replace IT professionals today. But will things remain this way forever?

While some turnover is generally considered a good thing, what concerns managers the most is the unwanted and unexpected separation of high-performing talent.

### **Do You Have a Retention Deficit?**

*You don't have to do anything to retain employees when they have nowhere to go. But doing nothing now will lead to problems tomorrow.<sup>2</sup>*

This statement accurately describes the IT labour market in 2003. With the exception of high-demand business critical skills, recruitment of IT talent is nowhere near the challenge it was during the IT labour crisis of 1998-2000.

Since then, managerial attention has been diverted from innovative HR practices for the attraction and retention of IT staff to a culture of cost-cutting and belt-tightening. With a recovery in sight this approach needs to change.

There are indications all around us of a resurgence in IT demand by 2006 -- if not sooner. The Software Human Resources Council in Canada stated in May, 2003 that; "Based on our research, it is expected that the Information Technology sector will recover in 18-24 months."<sup>3</sup>

How many of your top performers are simply biding their time -- waiting until the market improves before bolting to the next job?

The Herman Group in North Carolina uses the term “warm chair attrition” to describe this. Employees suffering from warm chair attrition have already left their jobs, at least mentally. Their physical departure only awaits the first uptick in the job market.

*“For CIO’s whose IT departments are so afflicted, the long-term prognosis isn’t good. Sure, with IT employment stagnant, there aren’t a whole lot of options available for your database analysts, network administrators, software developers or help desk personnel. But when the tide does turn – and the only debate today seems to be over the issue of when, not if – the result be a mass exodus. And it won’t be the laggards who leave... the first people out the door will be the folks with most options – the best employees in your organization.”*<sup>4</sup>

### **What the Academics Say**

There have been a number of studies on why IT professionals leave their employers

In June 2000 Josefek and Kauffman introduced Human Capital Theory to the study of IT-related employment. Human Capital is defined as the stock of knowledge, skills and abilities embedded in an individual. This is the product of natural endowment, and one’s investment in education, training and experience.

They found that in many ways, IT professionals are unlike other groups of employees. Traditionally, younger workers have a relatively small investment in specific (to the firm) human capital – which means that the cost of separation is less for younger workers than for older workers. Older workers often derive significant benefit from specific skills and knowledge gained through tenure at a firm, and are reluctant to abandon this by joining a new employer.

In IT, the combination of high knowledge content, rapid technological change and “high cost, short half-life skill sets” causes non-traditional behaviour. Age and tenure become much less valuable as predictors of separation than they are for other workers. In other words, with their investment in systems expertise eliminated by the arrival of new technology, older IT professionals are just as likely to separate as younger ones.<sup>5</sup>

In late 2000, Wingreen created a model of training factors for IT professionals and made some challenging statements.

*“It is believed that IT professionals have needs, habits and behaviours that are peculiar in comparison to those of professionals in other fields... The information technology landscape changes rapidly, and it is difficult for IT professionals to remain current in (this) constantly changing field... It is possible for an IT professional to be actively engaged in training on a regular basis and still find their skill set outdated because the state of information technology has advanced more rapidly than their progress in training.”*<sup>6</sup>

In 2000, Paré and Tremblay examined the influence of HR practices on the turnover intentions of IT people. They identify six ‘compelling’ HR practices that an organization can employ to increase commitment and decrease turnover intentions among IT employees.

1. Non-monetary recognition of performance. (They found that this was the only predictor of what they call Organizational Citizenship Behaviour – employees’ willingness to go above and beyond their prescribed roles);
2. Empowerment (increased responsibility for work and decision making);
3. Distributive justice (e.g. equitable compensation) and procedural justice (equitable rules and procedures);
4. Competence development practices (e.g. job rotation, mentoring, training);
5. Work-family policies (e.g. flextime, special family-based leave provisions); and
6. Information sharing (making IT professionals aware of the larger context within which their work resides).<sup>7</sup>

In a subsequent study, Paré and Tremblay went on to state that, for most IT professionals, a significant portion of their motivation is derived from the recognition they receive from their managers for a job well done and the feeling that they are truly an important part of the organization.

Their results indicate that distributive justice (equitable compensation) practices have a significant effect on turnover intentions among IT professionals.

*“The more an (IT) employee will perceive a high level of internal equity (in comparison with other employees of the same department and/or the same company) and external equity (in comparison with individuals occupying a similar job in other organizations) in regard to issues such as compensation and benefits, performance evaluation, and promotions, the less he will intend to leave his current employer. It (therefore) seems clear that the notion of equity, both internal and external, must be considered as a critical component of a corporate IT retention strategy.”<sup>8</sup>*

Of course, this is something that the HR and Compensation communities have known for years.

Paré and Tremblay make additional statements about HR practices:

- Training is too often seen as a perk when it should be viewed as an essential investment in the intellectual capital of the organization. This is more acute in IT where change is rapid and one can become the ‘department’s dinosaur’ in a flash;
- Training, coaching, job rotation programs, and opportunities for experimentation send a clear message that management is seeking to establish a long-term relationship with employees; and
- Managers must help employees shape and direct their careers, so they can gain experience within the enterprise rather than outside it.<sup>9</sup>

Agarwal and Ferratt have published several key reports on strategies and practices for the effective retention of IT staff.

*“Conventional wisdom suggests that in order to retain productive employees, it is necessary to pay them well and given them interesting work. Unfortunately, conventional wisdom does not always appear to apply to IT! Often, even organizations that offer competitive salaries and work with leading-edge technologies experience high levels of dissatisfaction and higher than desired turnover among their IT staff. It is time to reevaluate traditional modes of thinking and seek more innovative approaches to retention.”<sup>10</sup>*

## Retention Getters

The ability to retain IT professionals so that they can provide effective contributions to your organization's success is an outcome of your HR practices. But what works, and what doesn't work?

Many on the front line say that retention of IT professionals isn't as simple a matter as offering them new perks or fatter salaries, although each of these elements is part of an overall strategy. Rather, keeping those employees depends on the organization's willingness to reach beyond traditional approaches.<sup>11</sup>

More money is not the answer. First of all, most organizations these days don't have any more money. Since recruiting is not an issue, and economic recovery is not on the immediate horizon, there is no corporate will to pay today to solve tomorrow's problem.

Money is a hygiene factor (Herzberg, 1959). If feelings of inequity are present (i.e. higher-paid staff doing similar jobs – either elsewhere or in the same organization), then the perceived lack of competitive pay is a de-motivator. However, if pay is perceived to be equitable, or even better, the extra compensation is not a motivator.

According to *ComputerWorld*, the second most important retention factor, excluding salary, is 'Quality of the Boss'-- how staff are managed.<sup>12</sup>

A survey by the American Electronics Association found that the top ten retention techniques (by degree of effectiveness) are:

1. Challenging work assignments
2. Favorable work environment
3. Flextime
4. Stock options
5. Additional vacation time
6. Support for career / family values
7. Everyday casual dress code
8. High-quality supervision and leadership
9. Visionary technical leadership
10. Cross-functional assignments, tuition and training reimbursement<sup>13</sup>

Other retention getters include:

### Communication about Career Development

Frank and frequent communication between an employee and his/her manager or mentor about career development activities: This is critical. This should include assessing an employee's competencies in terms of technical ability, project management, innovation, effectiveness, communications and process skills.<sup>14</sup>

### Employee Surveys

Surveying the IT department, or conducting focus groups: Asking your employees what they like about their jobs, what they need in terms of training and mentoring that they aren't getting. Where do they envision their careers going? What is the level of employee satisfaction?

## The Female Population

Determining the percentage of women in the IT department: How does their turnover rate compare to the male turnover rate? What is being done to retain them? At the National Security Agency, 41 percent of the computer scientists are women (compared to 29 percent in the U.S. IT workforce). The NSA appeals to women with continuing education programs, on-site child care, flexible work arrangements for employees with child and elder care responsibilities and fitness centres. In the boom year of 2000, and despite its public sector pay scales, the NSA enjoyed zero attrition among its female employees. <sup>15</sup>

## Learning and Development

Some organizations make training mandatory, where taking specific classes is an integral part of the annual performance review; and where IT professionals are held accountable for maintaining top-notch technical skills. To qualify for promotions and bonuses, managers must demonstrate that their direct reports have met their annual training goals.

## R.E.S.P.E.C.T.

Treat your IT Professionals with R.E.S.P.E.C.T. According to the Interpersonal Technology Group in New York – who offer a workshop entitled “Managing for the Retention of IT Professionals” - this stands for:

- Relate to your employees
- Engage and communicate
- Support personal needs
- Personalize their development
- Encourage them
- Compensate fairly
- Trust them<sup>16</sup>

## Detailed IT Retention Practices

Based on a major survey of CIO’s and HR executives, Agarwal and Ferratt have created a model of leading IT retention practices. <sup>17</sup>

Category	Practice
<b>Performance Measurement</b>	Processes by which IT employee performance is appraised. If properly conducted, this can be an important ingredient in retention. It includes: <ul style="list-style-type: none"><li>▪ Persistent and accurate feedback</li><li>▪ Annual ‘traditional’ performance appraisal</li><li>▪ More frequent appraisals</li><li>▪ 360-degree performance assessment</li></ul>
<b>Compensation and Benefits Systems</b>	<ul style="list-style-type: none"><li>▪ Bonus / variable compensation</li><li>▪ Market-anchored compensation</li><li>▪ Flexible benefits, sabbaticals</li></ul>
<b>Work Arrangements</b>	The productive IT professional thrives on technical challenge and achievement. Work arrangements are the nature of the work individuals have the opportunity to experience and how they relate to one another, including: <ul style="list-style-type: none"><li>▪ Teams, and cross-functional teams</li></ul>

Category	Practice
	<ul style="list-style-type: none"> <li>▪ Interesting work</li> <li>▪ Rotation across jobs and technologies</li> <li>▪ Redesign of work space to accommodate team work</li> </ul>
<b>Employability Learning and Development</b>	<p>The amount of training offered is a critical consideration in an IT professional's decision to stay or leave. Activities include:</p> <ul style="list-style-type: none"> <li>▪ Systems to identify learning and development needs</li> <li>▪ Development plans</li> <li>▪ Line of sight career growth</li> <li>▪ Learning to enhance current skills or to develop additional skills</li> <li>▪ Competency training</li> <li>▪ Tuition reimbursement</li> <li>▪ Training programs</li> <li>▪ Use of mentors</li> </ul>
<b>Longer-Term Career Development</b>	Activities that develop business and leadership skills.
<b>Opportunities for Advancement</b>	This includes career management systems, career streams, career paths (especially dual career paths – both managerial and technical), and promotion from within.
<b>Opportunities for Recognition</b>	<p>Programs that allow managers to recognize and reward outstanding or exemplary performance, such as:</p> <ul style="list-style-type: none"> <li>▪ Non-monetary rewards (e.g. birthday cards, tickets)</li> <li>▪ Awards</li> <li>▪ Monetary rewards / bonuses</li> <li>▪ Basic recognition activities such as saying 'thank you' and the 'reinforcing memo'</li> </ul>
<b>Quality of Leadership</b>	<ul style="list-style-type: none"> <li>▪ Employee empowerment and participation in decision-making</li> <li>▪ Management training and development</li> </ul>
<b>Sense of Community</b>	<p>IT leaders who are successful in retaining their IT staff recognize the key role played by a sense of belonging and community within the IT organization:</p> <ul style="list-style-type: none"> <li>▪ Management communications</li> <li>▪ MBWA (Management by walking around)</li> <li>▪ Keeping messages consistent</li> <li>▪ Lunch with the CIO for all new employees</li> <li>▪ CIO chats, group breakfasts, cafeteria visits</li> <li>▪ Social activities</li> <li>▪ Town hall meetings</li> <li>▪ Intranets / employee portals</li> </ul>
<b>Lifestyle Accommodation</b>	<ul style="list-style-type: none"> <li>▪ Relaxed environment</li> <li>▪ Casual dress code</li> <li>▪ Accommodating work / time arrangements such as: <ul style="list-style-type: none"> <li>○ Flexible start / end times</li> <li>○ Compressed work weeks (e.g. four day week)</li> <li>○ Bi-weekly schedules of nine days, with every second Friday off</li> <li>○ Summer schedules</li> </ul> </li> </ul>

## Nortel Networks

One company that is addressing HR issues head-on is Nortel Networks. After three years of massive layoffs and a plummeting drop in share values, you might expect to find that keeping and motivating remaining staff is a concern. In fact, the opposite is true.

According to Helen Cooper, Vice-President Human Resources for Optical Networks and the Chief Technology Office, the remaining staff have made a conscious decision to stay.

Ms. Cooper reflects on current demographic market data that suggests there will be a large upswing in demand for human resources (including IT professionals) by 2006. There is a strong corporate vision about the future of network convergence and the changing boundaries of communication. The goal is to be the global leader in this area. As their web site says: *“Lots of company’s can offer you a job. How many ask you to lead a revolution?”*

Ms. Cooper says that the company’s business strategy and HR strategy are one and the same. The focus is on leadership and values as key differentiators. Executives are “the best people in the business” and strongly reflect the values of the company. This ‘walk the talk’ attitude permeates the organization. Staff are excited and motivated. In fact, nearly all of the alumni (former employees who have been let go) would return to Nortel.<sup>18</sup>

## Conclusion

*“Is corporate HR a partner or the enemy? The relationship between IT organizations and the HR function has not always been harmonious – IT often views HR as slow, unresponsive, and out of touch with the realities of the IT labour market, while HR perceives IT as the group of people who upset the organization’s compensation schedules...”*

*Successful IT leaders (are) working hard at bridging differences between the two groups by establishing a boundary-spanning role – the dedicated IT HR person.”<sup>19</sup>*

The evidence is clear that organizations adopting a long-term dominant HR retention and investment strategy for their IT professionals are most likely to experience the least turnover. This is clearly something to keep in mind as the economy (and with it the IT labour market) slowly but surely recovers.

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## End Notes:

<sup>1</sup> “Enduring Practices for Managing IT Professionals”, Ritu Agarwal and Thomas Ferratt, Communications of the ACM (September 2002)

<sup>2</sup> “Here in Body Only”, Reality Bytes, CIO Magazine (August 15, 2003)

<sup>3</sup> Paul Swinwood, President, Software Human Resources Council, IT Learning Event, May 2003 (Reported by the Organizational Renewal Office, CIOB, Treasury Board Secretariat, Government of Canada)

<sup>4</sup> “Here in Body Only”, Reality Bytes, CIO Magazine (August 15, 2003)

<sup>5</sup> “IT Human Capital at Work: The Information Systems Professional’s Decision to Leave the Firm”, Robert Josefek, Jr. and Robert Kauffman, USC and University of Minnesota (June 2000)

<sup>6</sup> “Theoretical Model of Training Factors for IT Professionals”, Stephen Wingreen, University of South Florida (December 2000)

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- <sup>7</sup> “The Impact of HR Practices on IT Personnel Commitment, Citizenship Behaviours and Turnover Intentions”, Guy Paré and Michel Tremblay, Ecole des Hautes Etudes Commerciales (August 2000)
- <sup>8</sup> “The Measurement and Antecedents of Turnover Intentions among IT Professionals”, Guy Paré and Michel Tremblay, Ecole des Hautes Etudes Commerciales and CIRANO (September 2000)
- <sup>9</sup> Paré and Tremblay (September 2000)
- <sup>10</sup> Agarwal and Ferratt (September 2002)
- <sup>11</sup> “Retention Deficit Lessons”, Alan R. Earls, Computerworld (February 1998)
- <sup>12</sup> Interpersonal Technology Group, Inc., Rockville Centre, New York (2003)
- <sup>13</sup> “Above All Else, IT Workers Need Challenge”, Survey of Hiring and Retention Practices by the American Electronics Association, Patrick Thibodeau, Computerworld (January 2001)
- <sup>14</sup> “Building Careers, Not Just Jobs”, Sharon Watson, Computerworld (June 11, 2001)
- <sup>15</sup> “How to Retain I.T. Staff in Boom Times and Bad”, CIO Focus (2002)
- <sup>16</sup> “Managing for the Retention of IT Professionals”, Management Workshop, Interpersonal Technology Group, Inc., Rockville Centre, New York (2003)
- <sup>17</sup> Modified, but based on: “Coping with Labor Scarcity in Information Technology”, Ritu Agarwal and Thomas Ferratt (Pinnaflex Educational Resources, Cincinnati, 1999)
- <sup>18</sup> Helen Cooper, VPHR, Nortel Networks, Ottawa, Ontario, Canada (Nov. 2003)
- <sup>19</sup> Agarwal and Ferratt (September 2002)