



Mind the talent gap

Key findings from a global executive survey on IT talent

Preface

Despite the tough economy and high unemployment, many organizations are still struggling to find the information technology (IT) talent they need to support their businesses. At the same time, they are under tremendous pressure to reduce costs and improve efficiency, while figuring out how to effectively source and manage a diverse, global workforce.

Many CIOs are considering or already implementing organizational restructuring, i.e., sharpening their focus on the issue of whether or not they have the right people with the right skills in the right roles. Key questions these executives are facing include:

- How do I keep the high-performing, high-potential IT talent I already have?
- How do I continue to attract the best talent in my markets?

- What are the most important considerations when managing a global and diverse workforce?
- How do I build the capabilities I will need in the future while optimizing my current pool of talent?
- What is the best workforce mix to deliver against the organization's business priorities?

Deloitte and *CIO* recently conducted a global survey of IT and business leaders to understand the latest trends and challenges in IT talent—and what organizations are currently doing to address them.

Although the global recession has temporarily eased concerns about the talent crisis, most surveyed leaders recognize that challenges persist. Many believe things are likely to be worse when the economy recovers. Also, many critical skills are still difficult to find—even in the current economy—causing long waiting periods to fill key roles.

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To address both short- and long-term IT talent challenges, we believe organizations need improved IT talent strategies. In particular, they must increase their focus on executing talent programs. Successful implementation of these talent management strategies will require strong leadership from IT, as well as increased collaboration with human resources (HR) and talent leaders and professionals.

This report provides practical ideas to help organizations around the world in their efforts to understand and manage the IT talent gap in order to enhance their talent strategies and program execution.

Executive summary

Based on our research, we believe that organizations today face a significant shortage of IT talent—and that their current talent strategies and execution of talent programs are generally not sufficient to fill this gap.

The problem is not a wholesale talent shortage per se, but rather a shortage of specific skill sets. The most critical need is for strategic talent, including project managers, risk managers, leaders, and architects—employees who can operate across technical and functional business silos and help set the direction for the rest of the organization. High-performing individuals who can fill these key roles are in high demand and short supply throughout the world.

Existing IT talent strategies and programs appear to be falling short—leaving IT without the talent necessary to do the job.

However, there is less of a gap for the “in-the-trenches” talent such as package integrators, testers, and analysts. In many cases, the required skills can be sourced relatively easily. The main challenge for IT organizations is to establish improved sourcing and workforce management capabilities to harness a global pool of talent.

Our survey results and executive interviews indicate that the IT functional leaders who participated have an increasingly clear understanding of what they must do to effectively support their organizations’ business strategies. However, their existing IT talent strategies and programs appear to be falling short—leaving IT without the talent necessary to do the job.

The organizations we surveyed are currently focused on core talent management activities, including performance management, some leadership development, and learning and development. Similarly, their recruiting and retention activities generally revolve around basic activities, e.g., compensation, coaching, and mentoring. While these

activities are important, many are fast becoming table stakes in the talent marketplace.

To attract, develop, and retain top IT talent, organizations must find ways to differentiate themselves. This will require increased effort and attention in additional areas, including talent branding, workforce flexibility, multi-generation workforce strategies, job rotations, virtual management skills, improved onboarding, and accelerated development.

To be increasingly effective and efficient, organizations need improved workforce analysis and planning capabilities using internal and external data to provide clearer views of long-term talent trends, both in terms of supply (e.g., demographics, baby boomer retirements—and longer time to retirement, education, and global labor markets) and demand (e.g., new business requirements and technology advances).

Organizations will also need to refine their global sourcing strategies and find innovative ways to manage a diverse, global workforce that is increasingly comprised of nontraditional resources, including contractors, outsourcing vendors, retirees, and offshore staff.

In the face of these complex issues, a critical question remains unanswered: Who should own and lead the IT talent challenge?

Our research reveals a range of leadership approaches involving different combinations of IT and HR/talent executives. Although definitive approaches have yet to emerge, CIOs and their management teams will need to play the lead roles. HR/talent functional leaders and teams have significant opportunities to improve their strategic partnership with IT by improving their capabilities and focusing on services that address the unique talent needs of the IT function (e.g., global workforces and sourcing, the need for talent branding, improved career paths, and virtual workforce management among others). Focusing on these specific IT talent challenges can provide value to IT and the business and provide HR/talent teams with the opportunity to strengthen their position as a strategic business partner and then apply these lessons to other functions across the organization.

According to the survey, the vast majority of IT organizations expect to expand their workforces over the next three to five years. In fact, nearly half of the respondents (47%) expect to see at least 5% annual growth in the IT workforce over that period—even as

the pool of experienced and qualified IT workers in many countries gets smaller. “In terms of talent, the problem is that it’s harder to hire people,” said the senior vice president of digital operations for a large media company. “We’ve been operating in a declining talent pool forever.”

About the survey

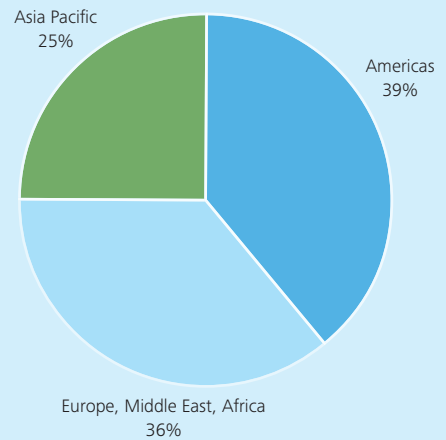
Deloitte, in collaboration with *CIO* conducted a global survey of IT decision-makers and executive business managers at companies with revenues of \$500 million or more. Additional insights were obtained through personal interviews with selected respondents.

The U.S. version of the survey was completed among qualified members of the *CIO* audience. The Canadian, European, and Asia Pacific versions of the survey were completed among an international panel of IT and business professionals. In addition, Deloitte conducted the survey among select companies in South Africa.

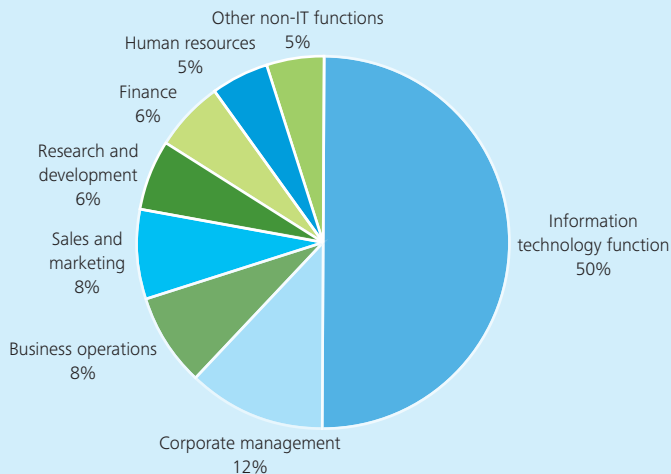
A total of 306 surveys were completed as follows:

- Half of the respondents were from the IT function, while the other half were from other parts of the business.
- Respondents represented a broad cross-section of industries.
- The survey was conducted between March 17, 2009 and April 1, 2009.
- The margin of error for a sample of 306 is +/- 5.6 percentage points at the 95% confidence level.

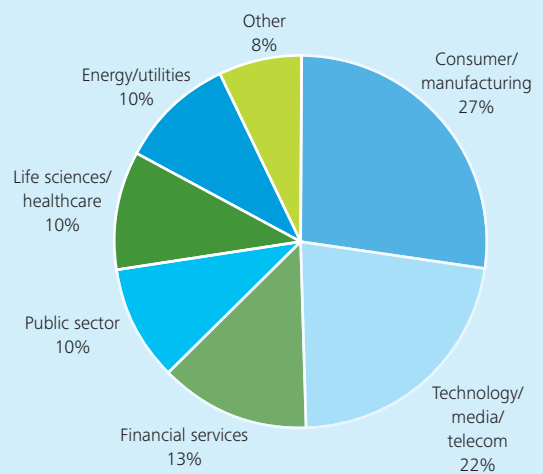
Geography



Business area



Industries



The IT talent gap

The IT talent gap is larger and more complex than ever. Most organizations have seen this problem growing for years, but this survey shows the talent gap is now having an impact on IT and business performance.

The companies we surveyed from around the world are feeling the effect of the IT talent shortage, even in the face of high unemployment and a weak economy. According to the IT director of a \$30 billion energy company, "Apart from job losses and some redundancies, we're finding it difficult to keep all the talented staff in terms of our key technical expertise."

Many experienced IT workers are nearing retirement and there simply are not enough qualified young workers to replace them. At the same time, IT is becoming more complex and sophisticated, raising the bar for IT talent. Meanwhile, students in developed countries are

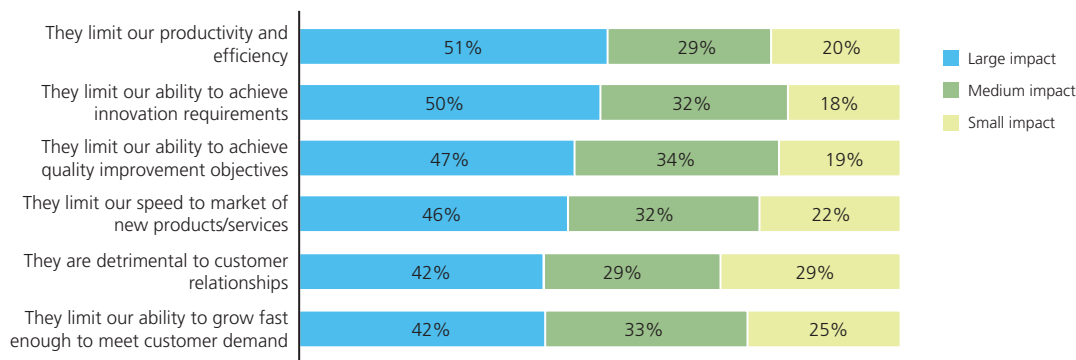
continuing to move away from IT and other hard sciences. These long-term trends, along with continuing cost pressures, have led many IT organizations to turn to global sourcing as a mainstay of IT talent and operations—an approach that presents its own unique challenges.

The majority of survey respondents (51%) strongly believe talent issues have limited their organizations' productivity and efficiency. Perhaps even more important, half of the respondents say the talent shortage is limiting their ability to innovate, which is the strategic core of the benefits that technology can bring to a business. Similar numbers of respondents indicate that IT talent issues are having a material impact on other key dimensions of business success—quality, speed to market, customer relationships, and growth (Figure 1).

Organizations typically respond to talent shortages by offering larger salaries and bonuses. "We are throwing money at people who are still in-house to keep them," said the managing director of a large commercial real estate firm. But given the dire long-term talent trends, IT organizations may soon find the talent they need is not available at any price.

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Figure 1. Effect of talent issues on respondents' businesses



Case study No. 1*

Global insourcing helps bridge the talent gap

Company headquarters: Asia Pacific (APAC)

Company size: Approximately 1,800 employees

Annual revenue: Approximately \$1 billion

Industry: Healthcare



Instead of using outsourcing to obtain IT talent and skills, one major healthcare corporation is insourcing. With its large global workforce, the company is able to shift work to geographies where certain IT skills are readily available and costs are lower, while still keeping the activities in-house.

This is just one of the many ways the company is dealing with the challenge of finding IT talent, particularly in the face of a global recession, an aging and retiring workforce, and a shrinking number of IT graduates.

“I started paying a lot more respect to older people and keeping them in the organization,” says one C-level executive. “I try to find positions that suit their lifestyle and their disposition. I think that’s certainly something that we need to do. We need to provide incentives for Baby Boomers to want to hang around longer.”

Baby Boomers, this executive says, want many of the same things as members of Generation Y—a job where they do not have constant 24x7 pressures and one that offers job flexibility—so they do not have to retire in the traditional sense. “If you think about the flexibility organizations have had to develop around

mothers having children and wanting to come back, but not for 15-hour days, those flexible arrangements are conceptually the same sets of ideas that we would pitch to retain people in their late 50s and early 60s.”

While countless companies have downsized workforces in the current economy, this executive is trying to resist “making cuts that are not sensible. I think about whom we let go and why, rather than just use it as a statistical exercise to get rid of a percentage of the workforce.”

As for IT taking a leadership role in setting the IT talent strategy and developing HR programs, this company holds IT responsible for developing its specialist skills, just as it does for other functions within the company.

“However, I think if we look at talent in the generic sense, we as an organization are looking for leadership. We think leadership is important. So, we would be looking for IT leadership and those sorts of skills would be more generic and we would be developing and managing those across the organization, across functions, and across geographies—rather than specifically within IT,” says the C-level executive.

*As part of the Deloitte – CIO research, we interviewed 15 senior business executives to collect case studies. This is illustrative of what we learned.

Business and IT strategic alignment

In the short term, economic conditions and cost pressures have helped bring IT and the business at the surveyed companies into stronger alignment. Their top priorities over the next 12 months are optimizing IT, improving the quality of information, and improving workforce productivity (Figure 2), which are all consistent with their top business priorities of cutting and managing costs (Figure 3).

One way to maintain and strengthen this strategic alignment is to rotate people from IT into the business and the other direction as well. In an environment with significant outsourcing and global dispersion of IT workforces, these rotation programs are even more important, because building and managing relationships with business units is one of the retained IT team's primary responsibilities.

Long-term priorities at the surveyed companies are similarly aligned. Over the next three to five years, their top IT priorities are innovating for strategic advantage, optimizing IT, and contributing to the creation of new business strategies (Figure 4). These priorities are consistent with their top long-term business priorities of revenue growth, expanding into global and new markets, and developing new products and services (Figure 5).

Figure 2. Respondents' top IT priorities over the next 12 months

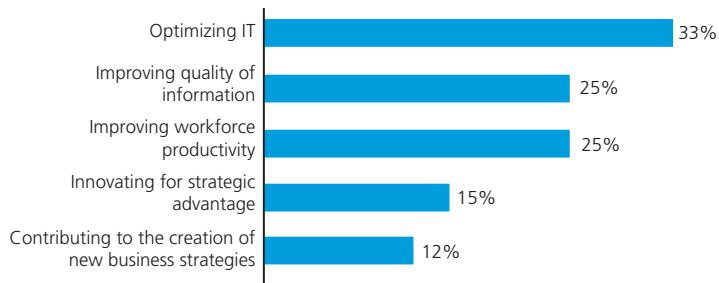


Figure 3. Respondents' top business priorities over the next 12 months

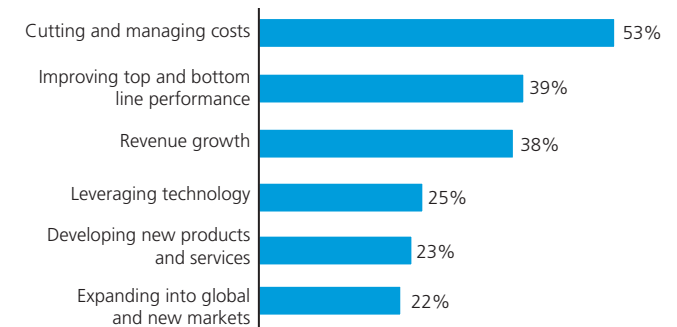


Figure 4. Respondents' top IT priorities over the next three to five years

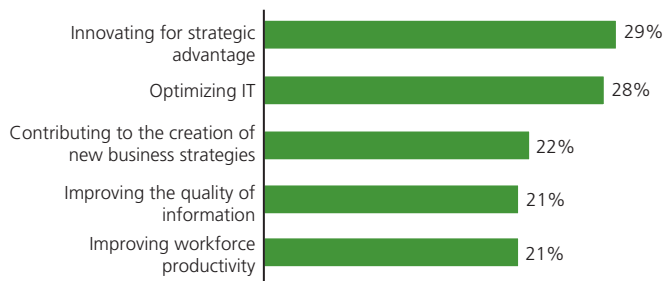
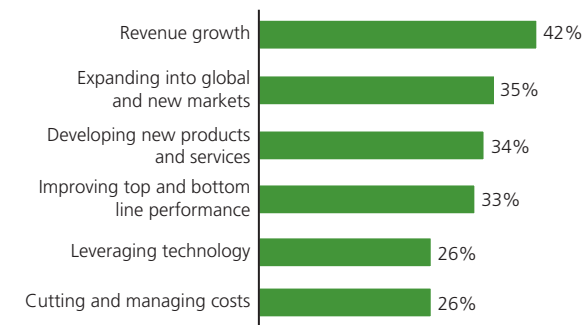


Figure 5. Respondents' top business priorities over the next three to five years

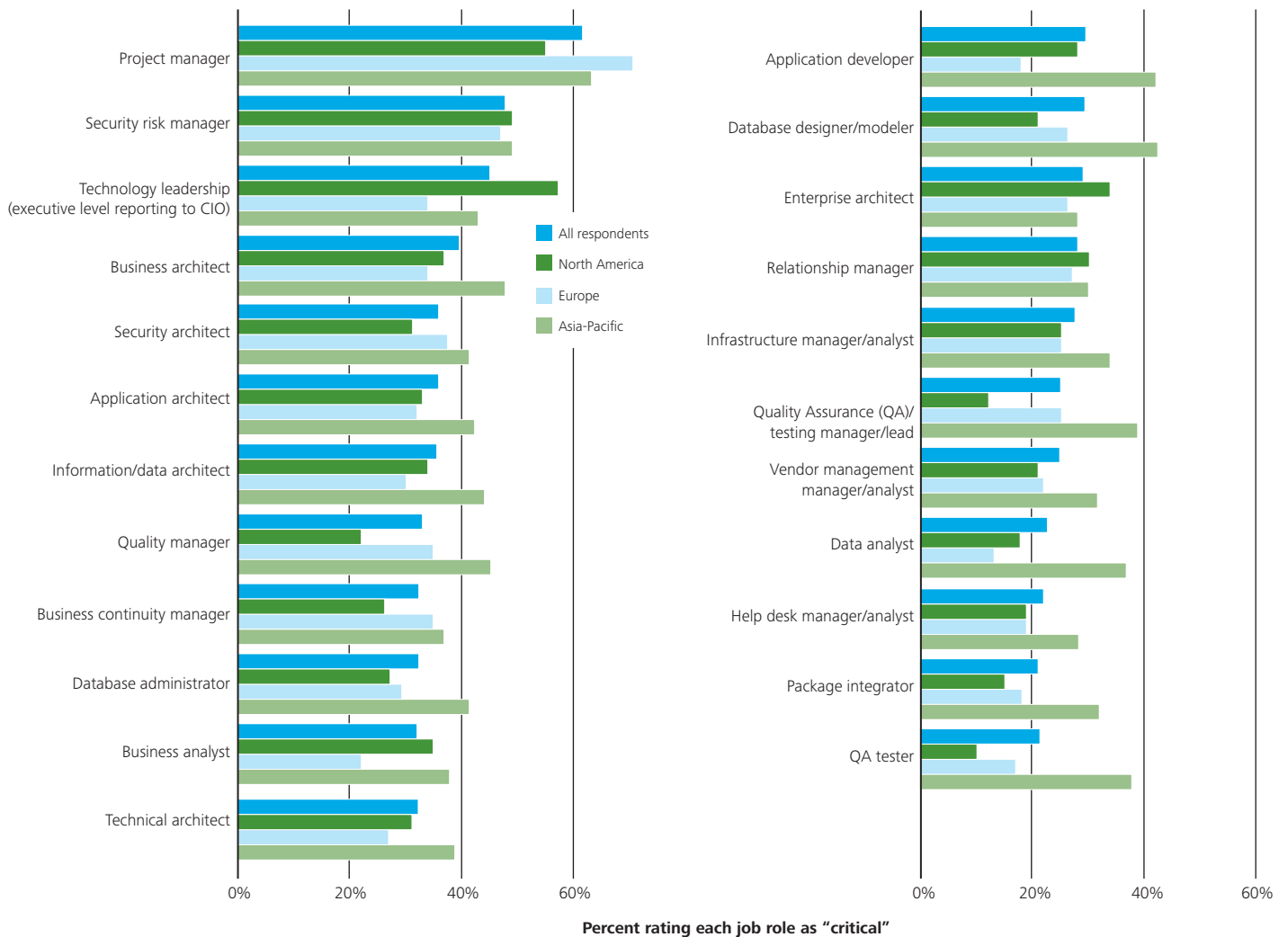


A closer look at the IT talent gap

The size and impact of the IT talent gap varies for different job roles. According to the survey results, the most critical demand is for strategic talent, such as project managers, risk managers, leaders, and architects (Figure 6). These key roles operate across technical and functional silos and help set the direction for the rest of the organization. They have a disproportionately high impact on the organization's overall performance. They also represent the key leadership required for these tough times and the path back to growth.

The respondents indicated that demand is less critical for people who operate in the trenches of the IT organization, such as package integrators, testers, and analysts. These roles tend to revolve around a narrow set of well-defined skills and their incremental impact on the organization's overall performance is relatively small.

Figure 6. Respondents' demand for IT skills



From a supply perspective, the greatest shortages at the surveyed companies mirror the areas of highest demand. For example, the hardest roles to fill tend to be the strategic roles, such as technology leaders, enterprise architects, and security risk managers (Figure 7).

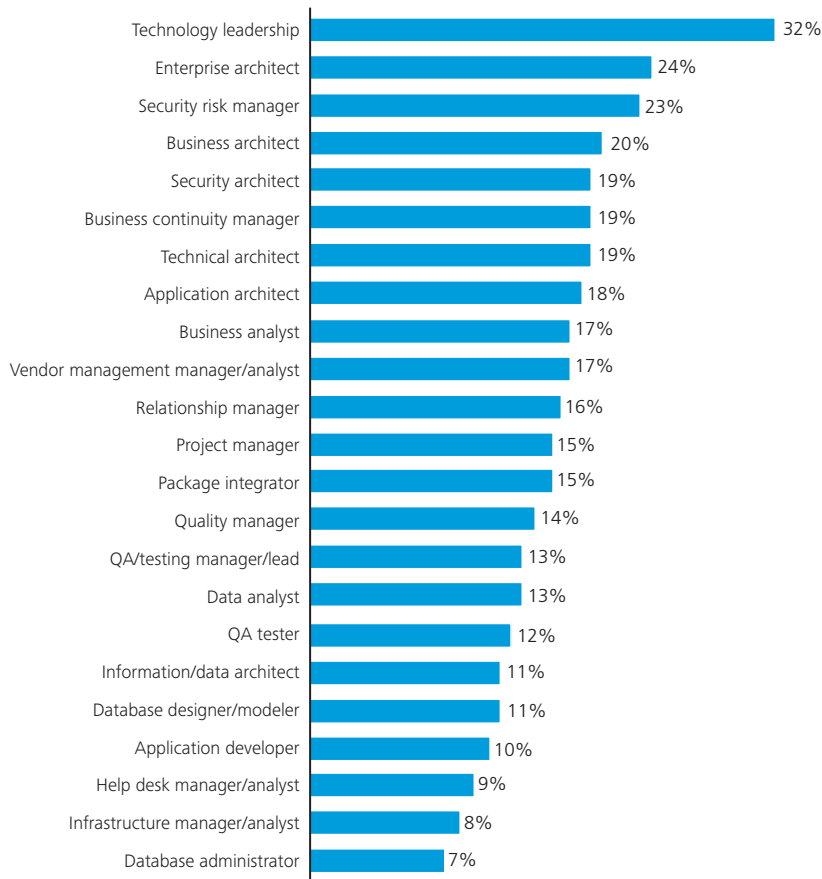
“There are a number of strategic types of people that we need but we can’t recruit them,” said the senior vice president of group strategy for a major bank. A similar view was expressed by the senior vice president of digital operations for a large media company, “It’s hard to find people who translate business requirements into technology and actually can lead and run projects.”

Without an improved approach to sourcing and managing a global workforce, global sourcing can often be more of a hindrance than a help.

The survey results suggest it is easier to fill operational roles such as data analysts, help desk managers/analysts, application developers, and database administrators. However, in some cases, the shortage of critical talent is a global problem. For example, there seems to be a worldwide shortage of technology leaders, architects, and similar strategic talent. For many of the tactical IT roles such as programmers, operators, and developers, the required talent appears to be available—but it might be located on the other side of the country or the world, requiring a global mobility strategy.

Developed countries are the ones most likely to face a local shortage of IT talent. As the CFO of a major consumer products company noted, “I see it more as being general demographics of countries like Australia—with an aging population that’s retiring and the relative number of people coming in at a graduate level is relatively much smaller than it was a generation ago.” To close the IT talent gap, organizations in developed countries must improve their abilities to source talent globally. “It’s really about trying to mobilize the best people wherever they are in the world and really engage that diversity.”

Figure 7. Respondents’ perspectives of IT skills that are difficult to source



The need for improved sourcing is also fueled by constant pressure to reduce costs, improve speed, and swap fixed costs for variable costs through flexible staffing models. Success in this new environment requires robust sourcing strategies. Companies must identify the right talent sources and then figure out how to make the transition to new sourcing models. They must also learn how to manage a multi-sourced, global workforce—which is a very different challenge than managing local, in-house IT staff. Without an improved approach to sourcing and managing a global workforce, global sourcing can often be more of a hindrance than a help and organizations can end up in challenging situations where sourced labor is performing roles that could be staffed internally and the sourced labor costs are higher than they should be.

In today's environment, a common approach is often a blend of various staffing models, including using internal employees to perform strategic roles, sourcing partners to staff commodity roles that can be scaled up or down, offshoring as a way to reduce labor costs and retain management control, and outsourcing as a way to leverage economies of scale and improve quality. All of these types of sourcing can have a significant impact on the operating model for IT and, as a result, require

new approaches to acquiring and managing talent. HR's involvement in these types of models is often solely focused on the transition of employees to these new sourcing models and not enough time is spent on how this diverse workforce should be managed to support integrated teams.

Managing geographically dispersed workforces of internal and external workers also presents a significant challenge to IT's HR and Talent partners to focus on critical topics, including workforce transitions, career planning for retained IT professionals, and programs to manage and support these global networks and teams.



Case Study No. 2*
Economic crisis provides temporary stability for IT staff, but what happens next?

Company headquarters: APAC

Company size: Approximately 17,000 employees

Annual revenue: Approximately \$2 billion+

Industry: Real estate



A global economic crisis. A failed Enterprise Resource Planning (ERP) implementation. Ten-year-old legacy systems running mission-critical functions for a global company.

For some companies, these might seem like a recipe for an IT nightmare of messy workarounds and high turnover. But not for one APAC-based organization—where the economic crisis has provided stability for its IT staff. The failed ERP implementation was a learning experience that informs decisions to this day. And the legacy systems are keeping the business up and running.

That's not to say all is rosy at this \$2 billion real estate enterprise. IT staffers are continually bandaging the legacy systems that should have been retired in 1999. Luckily, the company has been able to retain the people who maintain the original systems—but they are expensive. According to one executive, the company is "throwing money" and other incentives at them. And the inevitable economic recovery will likely lead to staff turnover, or, at the very least, higher costs for retention.

But the organization is taking steps to prepare for change. Its vendors have filled some gaps, in terms of both solutions and the staff to support them. Current personnel are being trained on the technologies that will eventually replace those legacy systems. Also, taking advantage of APAC geography, recruiting is handled regionally, rather than nationally. IT and HR work together to cast a wide net for talent.

But there are regional challenges, too. Asia is a growth market for many organizations, even in this economy, and the company has deployed many IT staffers throughout APAC. Now many of them are looking to come home. That means finding secure jobs for people when they are repatriated. At the same time, some of the younger IT staffers want to have international experiences, meaning they can rotate into those foreign postings. The organization intends to accommodate them as much as possible.

The company is struggling with succession planning. "In theory, it's great," says a spokesperson, "but in practice, it's very difficult to maintain. If you identify one or two people for succession and career planning, then you can alienate a lot of the other staff." However, the company has made strides in other planning endeavors with a global steering committee. Its mandate is to keep abreast of change and identify what competitors are doing and what clients are demanding. A special focus is on people management. For example, the company has recently set up a back-office infrastructure in India, particularly around shared services. HR and the steering committee have been directly responsible for ensuring that the right people are placed there.

*As part of the Deloitte – CIO research, we interviewed 15 senior business executives to collect case studies. This is illustrative of what we learned.

The need for an IT talent strategy

Although the vast majority of respondents have business strategies and IT strategies that are well-defined, fewer have well-defined IT talent strategies. And even fewer have all three strategies in alignment (Figure 8).

Many surveyed organizations believe they have an IT talent strategy, but often the strategy consists of tactical employee lifecycle activities, such as recruiting and development. As the CFO of a major consumer products company put it, “We waste a lot of energy on something that is really a fashion statement, as opposed to a substantive change in the way we can do business and add value.”

What IT organizations need are integrated talent and work strategies based on data, analysis, and a long-term view. An integrated talent management strategy is a framework that outlines the approach and roadmap for managing an organization’s most critical assets—its employees. We see four critical steps in the development of an integrated talent strategy.

- The first step is “alignment,” beginning with a thorough understanding of the business’ strategy and creating a clear line of sight among business, technology, risk, and talent strategies.
- The second step is “analysis,” identifying IT’s critical workforce segments and leaders and understanding the supply and demand in the external market, and the unique requirements of generational workers in these critical segments.

- The third step is “differentiation,” developing a talent roadmap with a combination of core and innovative talent and work solutions that will drive the company’s specific IT and business requirements.
- The fourth step is “implementation,” putting in place talent programs including governance and infrastructure and processes to conduct ongoing IT talent management programs.

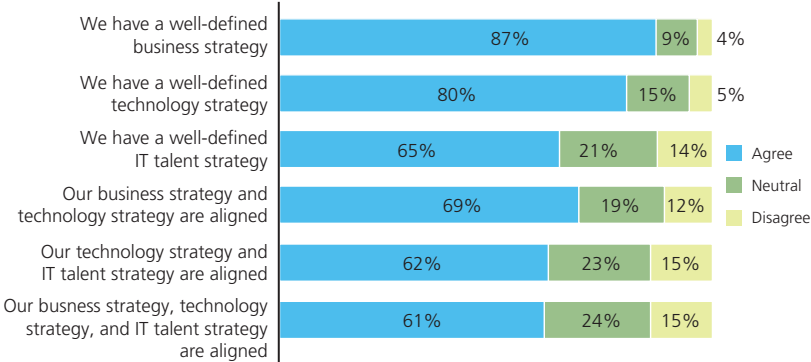
There are significant opportunities for organizations to improve their IT workforce analysis and planning capabilities. More than 55% of respondents said they have processes for workforce planning—but our experience suggests these processes are often inadequate. Workforce planning should involve more than high-level estimates about the number of open spots that may need to be filled over the next year. It also must factor in larger trends on both the demand side (e.g., new business requirements, technology advances) and the supply side (e.g., demographics, baby boomer retirements, education, global labor markets).

IT organizations should assess their current workforce and model what the organization will look like in three to five years. What are the current skill levels? What skills are being developed? Who is likely to leave or retire? Which technologies and skills will be most critical?

They should then compare those needs to what is happening in the external IT talent market—and develop a strategy to close the gap. What talent is available locally? What talent is available globally? What are the sourcing options? Which gaps can only be filled through in-house development?

Ultimately, if you do not know what talent you need—and have a clear plan for getting it—it will be hard to be effective at anything else.

Figure 8. Respondents’ business, IT, and IT talent strategies

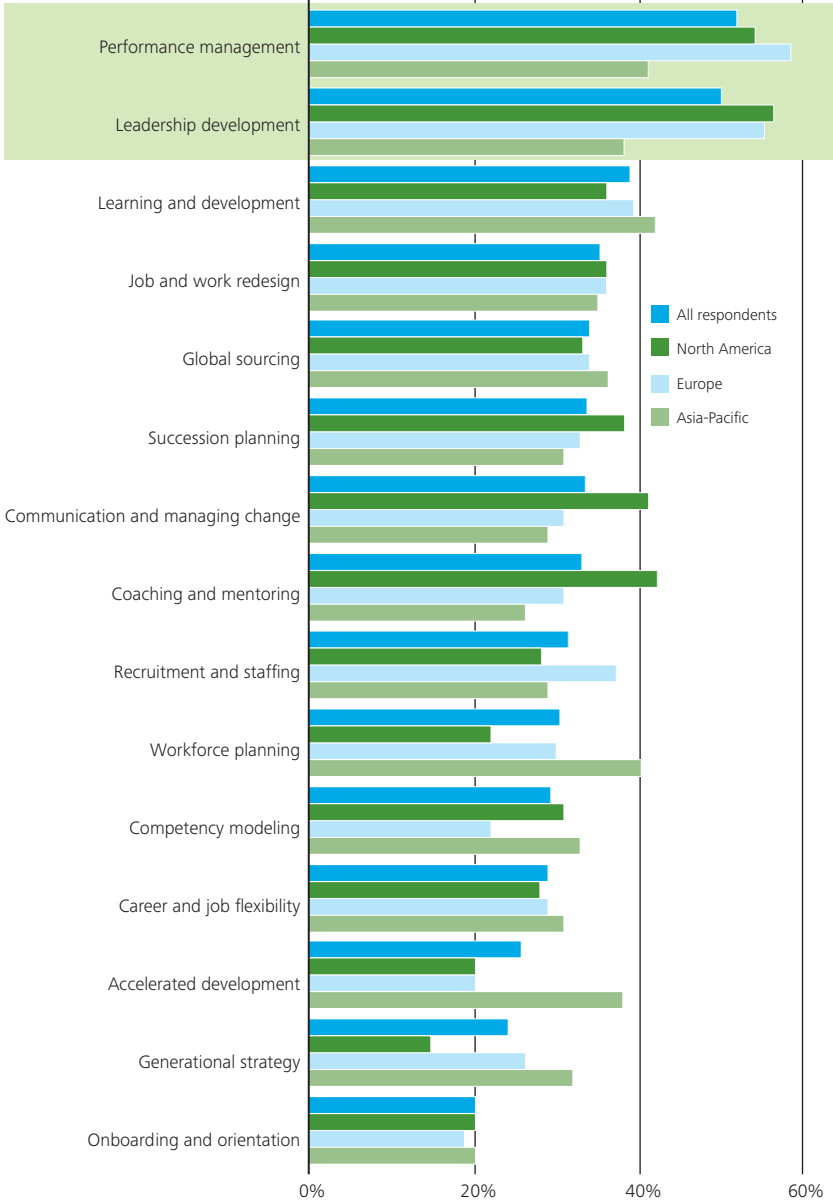


How organizations around the world are working to close the gap

On the global stage, performance management and leadership development are the two top strategies for managing IT talent at the companies surveyed (Figure 9). There is also a widespread focus on learning and technical development, job and work redesign, global sourcing, and succession planning.

As we move down the list, regional differences begin to appear. For example, North American organizations surveyed are focusing attention on communications and managing change, as well as coaching and mentoring. Surveyed organizations in Asia Pacific are focusing more attention on workforce planning, accelerated development, and generational strategies. In Europe, surveyed organizations are placing greater emphasis on recruitment and staffing.

Figure 9. Respondents' top IT talent management strategies today



One area that is not receiving enough attention currently by the surveyed companies is onboarding. We think this needs to change. In particular, companies should focus more effort on onboarding for contractors and other nontraditional resources. Current processes are generally designed to meet the needs of traditional in-house staff. But that is not what the IT workforce looks like any more. Going forward, we believe IT organizations will rely increasingly on a diverse mix of contractors, outsourcing vendors, retirees, and offshore staff. These resources are also important to IT's success and need increasing levels of management and support. Relative to onboarding, this will involve establishing specific HR and talent policies and processes for bringing nontraditional staff up to speed quickly, regardless of where they are located or who signs their paychecks.

Developing the next generation of IT leaders

Although the respondents ranked leadership development as one of today's top strategies for managing IT talent, we believe it is an area that should receive even more effort and attention. IT leaders do not just magically appear—they must be created and nurtured. Survey respondents seem to agree. Looking into the future, leadership development and succession planning emerge as their top IT talent management strategies (Figure 10).

As one chief technology officer put it, "Ultimately, through those people who we're encouraging to develop skills, we want the leaders of tomorrow."

Most CIOs understandably focus a lot of time and attention on developing systems. But increasingly, they are recognizing the need to apply that same level of effort and rigor to developing future leaders. After years of workforce streamlining, outsourcing, and off-shoring, many IT organizations find themselves hollowed out. Mid-level and junior IT staff with leadership potential essentially have no one to manage, which means they have fewer opportunities to climb the career ladder and develop the skills required to manage larger projects and teams. No wonder many potential IT leaders get frustrated and leave after their first few years.

People want to work in an organization where they can grow and develop. One way to stack the IT leadership deck is to *import proven business talent* from outside of IT. Another way to address the problem is through

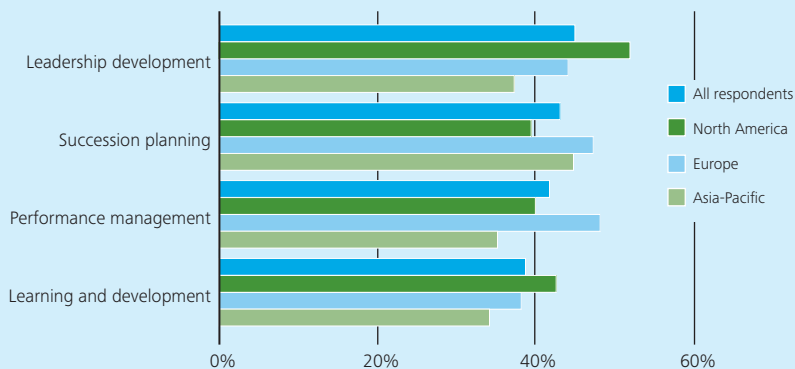
accelerated development programs, which provide IT leadership candidates with opportunities to gain the management experience they so desperately need. *Job rotation* programs within the business can also help people broaden their perspectives and grow their skills.

Experience maps are especially useful for developing IT leaders. These maps describe which developmental and on-the-job experiences a person should have over a defined period of time in order to become highly competent. The idea is that it is not enough to simply spend time in a role; rather, employees need the right kinds of experiences. For leadership candidates, this might include leading a global team or managing a turnaround initiative. Mapping out experiences to prepare high-potential talent for the next level of responsibility can help them develop faster and get them ready for the challenge.

Succession planning is critical to leadership development and is an area where many IT organizations have significant room for improvement. The starting point is to create a formal succession planning program for key leadership and project positions. This kind of planning can help establish an adequate bench of potential leaders across the IT organization. It can also provide improved career and professional development for IT professionals. HR/talent can and should help structure these programs.

Finally, IT organizations must adjust their performance management, coaching discussions, and compensation to align with the goal of developing leaders, rather than focusing primarily on building, implementing, and maintaining systems. If leadership development is truly important, it needs the attention of current IT leaders and for leadership development efforts to be funded, recognized, and rewarded.

Figure 10. Respondents' top IT talent management strategies in three to five years



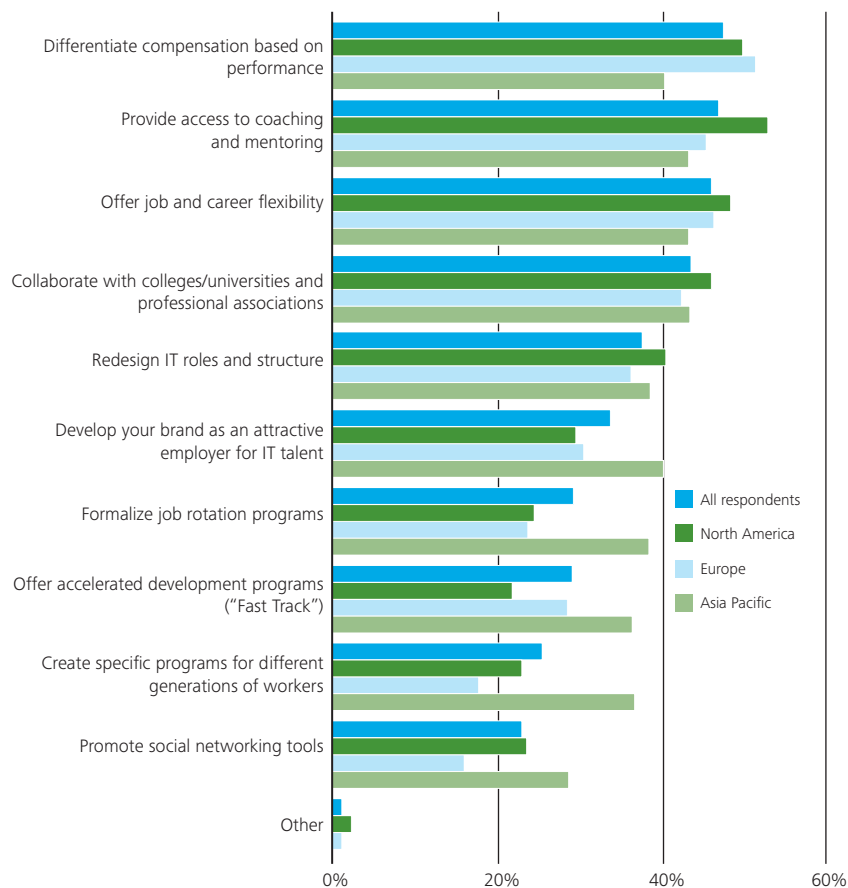
Attracting and retaining IT talent

According to the survey, the top three attraction and retention strategies are (1) differentiated compensation based on performance, (2) access to coaching and mentoring, and (3) job and career flexibility (Figure 11).

There is no doubt that the top three strategies identified in the survey are important—but at this point we believe they are becoming table stakes. In order to attract and retain the kind of talent needed, IT organizations must do more.

Most surveyed IT organizations lack a targeted, aggressive recruiting strategy. Instead, they use a passive strategy that relies on the company's overall brand and word of mouth.

Figure 11. Attraction and retention strategies in use by respondents



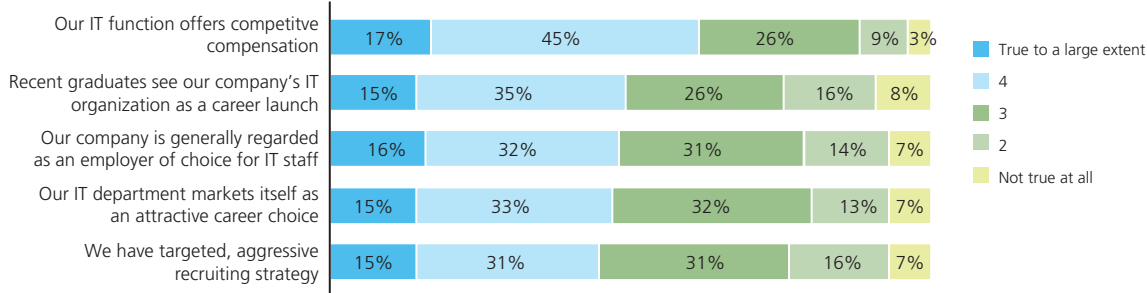
One of the innovative ways for an organization to differentiate itself and attract critical talent is to develop its brand as an attractive employer for IT talent. Most surveyed IT organizations lack a targeted, aggressive recruiting strategy (Figure 12). Instead, they use a passive strategy that relies on the company’s overall brand and word of mouth. This helps explain why IT is not viewed by recent graduates as a career launcher—and why many companies are not seen as an employer of choice for IT staff.

Effective branding is especially important to offshore staff in emerging markets—people who tend to be very conscious of whom they are working for. Organizations can address these issues by making IT a more attractive place to launch a career and by making a deliberate effort to build and promote a talent brand. This will be especially important as compensation becomes less of a differentiator.

Another way for a company to attract and retain critical talent is to create targeted programs for different generations of workers. Organizations today face the unprecedented challenge of managing four different generations in the workforce—each with different needs, expectations, and capabilities.

To satisfy the demands of today’s workers, organizations must offer job and career flexibility. Most surveyed companies have already taken steps in this area. “We’re fairly flexible in the work arrangements here,” said the senior IT operations manager of a large food services company. “Giving people the ability to have flexible work arrangements and work at home has been very successful.” However, as worker expectations around flexibility steadily rise, organizations must continue to innovate.

Figure 12. Respondents’ view on promoting IT’s talent brand



Managing talent in a recovery

In response to the most challenging economic conditions since the 1930s, many surveyed organizations have been forced to take drastic actions to streamline their IT workforces and keep IT labor costs in check. Yet even in the midst of hiring freezes and layoffs, many organizations continue to face talent shortages in critical areas.

“One of our biggest problems was that we didn’t do a very good job in competency modeling,” said the senior IT operations manager of a large food service company. “Because of that, and our [lack of] succession planning, we laid off the wrong people.” As this example displays, forward-thinking during a downturn can be vital to holding on to critical talent. “A lot of other companies started taking advantage of that and started pulling more of our better people out. The people we lost were probably some of our highest performers.”

When the economy turns around, the talent crisis will likely get worse as companies scramble to rebuild their workforces and position themselves for growth. At the same time, they face a potential resume tsunami as talented workers who feel trapped in their current jobs and mistreated by their employers jump ship for better opportunities. According to the managing director of a large commercial real estate company, “We think that once there’s a more general robustness in the economy and more confidence levels from staff, they will probably seek opportunities elsewhere unless we can meet their demands for pay, career planning, career succession, and, probably for a lot of them, mobility.”

Here are some things companies should consider doing now in their efforts to avoid losing IT talent as the economy improves:

Take care of top performers and critical IT workforce segments. These people are the heart and soul of your IT organization. They have the skills to succeed anywhere, which is why they are attractive targets for the competition. Communicate one-on-one with these employees so they do not begin to develop plans to leave. Let them know that you care and value their continued dedication in tough times. In addition, let them know they will not be cut and preempt competitive offers by providing them with valuable development opportunities that are worth more than money.

Hold managers accountable for retention. When times are tough, companies typically encourage leaders and managers to focus on short-term financial performance at the expense of everything else. In the process, people issues often get pushed to the back burner. To avoid this problem, make IT leaders and managers explicitly responsible for retention. One of the main reasons talented people leave an organization is because they do not like their bosses. Tying managers’ performance and compensation to retention can give them a real incentive to keep their employees both productive and happy.

Even in the midst of hiring freezes and layoffs, many organizations continue to face talent shortages in critical areas.

Offer an engaging career path. A key reason why people stay with their employer is that they find the work challenging and have clear sight of a rewarding career path should they decide to stay on for the medium to long-term. In these days of cost cutting and reshaping the workforce, it is necessary to look at alternatives such as outsourcing or resource supplementation through contractors, but it is also important to think through the end results and how they will be viewed by the retained team. Often times, we find that companies are too focused on the sourcing economics and service-level agreements and not aware of the negative impact of sourcing on their employees' morale. Make sure that there is a clear career path for IT employees and invest the time to send the formal and informal messages necessary to keep them secure and happy.

Do not kill survivors by drowning them with extra work. After a round of layoffs, it is tempting to pile all of the old work on the few people who were lucky enough to keep their jobs. But in many cases, the end result is that the talent you chose to retain quickly burns out and leaves anyway. To avoid this pitfall, accept the fact that some of the old work simply will not get done. Set clear priorities, rather than trying to do it all. Also, make sure employees get the training they need to succeed with their new responsibilities.

Be careful about cutting compensation. A growing number of companies use across-the-board pay cuts as a way to share the burden and avoid layoffs. Some workforces respond well to this egalitarian approach, while others do not. To avoid an exodus of top talent, think carefully about your company's culture and how your people are likely to react. Employees in organizations that emphasize

teamwork and rely on contributions from people at every level tend to favor a shared approach to the pain of cost-cutting. In contrast, employees in organizations that emphasize individual performance might actually prefer layoffs.

Find smarter ways to develop people. In a downturn, learning and development are often among the first things to get cut. However, this severe approach can undermine your organization's long-term competitiveness. Instead of canceling all development programs, consider shifting to less expensive approaches—such as knowledge sharing, job rotations, special assignments, communities of practice, and web-based learning—programs that keep people learning and growing without breaking the bank. Many individuals learn more through hands-on experience and on-the-job training than in a classroom. It is time to rebalance learning to include a healthy combination of both classroom-based and hands-on training.

Tell the truth. If you tip-toe around the truth, people will spend their time speculating and worrying about what is really going on. And your best people will start formulating exit strategies and contingency plans that spoil the environment and can potentially snowball into a larger issue. Even worse, if you do not communicate directly with your employees, you will likely lose your credibility. At that point, even the truth will not work.

The *Deloitte Review* recently published a detailed article on this topic entitled, "Where did our employees go? Examining the rise in voluntary turnover during economic recoveries." You can find this article in Issue 5 at www.deloittereview.com.

Case study No. 3*

Financial services firm turns to mentoring, on-the-job training, and global sourcing

Company headquarters: Europe, Middle East, Africa (EMEA)

Company size: Approximately 80,000 employees

Annual revenue: Approximately \$19 billion

Industry: Financial services



Lean IT budgets and reduced staffing levels are starting to affect surveyed companies' ability to keep up with the rapid pace of technology change. In some instances, it is a challenge just to maintain current IT systems, let alone invest in new applications or architectures. This issue creates the risk of putting the alignment of IT and business solidly on the back burner.

"We are trying to be leading edge and bring in new products, but it's very difficult because of the strict IT budgets," says the senior IT executive of a large financial services firm in Europe. "We still support the business, but it has become increasingly difficult. We're struggling to keep the service to the business because of the budget cuts."

Though the firm is actively recruiting IT talent, it is having a tough time finding qualified, skilled individuals, especially for software and SharePoint development. Also, the entire recruitment process is taking longer than planned. To entice job candidates, in some cases, the firm is offering increased salaries and benefits. Despite these incentives, many of the most-talented people choose to play it safe and stay with their current employers.

To keep up with the constant demands on IT, leaders have had to get creative when it comes to retaining staff and getting work done. For example, to get

around talent shortages, management is taking a new look at IT leadership programs and existing skill sets. Business and IT executives are encouraging employees to go through a mentoring process or on-the-job training with the goal of maturing and developing individuals to take on greater responsibilities and competencies.

"What we are doing all the time is looking at the skills matrix and competencies to see how we can set goals for our staff within IT to try and get the best out of these people," says the IT executive. "It might be mentoring or training or training on the job."

In addition, the firm is considering a partnership with an offshore development vendor that operates in China, Singapore, and India. The organization plans to have its own staff work alongside the outsourcing firm's staff. "This isn't something we did before the economic downturn," he says. "This is a new way of doing business for us. We're bringing people in from outside to supplement our existing workforce."

Over time, the firm hopes its efforts will lead to new projects and renewed growth. "That should hopefully kick start the whole economy and kick start the whole recruitment process again," says the executive.

*As part of the Deloitte – CIO research, we interviewed 15 senior business executives to collect case studies. This is illustrative of what we learned.

Taking ownership of the IT talent challenge

As stated earlier, one of the key questions facing IT leaders today is who should own the challenge of IT talent?

At the moment, a definitive approach has yet to emerge. Our survey and executive interviews show a range of leadership approaches involving various combinations of IT and HR/talent executives. However, there is little question that CIOs and their management teams must play a lead role, since IT organizations cannot be effective if they do not have the right talent.

Success is likely to require an unprecedented level of collaboration between IT and HR.

That is not to say the IT function should bear the burden alone. Indeed, success is likely to require an unprecedented level of collaboration between IT and HR. "We tend to seek out HR more and more often, especially in these current times," said the IT director of a \$30 billion energy company. "It's actually been very beneficial for both departments (IT and HR), because we're able to identify the weaknesses within our business or talent recruitment and retention."

The leading emerging approach at the surveyed companies is the CIO and IT function retaining the overall ownership of the issue, creating an opportunity for HR to step up its game to become more strategic by tailoring its tactics to the unique needs of IT (see sidebar: "An opportunity for HR/talent to shine").



An opportunity for HR/talent to shine

In recent years, there has been a lot of talk about HR/talent becoming a strategic partner to the business. We believe the IT talent challenge provides a unique opportunity for HR to demonstrate and develop its partnering capabilities. By tailoring its services and capabilities to the special needs of the IT function—and then applying those lessons to other functions throughout the company—HR can strengthen its position as a true business partner.

The essence of any strategic partnership is understanding each party's specific needs and then tailoring services and capabilities to match these requirements. In the case of HR, that means developing an in-depth understanding of IT's unique operating environment and talent challenges. Here are some of the key talent issues IT is currently facing and how HR can help.

IT's challenges	What HR can do to help
<p>Understanding and closing the gap between talent supply and demand</p>	<ul style="list-style-type: none"> • Strategic workforce planning. Use external data to look at long-term, global IT talent trends (e.g., demographics, education, and global labor markets). • Competency modeling. Help IT understand the skills available in the talent it already has, what skills will be needed in the future, and how to create a competency model to guide development. Identify critical workforce segments and potential leaders. • Talent innovation. Develop innovative approaches to acquiring and managing talent.
<p>Tapping and managing a global workforce</p>	<ul style="list-style-type: none"> • Global talent sourcing. Help IT connect with the right talent—wherever it happens to be located. • Global talent management. Develop HR policies and procedures for managing a global workforce and globally distributed work. Make global work a standard operating practice. • Global talent management infrastructure. Tailor current HR programs and policies to support the external global workforce, recognizing the need to have internal and external people working seamlessly together. In addition, expand HR metric tracking to include external resources, recognizing the importance of consistency and the quality of external people being provided through sourcing partners.
<p>Managing a growing number of external resources</p>	<ul style="list-style-type: none"> • Nontraditional onboarding. Expand onboarding policies and procedures to fit a diverse workforce, e.g., contractors, consultants, outsourced, and offshore resources, not just in-house staff. • Virtual management. Develop leaders who know how to manage a diverse, virtual workforce.
<p>Providing IT professionals with engaging careers</p>	<ul style="list-style-type: none"> • Employer brand. Research and articulate an employer brand targeted at IT careers, e.g., Intel's "Sponsors of Tomorrow" advertising campaign. • Career development. Design and implement accelerated development and leadership programs. Design engaging career paths for retained employees. • Workforce flexibility and work design. Create flexible workforce programs tailored to individual needs, rather than relying on a one-size-fits-all approach. Redesign work to make jobs more engaging to specific critical workforce segments.
<p>Managing four generations of workers</p>	<ul style="list-style-type: none"> • Generational strategies and programs. Help tackle the challenge of managing a workforce comprised of four distinct generations. Improve understanding of the specific needs of different generations of workers. For IT, this means focusing on attracting younger workers and considering ways to help older workers extend their careers.

Mind the talent gap

Our survey and executive interviews highlighted two major talent challenges impacting IT organizations. First is the growing talent gap for IT leaders and project managers. Second is the critical need for improved IT talent strategies and program execution.

As organizations around the world prepare for an economic recovery and implement new growth strategies, they must address these challenges. We believe they can most effectively be addressed through better workforce planning, improved employee lifecycle programs (such as recruitment, development, performance management, and leadership development), and improved workplace solutions (such as global sourcing and virtual/remote work arrangements). They will also need to increasingly differentiate IT talent programs, i.e., to give IT professionals reasons to choose to join and continue their careers at their organizations, involving new initiatives such as employer branding and new approaches to workforce flexibility and balance. These strategies will require new, flexible HR programs that recognize the importance of sourced IT resources from third-party organizations and renewed innovation, particularly when it comes to attracting IT specialists and helping them build careers in an increasingly complex and global work environment.

To tackle the IT talent challenges, both IT and HR/talent will need to focus significant leadership, effort, and resources. Most significantly, they will also need to achieve a new level of collaboration.

The dual challenges of an IT talent gap and a talent strategy and executive gap will not solve themselves. The global recession may have temporarily eased the talent crunch. However, we believe the IT talent shortage will resurface with a vengeance as organizations refocus and rebuild their capabilities and position themselves for renewed growth.

Now is the time to mind the talent gap.



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