

# 5

## RETAINING TOP TECHNOLOGY TALENT

### WHITE PAPER

High-caliber employees are always a flight risk – including new employees. Eager for new challenges, they can't help but be attracted to new career opportunities. But with a well-considered and focused approach to employee retention, your chances of star employee retention and long-term team development are greatly increased.

# 5 RETAINING TOP TECHNOLOGY TALENT

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## EXECUTIVE SUMMARY

Losing a key employee with little warning can be detrimental to important projects, not to mention the potential financial impact that comes from missed deliverables. The falloff in productivity associated with losing a high-performing employee, plus the costs associated with recruiting, hiring and training a replacement, can cost the company as much as two times the person's salary. Not surprisingly, employee retention is becoming a growing concern amongst technology managers.

With no general industry consensus on the perfect retention program, the best solution is almost always a combination of factors. Above-average salary is typically at the top of the list, but it's what you combine with a paycheck that makes the difference. By considering and implementing some combination of benefits, perks, feedback and growth opportunity, your chances of keeping your team intact long-term are increased dramatically.







# RETAINING HIGH-CALIBUR TECH TALENT

HIGH-CALIBER EMPLOYEES ARE ALWAYS A FLIGHT RISK – INCLUDING NEW EMPLOYEES. EAGER FOR NEW CHALLENGES, THEY CAN'T HELP BUT BE ATTRACTED TO NEW OPPORTUNITIES. AND WITH INTERNAL PROMOTIONS AND ACCOMPLISHMENTS DIFFICULT TO KEEP SECRET, COMPETITORS ARE ALWAYS GUNNING FOR THEM – ESPECIALLY IN THE TIGHT EMPLOYMENT MARKET THAT THE IT INDUSTRY IS EXPERIENCING CURRENTLY. BUT WITH A WELL-CONSIDERED PACKAGE OF INCENTIVES, IT'S POSSIBLE TO INCREASE THE CHANCES OF RETAINING YOUR STAR TALENT.

## THE INCREASING IMPORTANCE OF RETENTION

Losing a key employee with little warning can be detrimental to important projects. Sometimes, everything must be put on hold while a replacement is found or groomed from within. The hit to the corporate bottom line is also a big negative. The falloff in productivity associated with losing a high-performing employee, plus the costs associated with recruiting, hiring and training a replacement, can cost the company as much as two times the person's salary. Other implications to consider include:

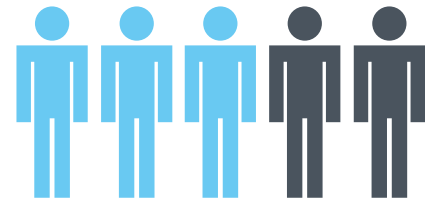
- Hiring a replacement gobbles up time and resources.
- Finding an equally qualified replacement could be very difficult, or impossible.
- High turnover is a red flag for co-workers.
- High turnover is distracting for projects, teams and departments.

On the other hand, the longer you're able to retain your core team, the more you can accomplish, the more money you save the company, and the less disruptive it will be for the rest of your team.

## THE CURRENT SITUATION

While turnover in IT is well below average currently, a new survey and a government report show that the number of workers choosing to quit is rising for industries across the board – a situation that the Wall St. Journal says suggests “workers are finding more opportunities and feeling more confident about jumping ship.”

Another potential reason for the increasing number of resignation letters: more than 50% of U.S. workers are unsatisfied with their jobs, according to an annual survey from the Conference Board. In fact, three out of five U.S. workers say they would be willing to leave their current employer should a competitive offer with another company come their way.



**3 OUT OF 5**  
U.S. workers would be willing to leave their current employer should they receive a competitive offer from another company

### Retention Factor #1: Salary & Raises

Competitive salaries should always be at or near the top of any employee-retention program. While the argument can be made that money isn't everything, there's no doubting that above-market salaries are very effective recruiting and retention tools. Awards and public recognition are important to high-performing employees; but you've got to reward them in their pocketbook, as well. And while companies with extremely strong brands and dynamic workplaces may not have to pay as much, those that don't carry the same cache do if they want to prevent employees from jumping ship.

Establishing a starting salary for a new hire can be a relatively straight-forward process – especially if you have a staffing partner assisting with the search. What many companies find more troubling is how often to dole out raises, which is the factor driving retention. According to a recent survey by the research arm of Talent Management magazine, 88% of HR professionals consider pay to be the most important form of employee compensation, and 42% of companies are planning to offer employees salary increases in the coming year. Yet, the same survey found that nearly 68% of those companies do not have a formal review process for determining pay equality (a system for ensuring that the right people are earning the right amounts, in relation to their co-workers).

Adding to the conundrum is the fact that some companies are offering their tech workers raises and bonuses more often than once-a-year, in order to increase retention. Currently, only about 5% of the 1,147 companies surveyed are following this practice, but if the idea of rapidly recurring raises catches on, and there's no formal equity process guiding it, tech salaries at these companies could get out of hand very quickly.



#### **Retention Factor #2: Job Responsibilities & Autonomy**

Your current team is far more likely to stay if you provide them with engaging work, and the freedom to make more of their own decisions. Most employees – especially high-performers – crave responsibility and the challenges that accompany it. Big projects, special projects, problem projects, they're all very attractive to those who like to lead teams and challenge norms. And along with those additional responsibilities should come increased autonomy: the freedom and trust to test new approaches, develop new processes and just generally act more like a company principal, even the owner. Under conditions like these, high-caliber employees will flourish, and you can worry just a little bit less about them giving notice anytime soon.

***But what's universal is the ingrained desire all people have to be told their actions are making a difference***

#### **Retention Factor #3: Rewards & Recognition**

Some employees prefer low-key compliments from their direct supervisor, like a gift certificate to the neighborhood coffee stand. Others want to be personally recognized by a senior executive, or publicly feted at an awards ceremony. Points programs that allow exemplary employees to earn products can also be popular. But what's universal is the ingrained desire all people have to be told their actions are making a difference, and they're highly valued by their employer.

As a manager, it's up to you to match the recognition to the person, based on their personality and desires. The best approach may be to simply sit down with the employee, let them know they've been doing an outstanding job, and give them some choices regarding recognition. According to a respected survey, most companies handle the implementation of their rewards programs internally, while 15% outsource at least some aspect.

#### **Retention Factor #4: Professional Development Opportunities**

A manager who encourages the professional development of their direct reports is much more likely to earn their respect and loyalty – two factors that figure heavily into an employee's decision to stay or move on. The most common development options include internal and external training, coaching, 360-degree feedback, job expansion, promotion and tuition assistance. The key is understanding that one size doesn't fit all. Some employees may need training, but don't realize it. Others may be harboring dreams of getting an advanced degree. A few might have their eyes set on a promotion, but not know how to go about getting it. Step one requires creating a personal development plan for each individual on your team.

As part of that planning, you'll need to consider the financial investment as well. Many companies focus most of their development dollars on the highest-performing employees rather than spending that money trying to fix poor performers. But experts recommend a balance of those approaches to avoid turnover and obtain the best results.

Another factor that requires balance: determining which opportunities would be best suited to an employee's personal goals as well as to the organization's needs. If the company has no intentions of expanding internationally, paying for an employee to complete an educational program in international marketing may be counterproductive.

#### Retention Factor #5: Benefits

The world of benefits for high-tech workers can seem never-ending: First it was casual dress, free snacks, booze and dry-cleaning; and creative-brainstorming rooms with sofas and table games. Then Microsoft added WiFi-enabled employee shuttles, while Google created nap pods and on-site gourmet restaurants. Now, Facebook and Apple are offering to freeze the eggs of its female workers.

Peter Cappelli, a professor at the Wharton School of the University of Pennsylvania, argues that these super-charged benefits don't inspire productivity. In fact, he says, they instead create entitled employees who soon take the benefits for granted. But, from a retention standpoint, the reality is, you need to match at least some of the best benefits your competitors are offering or your most valuable workers will walk.

How does your company stack up? Use the following chart to get a feel for who's offering what:

PERKS OFFERED:	TECH COMPANIES	NON-TECH COMPANIES
Telecommuting or flex time	<b>70%+</b>	50%
Travel accident insurance	<b>63%</b>	37%
Incentive bonuses to C-class executives	<b>73%</b>	52%
Temporary relocation benefits	<b>41%</b>	23%
Paid house-hunting trips	<b>34%</b>	20%
Incentive-based stock options	<b>25%</b>	9%
Casual workplace attire every day	<b>50%</b>	34%
Allow employees to keep frequent flier miles	<b>82%</b>	67%
Undergraduate and graduate tuition reimbursement	<b>71%</b>	60%
401K matching	<b>49%</b>	36%
Paid military leave	<b>35%</b>	22%

*\* Source: Silicon Valley Business Journal study of data from the Society for Human Resource Management.*

With a little out-of-the-box thinking, non-tech companies can even add some of the benefits normally only found in Silicon Valley. Whatever you offer, be sure to remind employees of the benefits available to them on a regular basis. The last thing you want is for an employee to take a position somewhere else because they are unclear on the benefits available where they are.



## SO WHAT DO TECH WORKERS ACTUALLY WANT?

According to an informal poll by a Forbes magazine columnist, the list of non-traditional benefits favored by tech-workers is not so wacky after all (if you make an effort to think creatively about how they're implemented):

### 1. A Game Room

This can be as simple as a spare office with a foosball table, where employees can not only have fun but also interact with co-workers

### 2. Good Eats

But this doesn't need to be an on-site restaurant. It seems Donut Thursdays and Pizza Fridays can also satisfy this desire

### 3. Exercise Opportunities

This includes membership at an athletic club, an in-house gym, company-sponsored yoga or cross-fit classes, even a running club or softball team

### 4. Mental Health Benefits

Or even just stress-relieving group outings

### 5. More than Two Weeks of Vacation

Such as paid maternity/paternity leave; paid sabbaticals, etc.

### 6. Company Retreats

Which can mean anything from happy hour to group vacations

### 7. Discounts on Company Merchandise

as well as free tickets and products

*\* Source: Forbes magazine, 2/19/14*

## Retention Factor #6: Job Security

You can't blame a tech worker for wanting to feel their current role and responsibilities aren't going to be axed or outsourced anytime soon. Yet, many companies make no real effort to provide that confidence boost. After surveying 32,000 workers worldwide, as well as 1,637 human resource executives, benefits consultancy Towers Watson discovered that most employees rank job security "as a critical factor when deciding whether to accept a new position or stay with their current employer," while most HR managers ranked it dead last or not at all.

Yes, job security is an abstract concept, and nearly impossible to guarantee it in this world of at-will employment. Even still, there are some simple things you can do to communicate job confidence to your tech workers (and win their long-term loyalty) with little additional effort:

- Gather your team twice a year and explain the overarching tasks planned for the group. When workers hear about all the work ahead, it gives them confidence that their roles will continue to be necessary.
- Use the quarterly reports the company provides to investors (which are almost always positioned positively) to communicate to your team the company's financial strength, strategy and vision. This information can go a long way towards alleviating anxieties about industry / company layoffs and downsizing.
- Have one-on-one meetings with the key members of your team to discuss their upcoming responsibilities and future roles.



## THE ONGOING RETENTION FACTOR DEBATE

There's a reason why industry experts, and the surveys they produce, can't agree on exactly which retention factors are best at keeping key employees from fleeing: Different approaches work for different people. Plus, the importance of each will fluctuate over time. The 401(k) plan offered to a worker in his 40s may carry much more weight than to an IT employee in their 20s. But once the younger person reaches their 30s, the corporate game room will have lost much of its attraction, and the 401(k) will take on all new importance.

The best retention solution is almost always a combination of factors. Above-average salary is typically at the top of the list, but it's what you combine with a paycheck that makes the difference. While employment law and fairness may require the same retention benefits be available to all, you may be able to tailor the final package to each person on your IT team by offering them choices (telecommuting options, 4-day work week, gym memberships, etc).

The first step is a sit-down meeting with each team member. Ask open-ended questions, and allow each person to talk freely about what motivates them, their desires for the future, their preferred benefits and more. Some managers call these "stay interviews" and offer them at regular intervals. By offering an amount of flexibility, you can better address the needs of individual employees, and determine their overall likelihood to remain with your company long-term based on their goals and work-life priorities.

## NON-COMPETE AGREEMENTS

One way to keep IT workers from leaving for a competing company at a later date is to have them to sign a non-compete agreement when hired. Once reserved for top executives, these agreements are now being used for lower level IT workers, as companies fight to protect their technology trade secrets and key employees.

These are powerful agreements that have proven very successful at not only keeping secrets secret, but also limiting the ability of competitors to poach high-value employees. However, they can also have a chilling effect on industry innovation. While beneficial for the companies that use them, entire industries can suffer when a big contingent of skilled and experienced workers are restricted from advancing their careers with positions at other companies. Therefore, some states (like California) have restrictions on their use, and others (like New Hampshire and Massachusetts) are considering the same.

## THE PROS AND CONS OF COUNTER OFFERS

PROS	CONS
<ul style="list-style-type: none"><li>• The employee may not have had the nerve – or opportunity – to ask for what they wanted before. Having an honest conversation now could lead to a well-needed employee-manager communications breakthrough.</li><li>• An employee wooed back may feel they have something to prove, which can make them more motivated.</li><li>• Losing a key employee can look bad for their manager. But finding a way to retain the person might make you a hero.</li><li>• A counteroffer may only result in a short stay for the employee, but that may be all you need to shuffle responsibilities, or start the search for a replacement.</li></ul>	<ul style="list-style-type: none"><li>• Making a counteroffer shows other employees that they can do the same. It sets a precedent that may be difficult to curb.</li><li>• A counteroffer may keep the employee on-board, but it may not be enough to keep them happy long-term.</li><li>• It may be difficult to trust the employee with a big project again. If they quit suddenly once, they may do the same again later.</li><li>• Offering one employee more money or better benefits could unbalance the equity program for the entire department (for example, the counteroffer could result in a non-manager earning a manager's salary).</li></ul>

## NOT ALL WORKERS SHOULD BE RETAINED

Just because you have a retention program, that doesn't mean you should always use it. Some employees may never be happy working in your department. Others should be replaced with more skilled or productive employees. We all like to think that good overpowers evil. But according to the research of noted social psychologist Roy Baumeister, negative people and actions are far more impactful and memorable for those who experience them than positive people and positive actions. In other words, damage done by just one bad employee can spoil the best efforts of a whole variety of programs designed to inspire productivity.

A workplace study by Baumeister and two other professors found:

- Negative interactions with peers and coworkers have five times the impact on an employee's mood as positive interactions.
- Employees recall the negative actions of their boss "more readily, more intensely and in more detail than positive actions."
- Work teams with leaders who are rude, arrogant or overbearing will be less productive, less creative and less successful than work teams with "persistently positive" leaders.

A separate workplace study performed by three different professors seems to confirm the underlying premise. They found that just one employee with bad behavior, or an outwardly negative attitude, can slash the measurable performance for the rest of the work team by 30% to 40%.

# 5X

The employee impact of  
negative interactions compared  
to positive interactions

# 30-40%

The decrease in measurable team  
performance due to a single employee  
with an outwardly negative attitude

## RIGOROUS SCREENING IS YOUR BEST DEFENSE

The best way to guard against a negative influence is to make sure you always hire happy, productive people. Of course, that's easier said than done. It requires a rigorous screening of all the leading candidates during the interview stage. Combining forces with an experienced staffing partner is one of the most effective ways to quickly screen for attitude, work habits and other candidate soft skills. For a reputable staffing firm, candidate screening is a core skill. Other screening suggestions include:

- Going beyond the references provided by the candidate to speak with others who have worked or interacted with the person (another task a reputable staffing partner can help with).
- Invite the candidate in for a day or two of on-site work and ask them to complete some simple tasks that involve problem-solving, time pressure and interaction with team members.

## LIMITING THE FALLOUT

Even the best screening will occasionally allow entry to a negative influence. And some workers turn into bad apples only after they're hired. However it happens, when faced with a negative influence, you must act quickly and decisively to limit the impact and lasting fallout. Make it clear to the offending employee that bad attitudes are unacceptable. Detail the person's actions in writing. And draw up a plan the employee can use to improve their behavior.

For hard workers who simply aren't a good fit, you might offer them a different position within your department, or a spot in another department. For those who are truly talented and productive, but can't seem to get along well with others, consider assigning them independent projects and having them work from home. These extra efforts can go a long way towards demonstrating your employee loyalty and leadership values.

You should not, however, let a gifted employee with a bad attitude continue disrupting the work of their co-workers. Superstars with bad attitudes who are “too important to fire” can, because of their position, power and influence, have an even greater impact (negatively) on their co-workers than the department manager or anyone else in a senior leadership position.

## CONCLUSION

As fantastic as it would be to find a simple one-size-fits-all approach to employee retention, the reality is that this is a combination that each company must find on its own. Perhaps in your case it's as simple as installing a used pinball machine in the break room, or providing a few “cool” perks to your employees.

But in all reality, the ideal formula is likely more complex than that, including some combination of these superficial benefits done so in conjunction with much more organizational elements such as feedback loops, recognition programs and clearly-defined advancement paths. Whichever direction you choose to pursue, open and transparent dialogue with both high performers and those struggling to keep pace can be a great starting point when considering a programmatic approach to retention.

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