

W A T S O N   W Y A T T

# Hot TALENT

## Strategies

to attract and retain your  
high potentials workers

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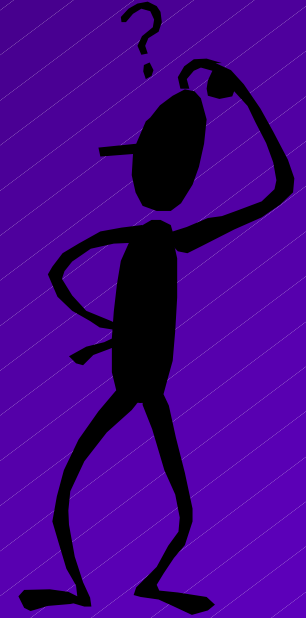




# What's Going On?

*Demand is high...*

- 190,000 IT positions currently vacant  
— *Information Technology Association of America*
- Korean companies will increasingly need more talented and professional workers, rather than average performers, as a source of competitive advantage in the e-Business





# What's Going On?

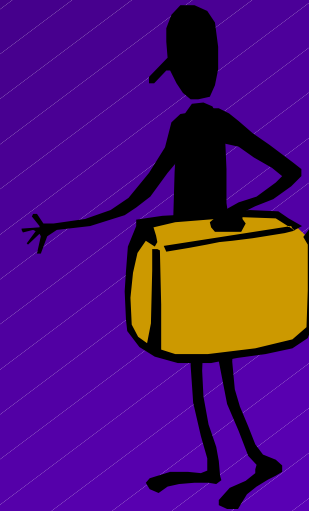
*...and getting worse...*

- Average turnover among Conglomerates is 15-20% (Especially IT companies have experienced about 50% of turnover since last January)
- We have still high unemployment rate, but no potential candidates are roaming around





# It's A Job Seekers Market



## Demand

- *Robust economy*
- *Critical skills*
- *Fierce competition*

## Supply


- *Fewer young workers*
- *Aging of baby boomers*



# Lessons Already Learned

- Multi-dimensional approach





# Solution Framework Is Multi-dimensional





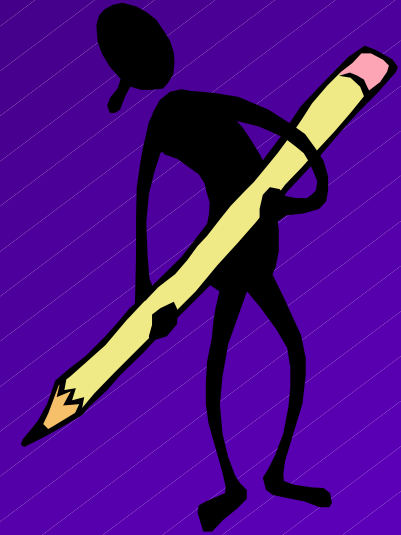
# Lessons Already Learned

- Multi-dimensional approach
- Long-term strategic effort
- National and corporate demographics are fundamental
- Tailored attraction and retention strategy
- Rewards complement strategy





# The New Contract



## ■ Old world

- ▼ Keep your nose clean and you have a job for life

## ■ Restructured world

- ▼ Do your job plus someone else's and we will provide a job (if we can)... at the same level of pay

## ■ New contract

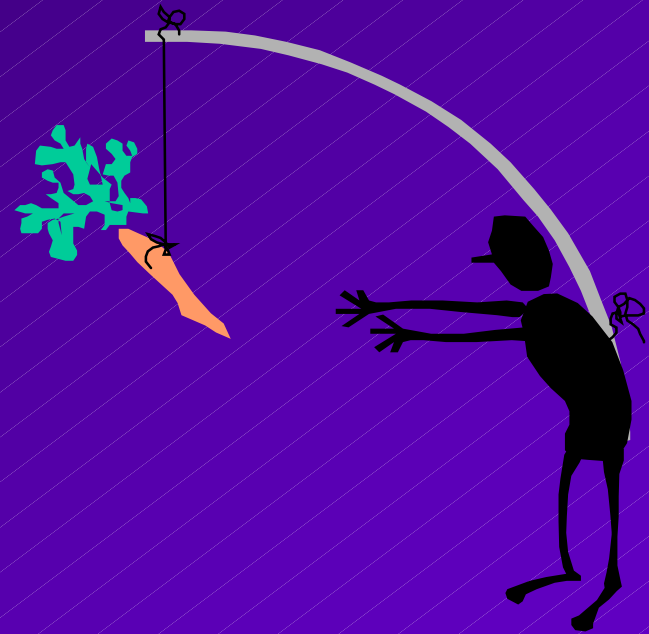
- ▼ Develop skills we need and we will provide challenging work, support your development and reward your contribution





# Top Four Reasons for Resignation

- Compensation
- Challenge
- Advancement/enrichment opportunities
- Supervision/feedback





# Watson Wyatt Research

- Strategic Rewards<sup>®</sup> survey
  - ▼ 614 companies
  - ▼ 3.5 million employees
- Competencies research
- WorkUSA<sup>®</sup>
- Stock option overhang
- Human capital index





# Characteristics of Successful People-Oriented Organizations

- Selective recruiting and promotion from within





# Research Findings—Plenty of Room to Differentiate

- Most effective recruiting techniques involve personal relationships
  - ▼ Employee referrals
  - ▼ Networking
- Only 33% of organizations have formal strategies in place for retaining employees
- Companies with formal retention strategies report higher TSR than those without





# Selective Recruiting



- Do your homework
  - ▼ Define what skills and competencies you need
  - ▼ Develop a “profile” of the ideal employee
- High performance organizations aim to hire top 10-15% of people
  - ▼ Not found in first round of layoffs from other companies
  - ▼ Not typically cruising want ads



# Characteristics of Successful People-Oriented Organizations

- Selective recruiting and promotion from within
- Training and competency development





# Research Findings

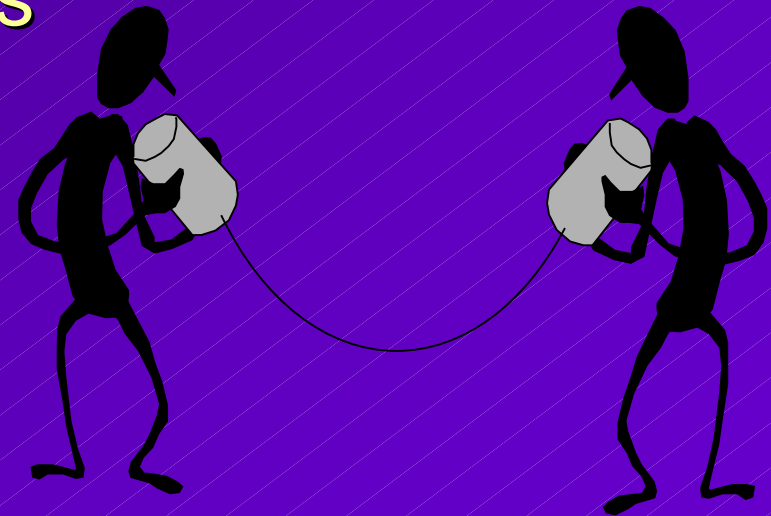


- Retention higher in companies with an integrated competency-based HR platform
  - ▼ Selection
  - ▼ Training
  - ▼ Performance management
  - ▼ Rewards
  
- TSR is greater in organizations that
  - ▼ Actively recognize good performance
  - ▼ Link pay to performance



# Characteristics of Successful People-Oriented Organizations

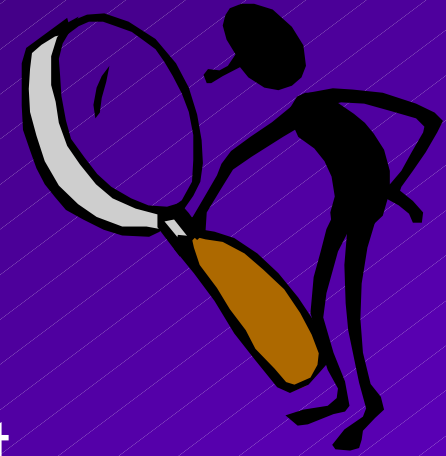
- Selective recruiting and promotion from within
- Training and competency development
- Business information sharing/  
relentless communications







# Research Findings



- Retention higher in companies that reported the following statements are true to a great extent
  - ▼ Business strategy is communicated throughout the company
  - ▼ Financial information about the business is shared
- *If you don't tell them, they make it up*



# Characteristics of Successful People-Oriented Organizations

- Selective recruiting and promotion from within
- Training and competency development
- Business information sharing/  
relentless communications
- “High” wages, incentive pay  
and targeted benefits





# Research Findings




- 65% report they pay “above the market” for “hot skills”
- 45% report they pay “above the market” to attract/retain the rest of us
- Those who report that stock options and group incentives are “very effective” have better retention than those who do not have these programs in place



# Research Findings



- Reward tools cited as highly effective for attracting and retaining employees
  - ▼ Paying above market
  - ▼ Training/development opportunities
  - ▼ Flexible schedules
  - ▼ Stock options
  - ▼ Incentives
  - ▼ Magnet employees
  - ▼ Rewards for “hot skills”



# Rewards Practice for Technology Workers

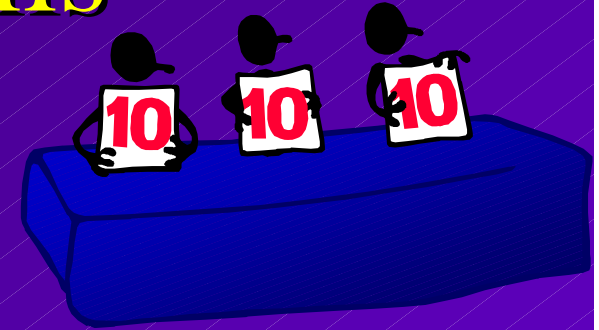


- |                              |     |
|------------------------------|-----|
| ■ Hot skill bonuses/premiums | 16% |
| ■ Project based bonuses      | 29% |
| ■ Stock                      | 39% |
| ■ Recognition programs       | 60% |
| ■ Short term incentives      | 61% |



# Variable Approach to Paying for Hot Skills

- Monitor hot skills regularly (every six months)
- Explain that hot skills premiums go up or down in the market
- Be prepared to pay up to 20% of base salary as a hot skills premium
- Stipulate an end period for premium if skill no longer “hot” or needed (12 to 18 months)





# Other Approaches to Rewarding Talent

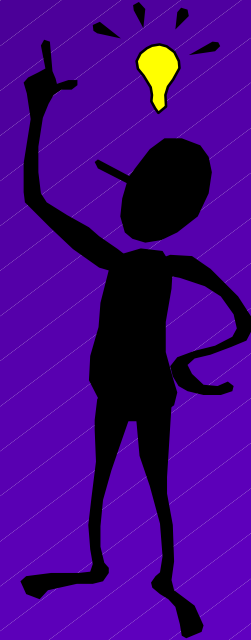


- Hiring bonuses (One-off Sign on Bonus)
- Retention bonuses (Stay for Pay)
- Pay for competencies and/or skills
- Paid sabbaticals
- Accelerated salary reviews



# New Rules for Compensation in Conglomerates

- Penalty for missing release date exceeds penalty for excessive employee compensation



*No one cares that you paid too much,...  
focus is on success or failure.*

— VP Software Development





# The Wildest Are Doing...



- “Boomerang pay”
- Leased BMWs for all
- Concierge service
  - ▼ Dry cleaning
  - ▼ Meal preparation/catering
  - ▼ Day care/elder care
  - ▼ Shopping services
  - ▼ Car wash/maintenance
  - ▼ Pet care
- Travel pay
- Workplace massages
- All-paid starting vacations
- Re-design your job after two years
- Hiring bonuses augmented by referrals
- Career development manager



# Demographically Focused Benefits—For All Ages

- Child care/elder care assistance
- Fitness clubs
- Auto loan subsidies
- Concierge services
- Travel discounts
- Financial planning services





# Key Questions You Should Be Asking



- How many openings are there today and for what positions? How many do you anticipate in 5 years? In 10 years?
- What are the marketplace demographics for those positions?
- Do strategic rewards/benefits support your retention strategy (e.g., portability for young workers, retirement security for older workers)?
- Do you offer flexible career paths?
- Do you reward the highest performers?



# The Next Three Steps

- Answer the key questions
- Write the business case for change
- Form a retention and/or attraction management team

