

Modernize talent and reward programs to attract and engage tech talent

In a world where technology and automation are changing how work gets done, tech talent is in particularly high demand. Consequently, both technology organizations and other employers of tech talent face pressure to modernize their approach to attracting and managing these high-value employees. Those who do so will succeed in retaining the best while the others risk paying a high cost in terms of employee turnover and lost opportunities.

A wide and multilayered industry

The technology industry is as wide as it is multilayered, touching several adjacent industries. Its subsegments include electronics and devices, computers and hardware, semiconductors, software and the fast-growing “born of the Internet” category (e.g., Internet of Things, smart devices). While the traditional electronics, hardware and semiconductor subsegments are characterized by slow to medium growth and low margins, the Internet industry is characterized by higher growth and more emergent human capital needs as companies compete against each other in the digital economy. At the same time as software becomes increasingly integrated in all industry segments, the ability of companies to manage their traditional talent as well as talent with new skills will be tested (*Figure 1, page 2*).

Not only is the technology industry already complex but the lines between mainstream technology companies and other industries are becoming increasingly blurred. With the Internet of Things as a pervasive force, and software becoming the main driver of all aspects of work in every industry, being able to differentiate pure play technology companies from those in adjacent sectors, such as automotive, health care or financial services, will be difficult. From a talent perspective, this has two broad implications: The demand for technology talent will continue to increase across industries, and as a result top technology talent will have a wider set of career choices, putting pressure on employers of tech talent.

Among the distinguishing characteristics of the technology industry are a constant evolution and the creative destruction of capital. Incumbents face competition from smaller, more nimble players; the original disruptors face pressure from newer disruptors; consumers cry out for a more personalized experience; government policy can make it more difficult to hire a global workforce; and changing employee demographics shift expectations toward faster career advancement and increased job security. These issues make it more important than ever before that technology companies continue to drive innovation, deliver operational excellence, and build a truly global and world-class workforce.

The demand for technology talent will continue to increase across industries, and as a result top technology talent will have a wider set of career choices, putting pressure on employers of tech talent.

Findings from the latest Global Talent Management and Rewards, and Global Workforce Studies reveal the importance of modernizing talent and reward practices in key areas in order to attract, engage and retain tech talent.*

Figure 1. Mapping of technology industry, 2018

| Subsegment | Business characteristics | Key human capital issues |
|-------------------------------------|--|--|
| Electronics and devices | <ul style="list-style-type: none"> ▪ Slow to medium growth – increasing focus on innovation in automotive, wearables, Internet of Things (IOT), connected devices ▪ Global competition ▪ Increasing integration with software | <ul style="list-style-type: none"> ▪ Attracting and retaining talent with new, in-demand skills in an industry segment that is seen as less attractive ▪ Managing a multigenerational workforce; managing talent with new, in-demand skills as well as employees with more traditional skills ▪ Developing a more innovative culture |
| Computers, hardware and peripherals | <ul style="list-style-type: none"> ▪ Slow growth, low margins; continued focus on efficiency and services, balanced with innovation ▪ Growth drivers: IoT; connected devices; virtual reality, need for storage, integration of software with hardware – more blurring of lines with devices; adjusting to the cloud and app world | <ul style="list-style-type: none"> ▪ Attracting and retaining talent with new, in-demand skills in an industry segment that is seen as less attractive ▪ Managing a multigenerational workforce; managing talent with new skills as well as employees with more traditional skills ▪ Developing a more innovative culture |
| Semiconductors | <ul style="list-style-type: none"> ▪ Slow growth, low margins ▪ Growth drivers: IoT; automotive; smart devices, continued integration with software ▪ Continued focus on efficiency while driving innovation | <ul style="list-style-type: none"> ▪ Attracting and retaining employees with new, in-demand skills to an industry segment that is seen as less attractive ▪ Managing a multigenerational workforce; managing talent with new skills as well as employees with more traditional tech skills |
| Software, services and gaming | <ul style="list-style-type: none"> ▪ Medium to high growth, variable margins depending on segment ▪ Growth drivers: Workflow automation, digitalization, cloud computing; applications, Platform-as-a-Service; big data; artificial intelligence; cybersecurity; smart devices, sector-specific software | <ul style="list-style-type: none"> ▪ Managing redundancy in skill sets ▪ Attracting and retaining talent with new, in-demand skills ▪ Building leadership capability particularly in younger companies ▪ Continued focused on driving innovation and growth in a very competitive environment ▪ Creating the right culture |
| Internet | <ul style="list-style-type: none"> ▪ High growth, higher margins but greater unpredictability ▪ Growth drivers: online and mobile advertising; e-commerce; video; cybersecurity; digitalization, IoT, smart devices | <ul style="list-style-type: none"> ▪ Scaling up and getting talent in ▪ Attracting and retaining talent with new, in-demand skills ▪ Building leadership capability particularly in “younger” companies ▪ Continued focused on driving innovation and growth in a very competitive environment ▪ Creating the right culture |

Source: Willis Towers Watson research

High performance starts with high engagement

Among the differences between tech talent and other employees is their level of engagement. The findings from the latest Global Workforce Study highlight this difference:

- 48% of technology employees describe themselves as being highly engaged, as compared with just 37% of employees across other industries.
- One in five technology employees portrays himself or herself as disengaged, versus one in four across all industries.

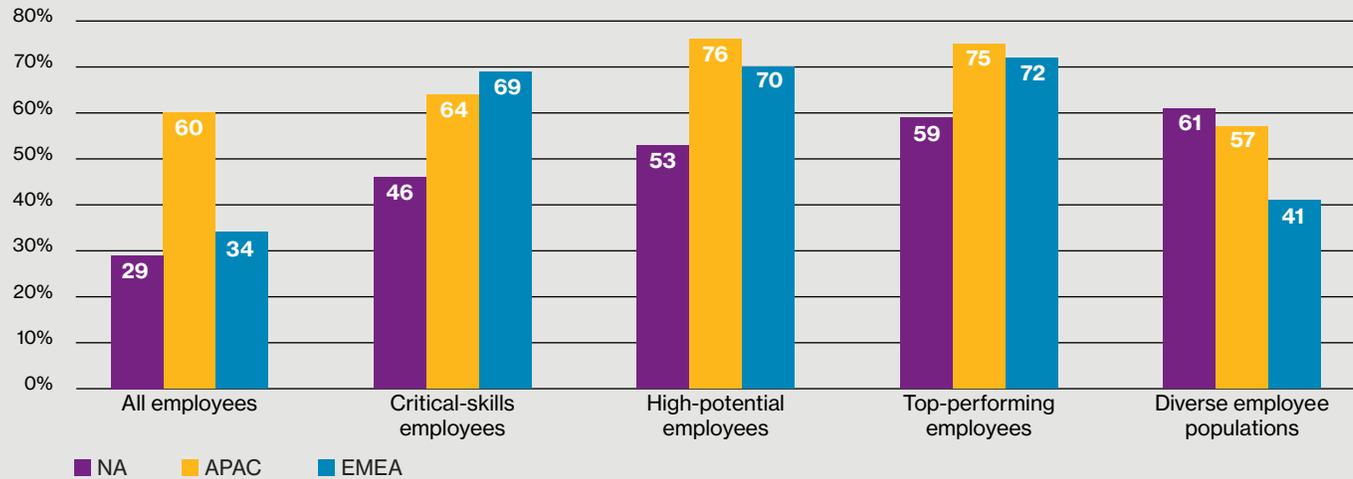
- Of the remaining technology employees, 19% feel enabled or energized while 15% feel partly engaged.

This is an important finding as our research reveals that companies with highly engaged employees outperform those with disengaged or unsupported employees. In the case of technology employees, employers must harness a higher level of engagement to help ensure a higher level of performance.

Figure 2. **Attraction and retention challenges faced by technology employers**

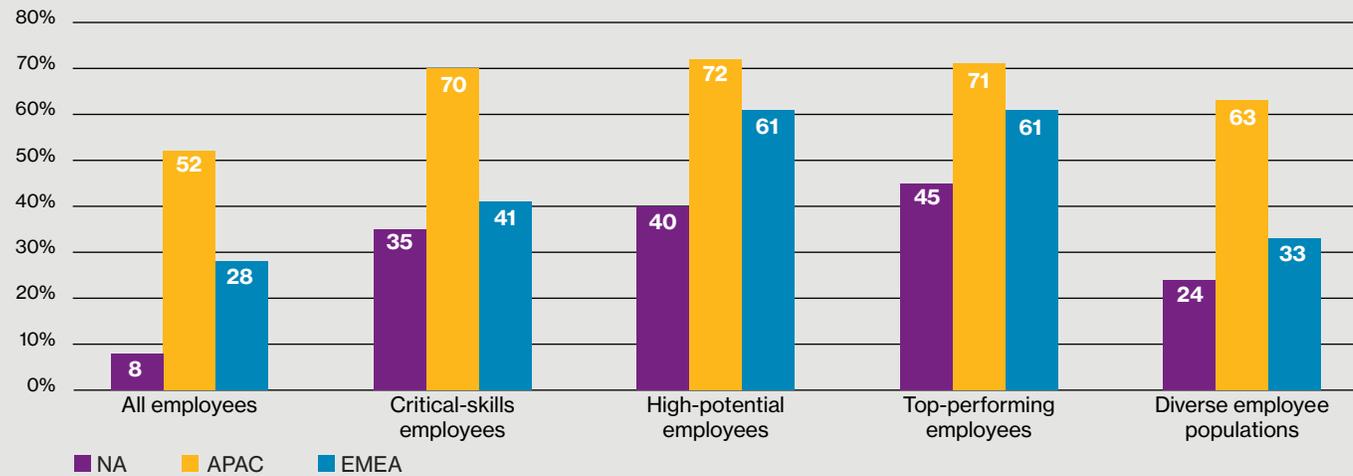
Attraction challenges

To what extent is your company facing challenges attracting talent?



Retention challenges

To what extent is your company facing challenges retaining talent?



Understanding your workforce is as important as understanding your customers

It is ironic that as technology companies use sophisticated approaches to better understand their customers, they often overlook the benefit of using similar tools to understand their workforce, and help retain and engage high-potential and top-performing employees. In fact, two in three employers report having difficulty attracting and retaining the most talented of their workforce, and this figure climbs to over 70% in Asia Pacific (APAC) (Figure 2).

The survey results suggest technology employers need to note the following:

- **Understand what employees value.** Many technology companies do not fully appreciate what motivates their workforces. They need to better understand what their employees value in order to drive better business results.

For example, compensation is pivotal to the attraction and retention of talent, as are career advancement, challenging work and a flexible working environment.

In addition, the concept of employee rewards is evolving. Not only are compensation and career advancement important, but also health and well-being, and flexible working arrangements are increasingly important. Moreover, companies will have to learn to manage rewards in a highly transparent environment where nothing is a secret anymore, thanks to social media and such sites as Glassdoor.

- **Drive innovation in HR practices.** Innovation is one of the key drivers of business success in the technology sector, and while important to technology companies, many HR departments fail to be innovative in improving career and performance management, and providing workforce analytics to drive better decision making.

- **Prioritize transparency starting at the top.** Transparency at senior leadership levels is important for employees as they want to hear and be part of the future direction of the company. The technology industry is well known for very high capital velocity, and tech employees would prefer to know the truth about the direction and future of the company. This has a direct impact on their level of sustainable engagement.
- **Ensure managers are focused on high-value people activities.** Managers are not spending enough time on performance management, creating dissatisfaction among employees with the level of support they receive regarding career planning and development. This and other factors have also made the managerial role less respected in tech organizations even though there is evidence that managerial capability is essential to success in tech organizations.

It's also critical for managers to understand that the technology talent pool is "global," i.e., the factors that drive technology talent in the Americas, APAC and Europe are largely similar. So while companies need to be sensitive to cultural differences that motivate their workforces, there is more commonality in the tech talent pools globally. This insight will help managers in their performance feedback and coaching discussions as well as in delivering a compelling employee value proposition, which is at the heart of the employee experience.

Figure 3. Globally – base pay and challenging work continue to be the biggest drivers of attraction

| Rank | North America | APAC | EMEA |
|------|---|---|---------------------------------------|
| 1 | Base pay/salary | Base pay/salary | Base pay/salary |
| 2 | Challenging work | Challenging work | Challenging work |
| 3 | Opportunities to advance in my career | Opportunities to advance in my career | Opportunities to learn new skills |
| 4 | Flexible work arrangements | Opportunities to learn new skills | Opportunities to advance in my career |
| 5 | Opportunities to learn new skills | Job security | High level of job autonomy |
| 6 | Reputation of the organization as a great place to work | Reputation of the organization as a great place to work | Flexible work arrangements |
| 7 | Job security | Flexible work arrangements | Job security |

■ Areas of regional differences

Don't underestimate the importance of pay

What attracts and retains tech employees? Here is where technology employers can do a better job of understanding what motivates both current and prospective employees. While tech employees emphatically indicate that salary is critical to them and the number one driver of attraction, followed by challenging work and career development opportunities (Figure 3), most technology employers seem to miss that important point. They believe that salary is only fourth in the list of drivers of attraction on a global basis. Similarly, most technology employers rank career advancement and the relationship with the supervisor as the leading drivers of retention, whereas technology employees cite salary and career advancement as the top two reasons for staying with an organization.

Flexible work arrangements are also an especially important motivation for employees in North America when deciding to join an organization.

In APAC, the physical work environment can be a retention challenge (Figure 4). In APAC and the Europe, Middle East and Africa (EMEA) regions, the length of commute is very important when it comes to retention. These are interesting examples of how companies need to be sensitive to what motivates employees in different parts of the world.

Figure 4. Base pay and career advancement opportunities are the top two drivers of retention

| Rank | North America | APAC | EMEA |
|------|---------------------------------------|---------------------------------------|---------------------------------------|
| 1 | Base pay/salary | Base pay/salary | Base pay/salary |
| 2 | Opportunities to advance in my career | Opportunities to advance in my career | Opportunities to advance in my career |
| 3 | Job security | Physical work environment | Job security |
| 4 | Trust/confidence in senior leadership | Job security | Length of commute |
| 5 | Opportunities to learn new skills | Relationship with supervisor/manager | Challenging work |
| 6 | Relationship with supervisor/manager | Length of commute | Flexible work arrangements |
| 7 | Flexible work arrangements | Ability to manage work-related stress | Opportunities to learn new skills |

■ Areas of regional differences

Take your staff's career advancement seriously

Despite employers' awareness of the importance of career advancement to the attraction and retention of staff, most of them seem to struggle with this. Half of all employees surveyed said their company does not do a good job of providing support in this area.

As a result, **51%** of respondents believe the most effective way for them **to advance their career is to leave the organization** they currently work for.



Even more troubling is the fact that only 39% of employees in North America or EMEA think senior leadership are doing a good job of developing future leaders, and just 42% in these same regions believe senior leadership actually care about the well-being of their workforce. This suggests that many senior leadership teams are missing the mark when it comes to employee development.

Prioritize managerial skills and performance management

The most successful technology companies have realized that building strong managerial skills is critical for longer-term success. And yet just half of all employees surveyed believe that the role of the people manager is respected. And less than 40% believe that managers have the skill sets to do their jobs well.

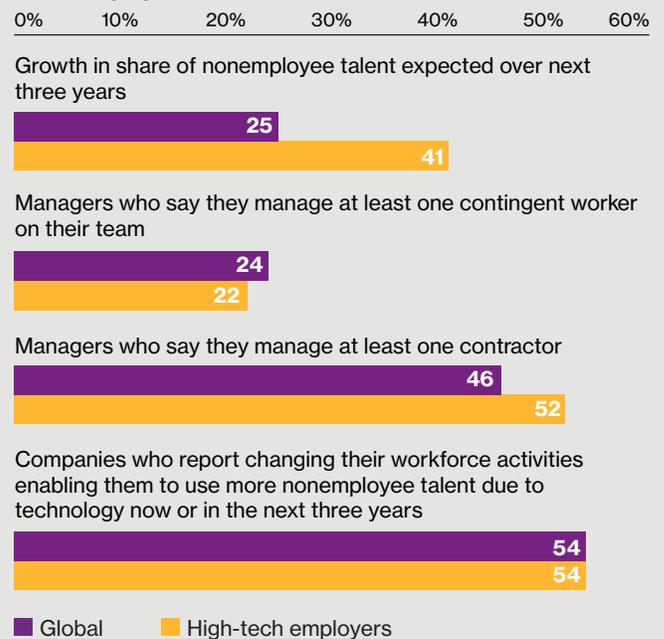
Two specific areas where employers are letting down their workforces are performance management and coaching.

- The 2016 Global Workforce Study shows that 70% of managers spend less than six hours per employee per year on this critical process (*Figure 5*). This equates to 0.2% of the hours a typical full-time employee works in a year. Considering the pivotal link between an employee's performance and the success of a business, companies and managers must improve in this area.
- Performance management is a big building block of innovation, the lifeline of technology companies. Yet close to 70% of employees seemed to believe that their performance management system was not encouraging the right degree of risk taking to drive innovation. While this number is lower than that of other industries, the message for technology companies is that they can do more to drive innovation by building managerial capability and improving their performance management programs to drive the right degree of risk taking.

Figure 5. Time spent by employers on performance management

| Amount of time per employee spent on performance management | % of managers | |
|---|---------------|--------|
| | High tech | Global |
| Two hours or less per employee | 21% | 27% |
| Three or four hours per employee | 26% | 26% |
| Five or six hours per employee | 25% | 22% |
| Seven or eight hours per employee | 13% | 10% |
| Nine or 10 hours per employee | 5% | 5% |
| More than 10 hours per employee | 10% | 10% |

Figure 6. High-tech employers are leading the path in the use of nonemployee talent



Building and leading a new work ecosystem

A key finding of our research is that many technology companies are sophisticated users of alternative ways of getting work done using, for example, talent platforms such as Top Coder, UpWork, outsourcing arrangements, partnerships and alliances (*Figure 6*). They have created a work ecosystem to get work done faster and cheaper, and often to reduce the innovation cycle time. Other industries would do well to learn from this.

Where to go from here

Not every employer can afford to pay top dollar for tech talent. How then can employers of tech talent get and build the talent they need? Our research suggests that technology companies and other organizations that hire tech talent should take the following steps to build a productive and successful workforce (Figure 7):

1. Rethink how work is getting done and identify opportunities to use different sources of work (e.g., contingent workers, talent on a platform) with the goal of optimizing cost and improving speed to market.
2. Develop a human capital strategy that is aligned with their business context and priorities: It matters! Start by assessing the gap between tech talent demand and supply, and the different options for getting work done.
3. Craft and deliver a modern talent value proposition that is tailored to different talent segments. This includes developing the foundational elements, such as consistent and at the same time adaptable career frameworks for different employee segments, along with the infrastructure to deliver them.
4. Modernize the concept of Total Rewards and rethink how performance management and reward programs are delivered to different talent segments. For example, adopting slightly different approaches to pivotal roles (i.e., roles that can create a significant amount of value) as compared with less pivotal roles can help drive a greater return on reward investments. Employee segmentation can be approached in many ways, and using value generated as a segmentation dimension is only one such paradigm.
5. Improve managerial and leadership capability to provide performance feedback and coaching, and encourage the right degree of risk taking.
6. Build a culture of transparency through exemplary leadership behavior. Leaders should encourage open communication in a culture where truth can be spoken to power.

Figure 7. What should employers of tech talent do?



There is great value in the ability to turn insight into action. Armed with insights about what is most important to technology employees, companies have the ability to attract and engage a workforce of highly talented technology professionals, thereby strengthening their ability to succeed in a highly competitive environment.

For more information, please contact:

Shankar Raman

Human Capital and Benefits

+1 857 265 9874

shankar.raman@willistowerswatson.com

Patrick Moloney

Human Capital and Benefits

+1 415 733 4139

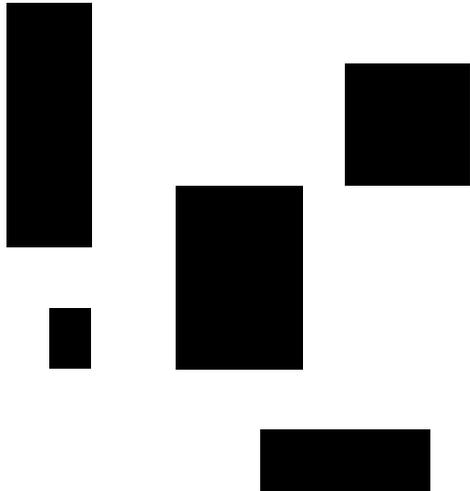
patrick.moloney@willistowerswatson.com

Jon Randall

Human Capital and Benefits

+1 415 913 8813

jon.randall@willistowerswatson.com



About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.



willistowerswatson.com/social-media