

ATTRACTING AND RETAINING HIGH-TECH EMPLOYEES IN EMERGING MARKETS



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The forces of globalization over the last 30 years have had a profound impact on a wide range of economic issues, including the creation of the modern multinational corporation. Businesses that once focused solely on operations in San Francisco or Frankfurt may now have offices in Shanghai, Sao Paulo or Mumbai. While opportunity has multiplied—so has risk. As organizations continue to expand into new territory they tend to focus on three principle objectives: increase profits, maintain a leading position globally and use a new region's market to its advantage. This is done primarily through direct investment, acquisitions and joint ventures.

While this trend is evident across the business spectrum, the high-technology sector has been particularly aggressive in its expansion into emerging markets. A challenge for executives in these organizations is that while opportunity beckons in new markets, high costs in existing markets can complicate growth strategies. Meanwhile, the cost of doing business and finding key talent in emerging markets is also climbing dramatically. A recent article in Bloomberg BusinessWeek highlighted this problem, pointing out that a major European bank was eliminating 30,000 jobs so they could free up financial resources to hire key talent in emerging markets. While the article focused primarily on finance, the same strategy has been adopted by firms in the high-technology sector.

WORKTRENDS™ INSIGHTS INTO EMERGING-MARKET HIGH-TECH EMPLOYEES

Compensation is the principal lever that companies have been using to hire and retain talent, but as the competition for talent expands and salaries rise rapidly, executives are in search of solutions that go beyond pay. The Kenexa® High Performance Institute (KHPI) is uniquely positioned to offer insight into these solutions.

Originally launched 25 years ago in the U.S. and now encompassing 28 countries, KHPI's WorkTrends™ is an annual survey of employee engagement, performance excellence and managerial effectiveness. It is one of the foremost benchmarking and employee insight tools available anywhere in the world today and now holds the views of more than 200,000 employees. In 2011, over 30,000 employees working in more than 20 industries were surveyed in developed and emerging economies alike.

To gauge why high-tech employees join certain firms WorkTrends respondents were asked, "Why did you join your current organization?" Survey respondents were then given seven categories to assign value to when it came to making a decision.

Likewise, as a gauge to determine what makes high-tech employees leave their jobs they were asked whether they were "seriously considering leaving my organization within the next 12 months," and also how often they "think about looking for a new job with another organization." These answers were analyzed using relative weights analysis.

ABOUT KHPI

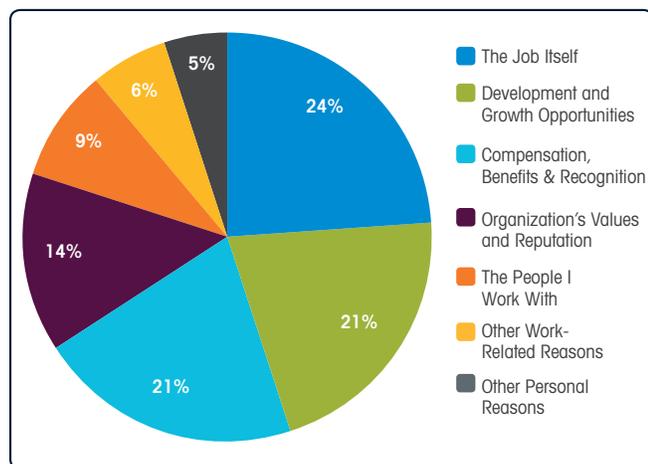
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ATTRACTING TALENT IN THE HIGH-TECH INDUSTRY: MONEY MATTERS, BUT IT ISN'T EVERYTHING

In order to understand what drives prospective employees to sign on with a high-tech organization—or leave one—it's important to look at the industry across all geographies. When asked why they joined their organizations, employees in the high-tech industry said 24 percent of their decision to join their current organization had to do with the actual job itself. Coming in a close second in importance is compensation and benefits at 21 percent (see Figure 1).

This data will help hiring executives focus on pay and job characteristics, but it also means that more than half of what sways employees has nothing at all to do with the particular job or compensation. In fact, elements such as the colleagues employees work with, an organization's values, as well as the development and growth opportunities available account for more than 40 percent of what attracts employees. These low-cost factors can be leveraged by sophisticated executives who are looking to provide extra incentives to qualified workers in a tight labor market.

FIGURE 1: WHY EMPLOYEES JOIN IN THE HIGH-TECH INDUSTRY



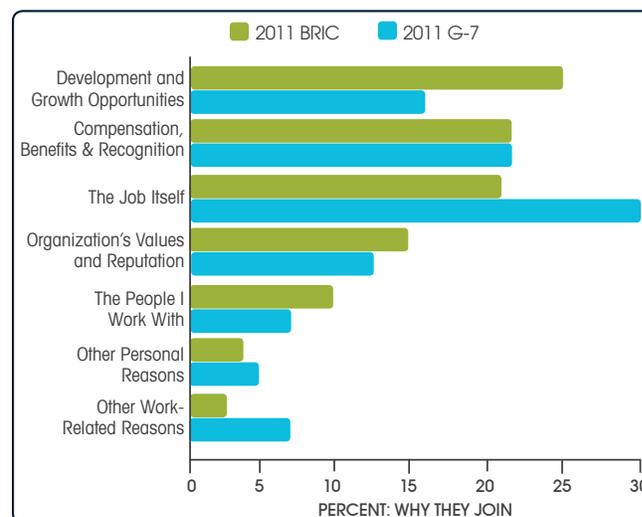
DIFFERENCES BETWEEN HIGH-TECH EMPLOYEES IN DEVELOPED AND EMERGING MARKETS

Given the multinational nature of many high-tech organizations, we were interested in exploring whether employees in the most developed nations differed in their views from employees in the fastest-growing emerging economies. To do this we compared employees in the G7 (Canada, France, Germany, Italy, Japan, United States and the United Kingdom) with the BRIC countries (Brazil, Russia, India and China). There were several differences worth attention.

When it comes to joining a firm, high-tech employees in the BRIC countries put their biggest emphasis, 25 percent, on training and development. This is likely an acknowledgement

that while salaries are lower in the BRIC countries, a sure path for advancement and increased pay is through formal training programs. In the G7, where tech salaries are typically higher, employees place greater emphasis on the job itself (30 percent) than those in BRIC (21 percent) when deciding to join their current organization. BRIC and G7 employees are, of course, also concerned about their total compensation and it was an important consideration (22 percent) in both groups. This data suggests that organizations in emerging markets that are willing to invest in formal management training programs—as well as other official career-development programs—will be better positioned to attract the region's leading talent.

FIGURE 2: WHY EMPLOYEES JOIN THEIR CURRENT ORGANIZATIONS IN THE HIGH-TECH INDUSTRY



WHAT DOES IT TAKE TO RETAIN HIGH-TECH EMPLOYEES IN EMERGING MARKETS?

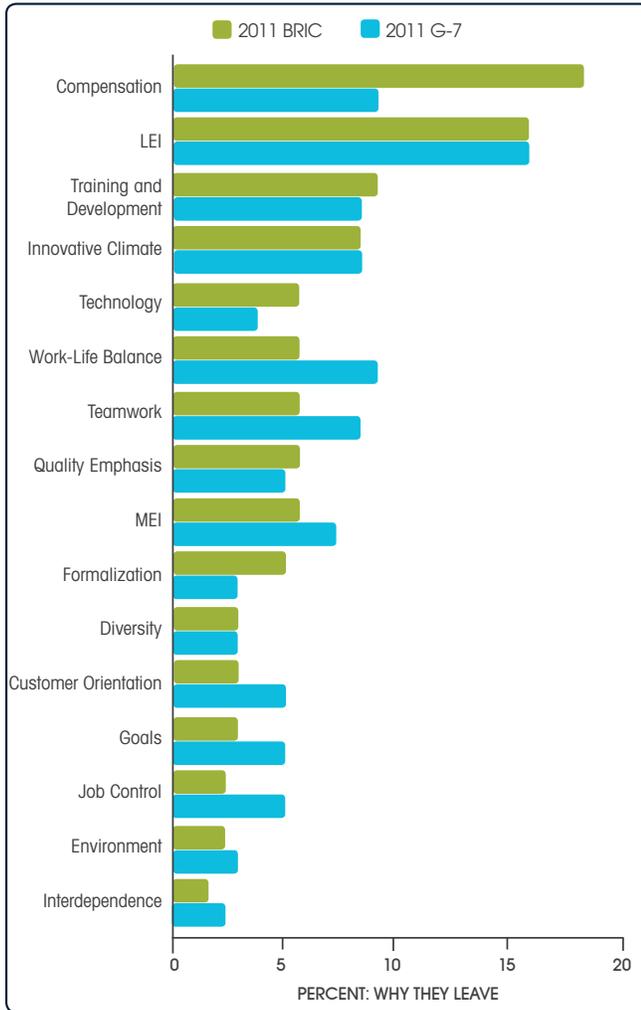
The costs of replacing key talent can be significant—between a year and two years of an employee's entire salary¹. Once again, the WorkTrends survey can shed light on why high-tech employees leave. In fact, technology employees in emerging markets are twice as likely to leave their firm because of compensation issues compared to their G7 counterparts. At 18 percent, compensation is the leading indicator for turnover intentions for BRIC employees. The second most important reason by high-tech BRIC respondents (and the primary reason for G7 respondents) for leaving an organization is ineffective leadership.

In fact, poor compensation, ineffective leadership and lack of growth opportunities account for 40 percent of the reasons why high-tech BRIC employees leave their jobs (see Figure 3). This, of course, highlights the need for companies to remain competitive with their salaries but also to create long-term growth opportunities for their employees. It is important to highlight that there are also a series of issues that have nothing

¹Fitz-enz, J. (1997). *It's costly to lose good employees. Workforce*, 76, 50-51.

to do with compensation but also have a great impact on a high-tech employee's decision to leave. Lack of innovation, problems with technology, poor work-life balance and teamwork, inferior quality products and services, and management ineffectiveness account for about another 40 percent of why employees leave. Solving these latter issues is more complex than simply throwing more salary and benefits at employees, but resolving these issues can pay enormous dividends in the long term.

FIGURE 3: WHY EMPLOYEES LEAVE THEIR CURRENT ORGANIZATIONS IN THE HIGH-TECH INDUSTRY



SUMMARY

High-tech organizations headquartered in the developed world are moving aggressively into emerging markets like Brazil, Russia, India and China. Competition for consumers and for key talent in these markets is fierce and is driving up salaries. High-tech organizations are laying off employees in their developed markets in order to devote capital to these emerging markets. What can organizations do to make sure they attract the best talent and keep those employees once they have them? Total compensation is a primary concern for these employees, but career development, leadership effectiveness and a positive innovative climate all factor heavily when it comes to hiring and retaining quality employees.

Organizational leaders would be well served to apply some of their resources to develop effective programs in these areas. These tools can have a powerful and low-cost impact on an organization's ability to hire and retain the best technology talent in emerging markets. ■

ABOUT KENEXA

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