



ISRC Notes – March 1999

Beyond Compensation: Designing IT
Work with Workers in Mind
An ISRC Roundtable Discussion

The March meeting of the ISRC membership was a combination of roundtable discussion and presentation of preliminary survey results of an IT retention and turnover study recently completed by the Hay Group. The survey provided specific Houston-based numbers that could be compared to the national averages from prior surveys. Mr. Michael McKay, National Director Information Technology Effectiveness Platform of the Hay Group, presented the results of the analysis they had performed on the data. A roundtable discussion followed with the members presenting their suggestions for improvement in the most sensitive of hiring and retention issues.

Introduction and Overview

There are many ways to solve IT staff retention problems other than just throwing more money at them. The Hay Group study shows that, as do studies performed by the ISRC. Satisfaction with compensation is obviously one of the component parts of the model but work environment and career development issues are also important in determining overall job satisfaction. Job satisfaction, in turn, is critically important to decisions to stay with or leave a firm. The somewhat surprising results of the model developed from the Hay data shows that compensation is far less significantly related to overall job satisfaction than are environment and development issues.

The Hay Group Research Study

Michael McKay introduced the Hay Group's research study on the drivers of turnover for IT professionals by first describing the context of the IT labor market. The number of students graduating with undergraduate degrees in computer science each year has actually decreased from 1986 to 1994 by 43 percent, while the demand for IT professionals has continued to escalate with no end in sight. Only 7 candidates exist for every 10 job openings. When this shortage is combined with the fact that employee loyalty is at an all-time low, it results in a turnover rate of 20 percent. The penalty cost of losing an employee is at an all-time high.

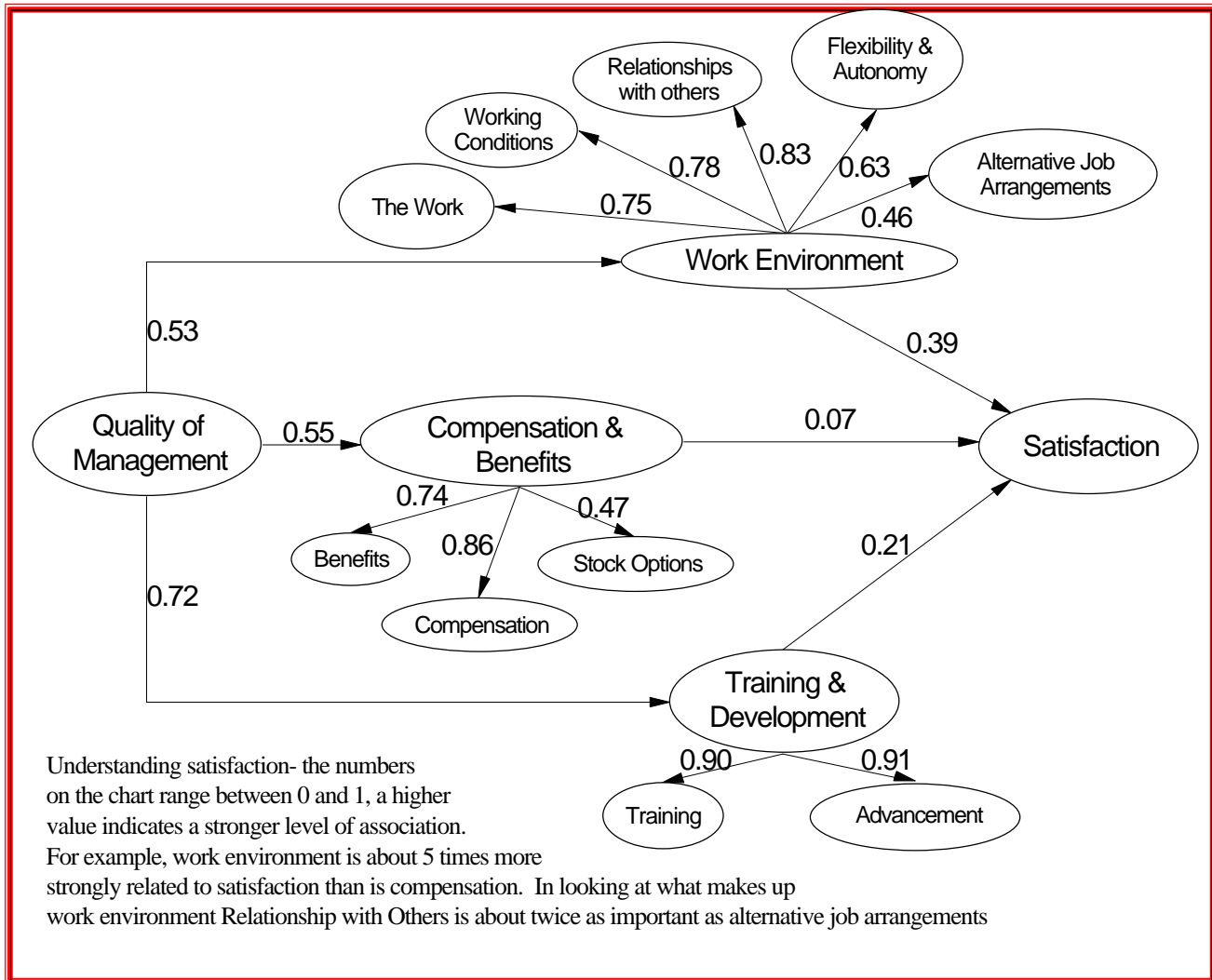
The Hay research study surveyed IT professionals, who currently work for ISRC member firms, but have been there for less than one year. The researchers gathered the participant's attitudes about their former employment situation and their reasons for leaving. This study replicated and augmented a study they performed a year ago in an effort to identify the drivers of retention. The combined studies represent 27 current employers and 422 IT professionals.

The Model of Job Satisfaction

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The above model of overall job satisfaction shows that the most important determinant of job satisfaction is the work environment. The work environment is primarily composed of the quality of relationships with fellow employees and the employee's attitude towards the nature of work performed and working conditions. In addition, flexibility and autonomy in the job were cited as important determinants. Alternative job arrangements, such as telecommuting, were somewhat less important.



The second most important determinant of overall job satisfaction was found to be training and career development opportunities. The compensation component, as shown above, was not important to this particular group of respondents. Also shown by the model is the strong association between the quality of management and the work environment, compensation and benefits package, and especially the training and career development program.

Having measured overall job satisfaction, other determinants come into play in making the final decision to stay or leave. The employee's openness to other opportunities and the availability of those opportunities to them are important considerations. These attitudes are tempered by the degree of commitment to the organization and other barriers to leaving. (note: The June 1999 ISRC White Paper will address these issues.)

Given this backdrop, the session went on to explore the factors that were represented in the model.

Developing a Strategy for Retention

Based on polling the participants in the room, it was determined that the member firms do a good job in the following areas:

- Flexibility & autonomy
- Reward & recognition
- Designing attractive work places

The most significant areas where improvement could be made were:

- Communication
- Work-family balance

It was a split decision on:

- Training & advancement
- Building better bosses

Calling on the collective experiences in the room, a list of best practices was developed in some of the key areas.

- 1) Training, Development and Advancement
 - a) Make training a priority
 - b) Use third party coordinators to assure that training plans are implemented
 - c) Just-in-time training works best if the company can be that flexible
 - d) Some training cautions though:
 - i) Don't overdue training – people become valuable and leave
 - ii) Some people don't like distance learning because they lose out on taking a trip



- iii) Don't force training
- e) Need follow-up on development plans to make sure it is actually being implemented
- f) Tie in rewards to achievement of goals
- g) Provide the ability to advance without actually becoming a "boss"
- 2) Flexibility and Autonomy
 - a) Assign work based on what needs to be done rather than how it needs to be done
 - b) In order to empower employees you need:
 - i) Good processes
 - ii) Control points so you know if they are getting off track
 - iii) Good employees
 - iv) Proper training
 - c) Employees really respond to flex hours outside a core period
- 3) Reward and Recognition
 - a) Set some budget money aside for spontaneous gifts
 - b) Let employees nominate each other for awards
 - c) Use exposure to senior management as a form of recognition
 - d) Allow individuals to develop a personal wish list to customize rewards
 - e) E-mailing a commendation with broad distribution of copies
 - f) Finally, remember, a simple "thank you" goes a long way
- 4) Communication Strategies
 - a) Provide communication and performance review training to Managers
 - b) Allow for upward feedback on relationships with Supervisors
 - c) Third party coaches from outside the Section/Area can provide independent communication channels
- 5) Building Better Bosses
 - a) Don't force a person into a managerial role just because you don't have a technical ladder
 - b) Evaluate bosses on measures such as turnover, employee satisfaction rather than just on budgets and tasks
- 6) Balancing Work and Family Life
 - a) Get rid of the idea that overtime is good
 - b) Job sharing has proven effective
 - c) Establish a telecommuting program
 - d) Use virtual teams to build in more flexibility

Summary

The data gathered in this study suggest that it may be significantly more cost effective to spend money on issues dealing with training, career development, and work environment than on increased salaries and benefits. The cost of turnover is at an all-time



high. Many of the solutions presented in the session can be achieved without direct or with little cost. But knowing the right buttons to press is the key to effective turnover management. To do this you need to know your people and understand their individual needs.

For Additional Information:

<http://haygroup.com/>

Homepage for The Hay Group

<http://www.cio.com/forums/staffing>

CIO.COM forum for staffing issues

