

A stylized illustration on the left side of the slide. It depicts a person in a dark silhouette climbing a jagged, blue mountain peak. The person is holding a large flag with a red and white design. The background is a solid yellow color. There are also some stylized clouds and a small yellow sun or moon visible.

WELCOME TO

***RETENTION
FACTORS FOR
ENGAGING YOUR
TOP ENGINEERS***

***Dr. B. Lynn Ware,
President***

Integral Talent Systems, Inc.

Palo Alto, CA



© Integral Talent Systems, Inc.
All Rights Reserved.



Who is ITS?

- Global leaders in employee commitment, engagement, and retention since 1996
- Regularly conduct measures of current workforce trends and employee loyalty factors
- Develop comprehensive research-based retention strategies that lead to high employee commitment
- Proven, quantifiable, and systematic approach to improving productivity and improving employee tenure by up to 63% within one year



The Talent Management Cycle



Agenda

Defining the Retention Challenge



Factors Impacting Employee Retention



The Role of The Manager



What's Special About Engineers?

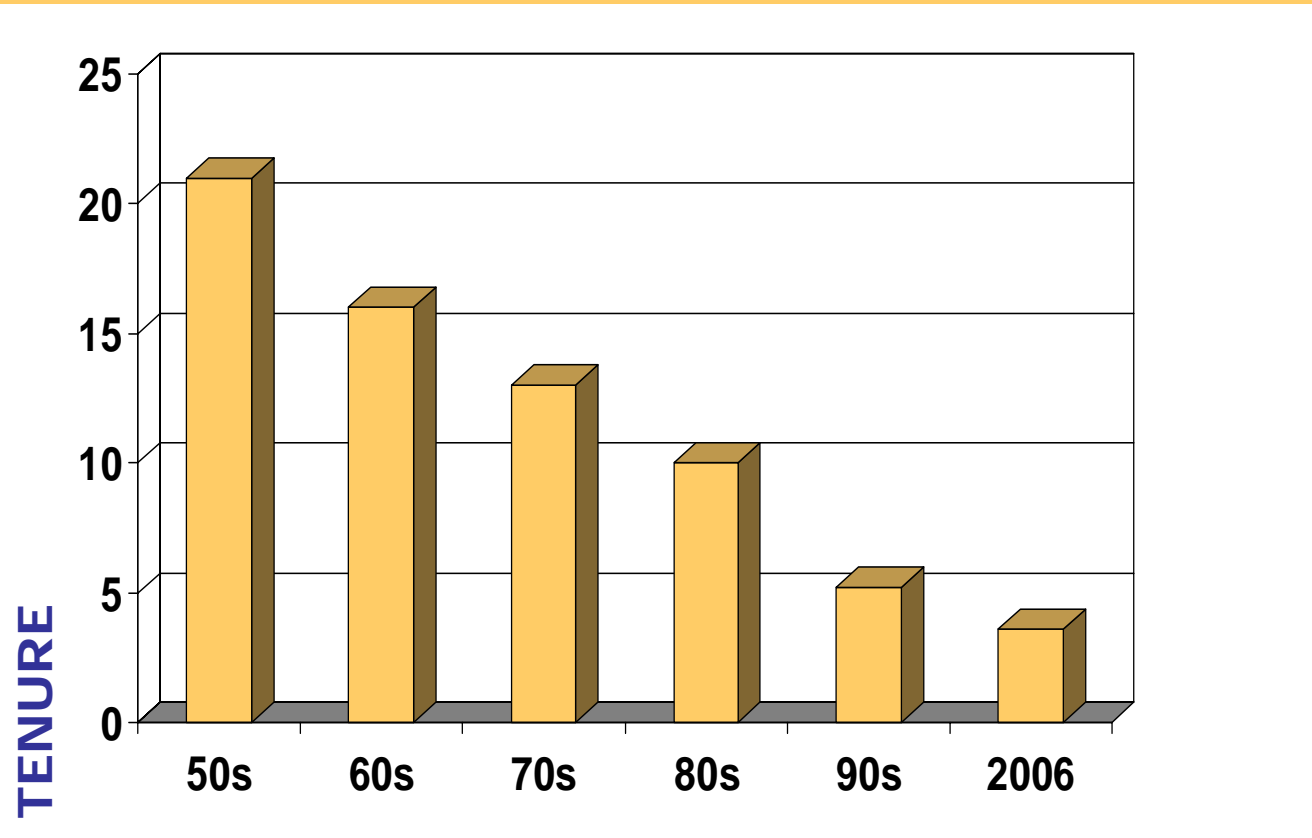


Taking Action



The Challenge: Declining Employee Tenure

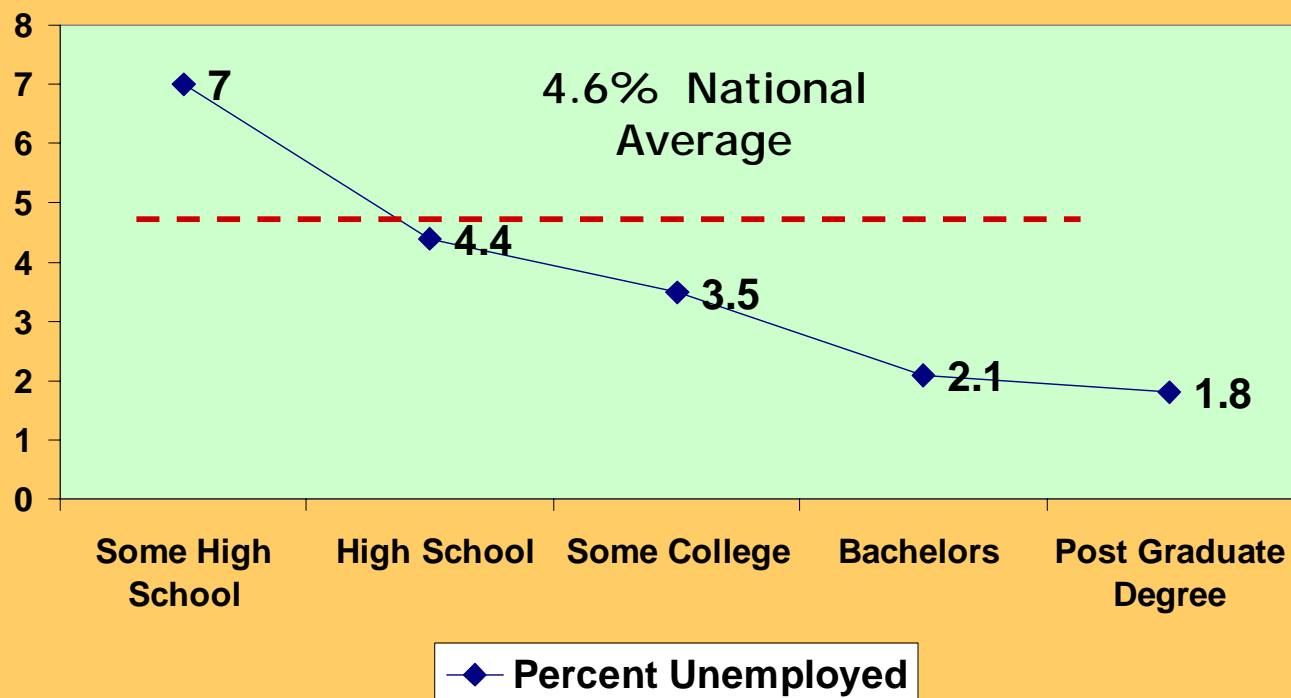
Source: Dept of Labor Employee Tenure Surveys, 1955-2006





Workforce Trends: U.S. Unemployment

U.S. Percent Unemployed by Educational Attainment
August, 2006



Source: BLS 2006



Special Challenges for Engineering Talent

- Engineering Opportunities are projected to be one of the top three fastest growing job categories between now and 2010
- More difficult for foreign employees since 9/11
- “Pull” factor - Perception of better opportunities at home than ever before

Framing the Retention Problem

Reporter:

“Dr. Einstein, what was the single most significant thing that contributed to your development of the Theory of Relativity?”

Dr. Einstein:

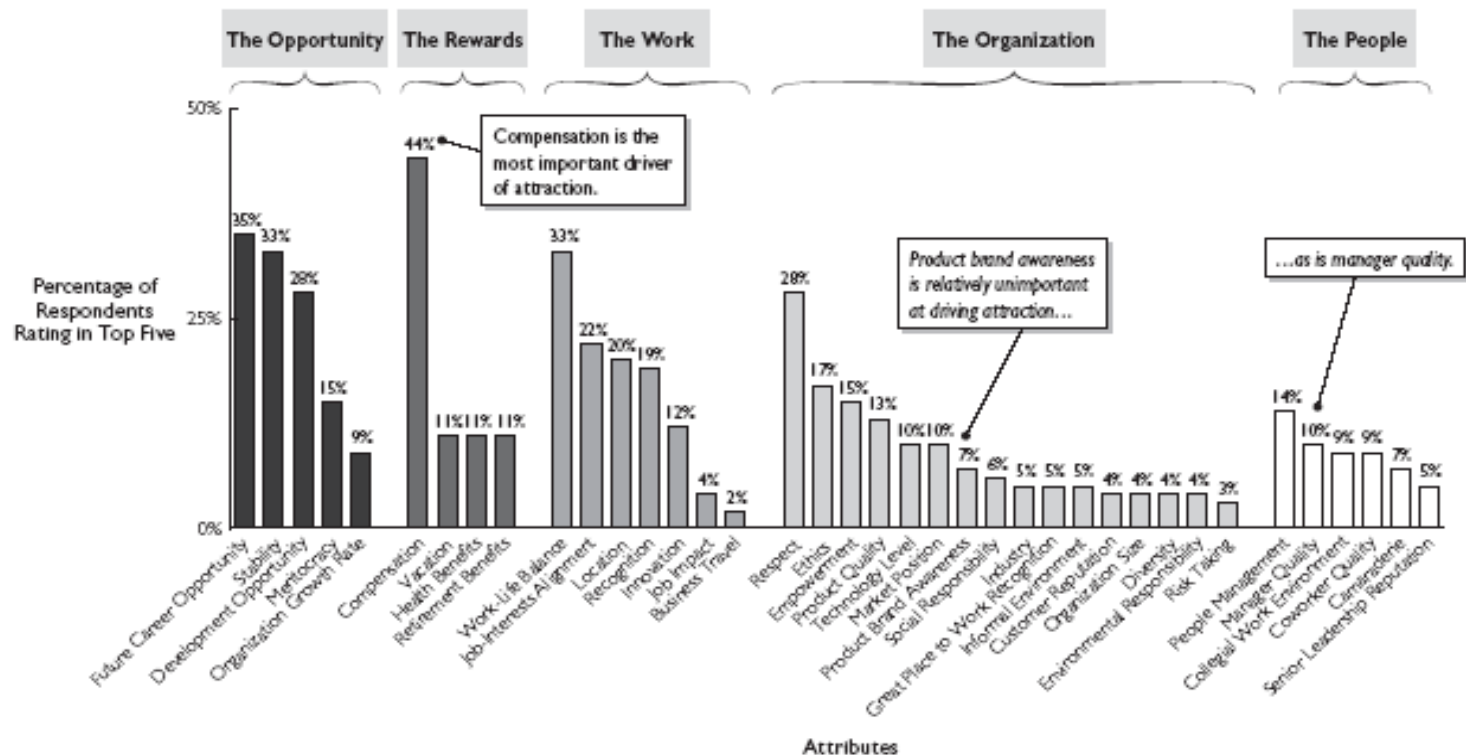
“Figuring out how to think about the problem.”

For Attracting Candidates

OPPORTUNITY AND REWARDS ARE MOST IMPORTANT

Compensation and career opportunities show disproportionate returns at improving attraction

Percentage of Respondents Rating EVP Attribute in Top Five Most Important for Assessing Potential Employers



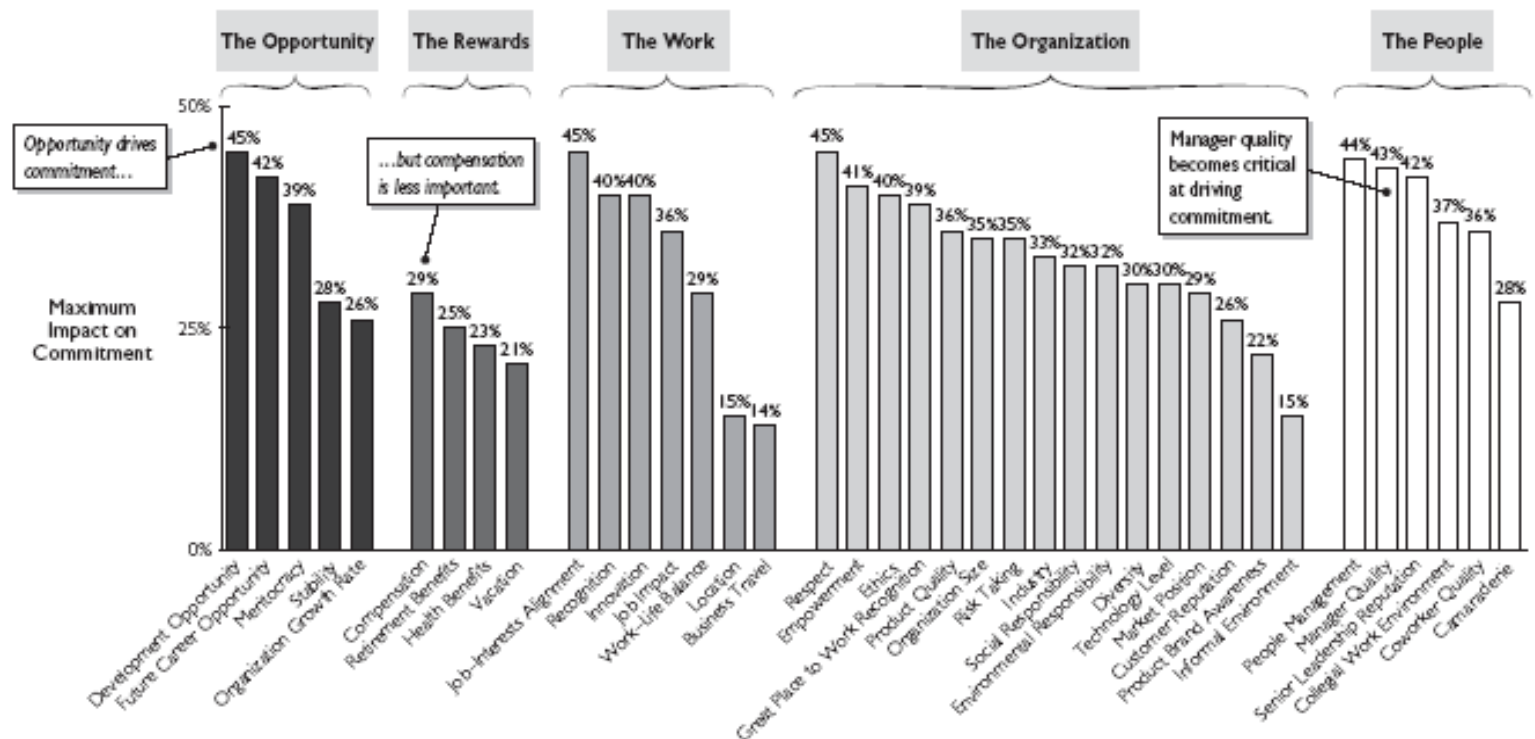
Note: Each bar represents the percentage of respondents reporting attributes as top five in importance when evaluating an organization as a potential employer.

Source: Corporate Leadership Council, Employment Value Proposition Survey; Corporate Leadership Council research.

QUALITY OF THE JOB EXPERIENCE DRIVES COMMITMENT

Development opportunities, job-interests alignment, respect, and people management are critical for commitment

Impact of Employee Perceptions on Commitment



Note: Each bar represents a statistical estimate of the maximum impact on commitment that changing EVP perceptions will produce. The impact is calculated by comparing two estimates: The predicted impact on commitment for an employee who rates the organization "high" on the attribute and the predicted impact on commitment for an employee who rates the organization "low" on the attribute averaged across emotional and rational commitment.

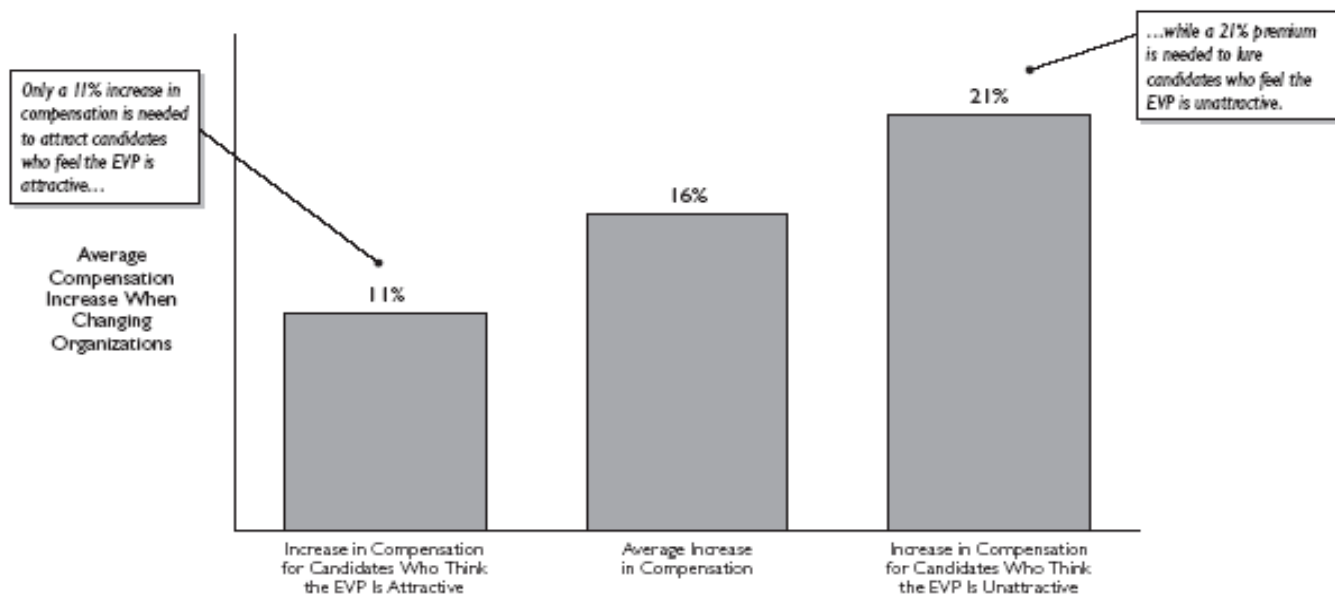
Sources: Corporate Leadership Council, Employment Value Proposition Survey; Corporate Leadership Council research.

Economics of the Employment Value Proposition

DECREASING COMPENSATION COSTS

An attractive employment value proposition decreases the compensation premium required to attract candidates

The Monetary Benefits of Increasing Attractiveness



—DOING THE MATH—

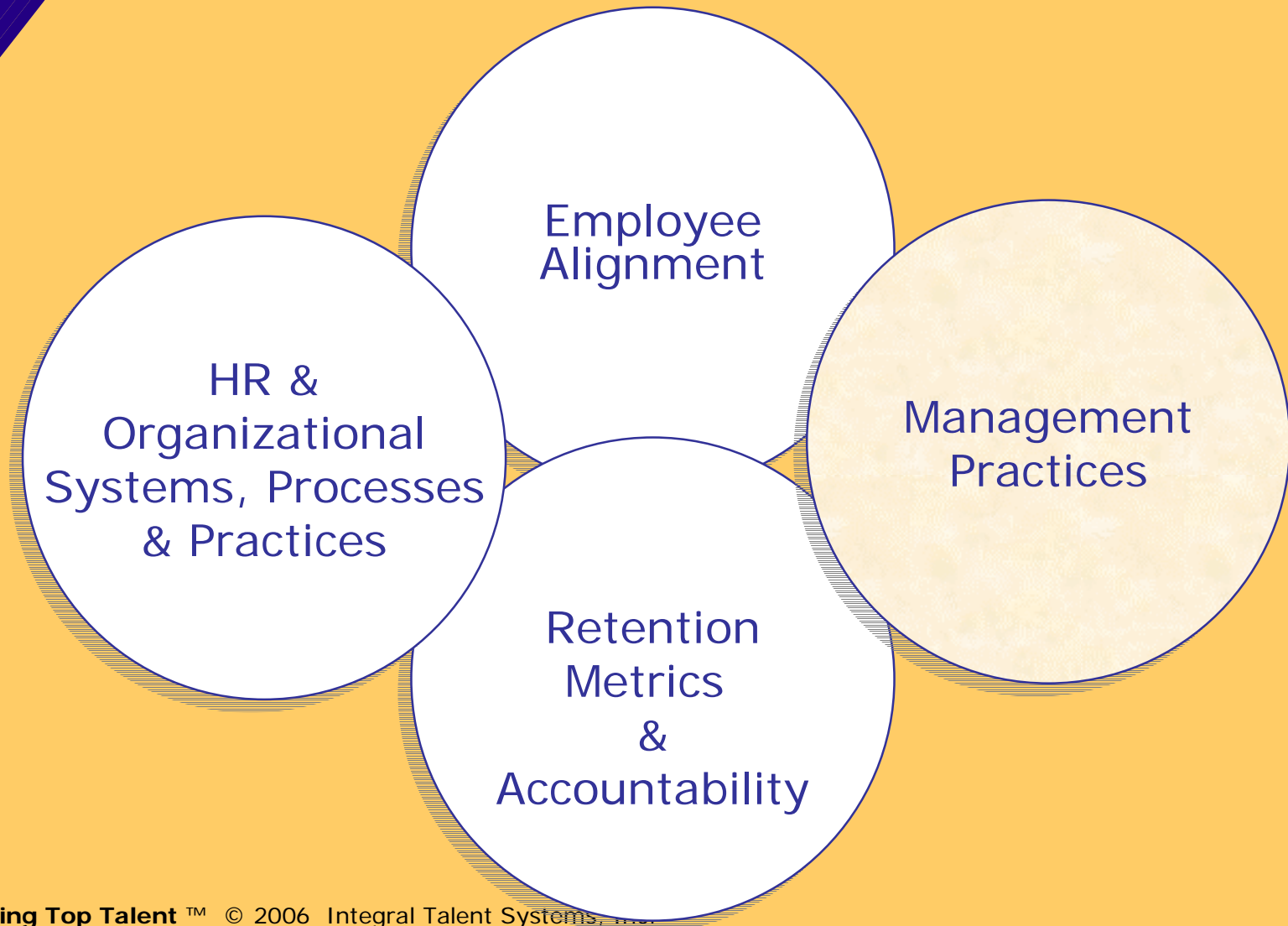
Assuming an organization hires 500 people per year at an average salary of \$50,000, the additional compensation premium that they pay by being relatively unattractive in the labor market is \$2.6 million per year in base compensation.

Note: Respondents were asked about their compensation level in their previous job and that is compared against their compensation in their current job. Analysis was conducted to ensure that these findings hold for both vertical and horizontal movements.

Source: Corporate Leadership Council, Employment Value Proposition Survey; Corporate Leadership Council research.



ITS Research: Elements of a World Class Retention System



Alignment

A large white circle with a thin blue border is centered on the left side of the slide. Inside the circle, the words 'Employee Alignment' are written in a bold, blue, sans-serif font.

Employee Alignment

- Job fit
- Values fit
- Confidence in the leadership
- Perceived equity
- Participation in decisions
- Connection to mission
- Value proposition works *for me*




Organizational Systems

HR & Organizational Systems

- Employment branding
- Recruiting & hiring process
- Orientation & on-boarding
- Performance management
- Compensation & benefits
- Formal Recognition Programs
- Development & Career Advancement
- Job structure
- Employee-sensitive policies & procedures

Metrics & Accountability

A large white circle with a thin blue border is centered on the left side of the slide. Inside the circle, the text 'Retention Metrics & Accountability' is written in a bold, blue, sans-serif font, arranged in four lines.

Retention Metrics & Accountability

- Critical talent identified
- Regularly monitor satisfaction & commitment levels & intent to stay/leave
- Third party exit interviews
- Requests for transfers
- Turnover data cut by significant demographics
- Local Retention Plans
- Rewards for Leaders who retain and develop the best

Management Practices

A large white circle with a thin blue border is centered on the left side of the slide. Inside the circle, the words 'Management Practices' are written in a bold, blue, sans-serif font, stacked on two lines.

Management Practices

- Hiring practices
- Supporting employee achievement
- Promoting ongoing learning
- Individualized recognition
- Nurturing careers
- Creating good teams
- Managing attrition risks



Retaining Top TALENT™ Model





TALENT Model Data Sources

Data collected from:

- 3000 + managers
- 8,000 + direct reports



These managers came from organizations in several industries:

- High Technology
- Telecommunications
- Pharmaceuticals
- Biotechnology
- Health Care
- Publishing
- Financial Services



TALENT Model & Likelihood to Quit

EMPLOYEES

	Chances of Leaving My Job This Year Are:	
	<i>High / Almost Certain</i>	<i>No Chance / Very Unlikely</i>
Managers w/ High Scores (Top 10%)	7.5%	65.0%
Managers w/ Low Scores (Bottom 10%)	23.8%	25.0%



TALENT Model & Employee Satisfaction

HIGH TALENT scores are associated with:

- High employee satisfaction with the organization
- High employee satisfaction with their job
- High employee satisfaction with their boss
- Lower levels of employee work-related stress

LOW TALENT scores are associated with:

- Low employee satisfaction with the organization
- Low employee satisfaction with their job
- Low employee satisfaction with their boss
- Higher levels of employee work-related stress



ITS Recent Top Engineer Study

- 1400 engineers identified by their managers as top talent
- January, 2003 - June, 2007
- 20 Silicon Valley companies
- Semiconductor, software, pharmaceutical, other IT
- Asked to rank relative importance of key management practices





TALENT Model Preferences (by rank order)

1. Team Collaboration
2. Recognition
3. Targeted Hiring & Assignments
4. Learning
5. Achievement
6. Career Advancement



Item Level Analysis

The Top 10 (of 72)

1. Establishes an atmosphere of trust amongst direct reports.
2. Is sensitive to direct reports needs to balance career and personal/family life.
3. Recognizes direct reports when they make extraordinary efforts.
4. Arranges for direct reports to get training to develop new job skills.
5. Provides recognition that is sincere; not forced or artificial
6. Encourages direct reports to support each other and work collaboratively.
7. Fully discloses all aspects of the job when hiring.
8. Provides necessary resources to direct reports.
9. Acts as a good team role model.
10. Provides direct reports with on the job experiences that facilitate professional growth.



How Are Managers Doing?

Top 10 LEAST Effective Behaviors

1. Spends time getting to know what type of recognition personally excites and interests each direct report.
2. Encourages direct reports to think through career plans and goals.
3. Exposes direct reports to other areas of the company to increase their visibility.
4. Personally helps to build new skills and knowledge of direct reports to help them.
5. Makes developmental suggestions to direct reports in a way that they find supportive and appealing.
6. Provides coaching to help direct reports be more successful.
7. Gets direct reports input as to what tasks/projects they are most eager to work on.
8. Provides recognition when milestones are reached, nit just at the end of the project.
9. Helps direct reports learn from mistakes.
10. Assures that workloads are fairly balanced across all work team members.



How Are Managers Doing?

Top 10 MOST Effective Behaviors*

1. Provides recognition that is sincere, not forced or artificial.*
2. Establishes an atmosphere of trust amongst direct reports.*
3. Encourages direct reports to support each other and work collaboratively.*
4. Is sensitive to direct reports needs to balance career and personal/family life.*
5. Involves other interviewers in the selection process.
6. Acts as a good team role model.*
7. Recognizes direct reports when they make extraordinary efforts.*
8. When making hiring decisions, focuses on the candidate's personal fit into org culture.
9. Provides recognition to direct reports equally - without favoritism.
10. Uses a structured approach to interviewing.

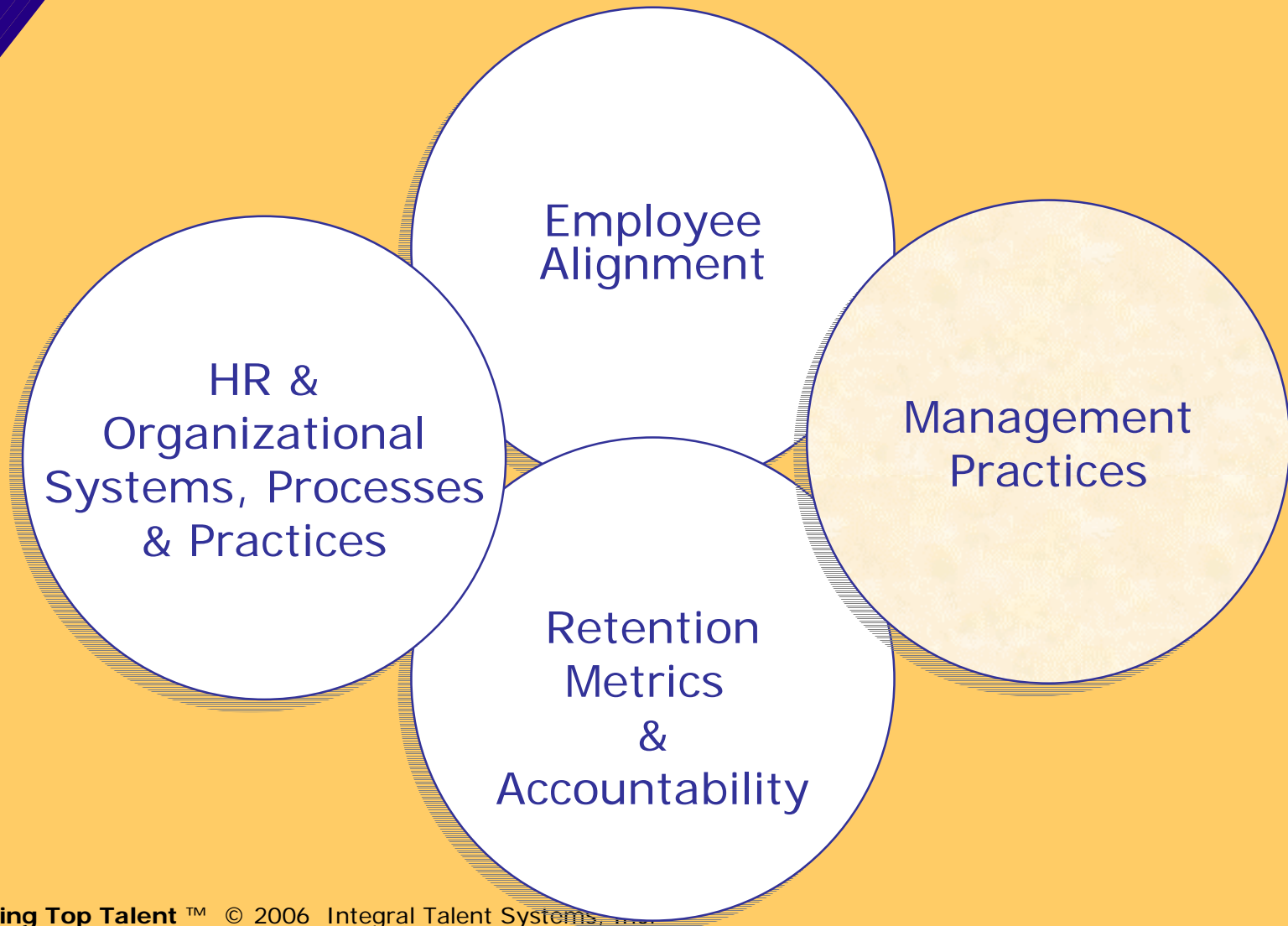
*Matches with an Importance item

Retention Practices of Top Companies

- Multifactor approach to retention
- Tailored Retention Solutions
- Consistency and Sustainability
- Benchmarking
- Formalized approach to Talent Retention
- Managers are accountable



Understanding Employee Retention Factors





Creating A Retention Strategy for Your Organization

Initial Steps to Take

1. Create a cross functional interim task group
2. Determine retention goals and assign ownership
3. Identify High Value talent
4. Track High Value employee commitment and turnover
5. Use employee survey, exit interview data and focus groups to determine top leverage actions
6. Put programs in place to educate managers on their role in employee retention
7. Create local retention plans with accountability
8. Optimize organizational systems to support retention goals
9. Conduct regular "Talent Health Check-ups" in order to identify the concerns of High Value Talent before they become a problem you can't solve.



THANK YOU!
Dr. B. Lynn Ware
drware@itsinc.net



Integral Talent Systems, Inc.
www.itsinc.net
650-320-8299