

Retaining IT People by Letting them Go...

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Since the mid-80's, there has been a lot of pressure on IT Departments to retain their top talent. Headhunters solicit your best people, often offering salaries that are outside your scale, stock options your company doesn't have, and "cool" work spaces.

According to data from the Information Technology Association of America, turnover averages 20% per year in the IT sector, the cost of recruitment can be as high as \$100,000 per employee, and over 350,000 positions are currently unfilled. In Canada, there are 30,000 vacant IT positions, according to Gaylen Duncan, CEO of the Information Technology Association of Canada.

How can you keep the best IT talent without completely violating your organization's compensation practices? What can you offer if you are only a mid-sized firm with the average combination of traditional and emerging technologies?

As a CIO, you are familiar with the problems of staff retention, but you may have overlooked a rather paradoxical compromise solution - one with big payoffs for you, the company and your IT employees. Keep your IT professionals in the company -- but *let them go* out into the business units as business partners.

In this article, we report on a practise within the Clarica Life Insurance Company that achieved some very impressive results.

Clarica's Solution

Clarica found this solution even though they weren't looking for it! Dozens of IT people at Clarica have been retained within the company by moving to career opportunities available to them in the business units. We aren't talking about decentralizing the IT workforce, or job rotations, although these may be a temporary strategies to retain some of your IT people who are looking for more challenge.

By the early 90's, over 70 IT people at Clarica had moved out of IT and into non-IT jobs in business units. Over 85% of them were still with the company after an average time out of 8 years! Some of them have been out for over twenty years. These former IT professionals moved into marketing, administration, quality business, sales support, and human resources positions.

These people were not unhappy in the IT department, but they were ready for new challenges and opportunities to *make business decisions* rather than just *recommend* solutions. These people were familiar with the systems that supported various business processes and had strong project and people management skills. As we begin the new millennium, these career transitions are still happening and the feedback we heard from business people, IT people still in IT, and those who moved out is "Do it!".

The Payoff

The paradox that Clarica found when their IT people started moving into the business was that they didn't lose IT talent; they gained business partners and IT champions.

A good example of this payoff is found in the story of Wayne Sigurdson, the current Vice President of Customer Service. He spent 15 years in IT, from 1972 to 1987, in a number of increasingly responsible positions. He then moved into the line, most notably with the Investment and then the Group Division. In his three years with the Investment Division, he led the implementation of many IT-enabled changes, including securities administration, retail mortgage administration, corporate loans, and electronic

applications in commercial mortgages. He sponsored the Customer Service Workbench project, which won the 1999 Silver ITX award. This system combined advanced features such as web access to legacy systems, knowledge bases, and workflow management to create a rich Customer Care environment. In an interview, the former Vice President of IT commented on the impact an individual such as Wayne has on business innovation:

"The Group Insurance Division automated most of their administrative, policyholder and policy issue systems after Wayne was recruited from the IT Division and became their VP."

"He's the kind of individual we really like to see go out from IT into the line area because he is always pushing us to expand the envelope... constantly coming back and saying "I saw this" or "Could we do this" or "Will it let me do this better?"

Another person who is a member of the senior management team is Frank Preston, now the Vice President, Group Insurance (Service). After 11 years in the IT department, Frank moved into Individual Administration. For almost two decades he has managed different business departments. He is the champion of a process approach to enabling business with IT, stating, *"I believe that as managers we have to manage the total process. And if you don't understand the systems, you don't manage the full process. It's all part of the package that's put together."*

While these are people whose names appear on the back page of the annual report, there are another five dozen in the various business units, putting IT together with business problems to create innovative solutions. One major payoff cited by many of the people at Clarica is their pervasive strength in project management - a skill that was transferred to the line with the IT people.

Clarica's history with IT shows a constant stream of innovation, starting in the mid-80's when they won an award for a PC front end to the mainframe system which saved them 30% of their email costs. Expert systems helped them improve their service to policyholders and to the sales force. Their latest international award was for the extensive Internet site used to communicate with policyholders during their demutualization.

Clarica has a history of innovative, first mover projects. Sometimes these projects have been bet-the-company efforts. They believe that having former IT professionals in the line make a crucial difference to their ability to take on these large projects and succeed. As they describe it,

"This project was the implementation of a new agent-manager relationship. Literally, the rest of the industry was sitting back waiting for us to fail. We spent over 17,000 IT days. For us, the next biggest project was probably 5000 days. There was at least that many days in the line area. We got it in and it was successful. It was a make or break for the company. If we can do that, we can do anything."

The result of these career transitions at Clarica is a company that can innovate with IT from any corner of the business in a time when costs must be driven down and competition is coming from all quarters. So, the obvious question is can *your* company do this as well?

How Do You Move IT People into the Business Units?

By synthesizing the lessons learned at Clarica, we have created 6 action items for the CIO who would rather turn talented IT people into business partners than lose them to the competition.

CIO Action Items

1. Create Personal Networks with Senior Managers

Creating personal networks is always a good idea for a CIO, but in this context it has a very practical purpose. If one of your people expresses an interest in moving into a line area, you need to be able to pick up the phone and get him/her an interview. If you have spent time getting to know the different individuals in the business units, you will have a better chance of marketing your people, creating a good "match", and aiding a successful transition.

2. Influence Salary Policies

In almost all the cases at Clarica, IT people made a higher salary than the positions they transferred to in business units. Flexible HR policies, which allowed a person's salary to be frozen for a period of time, or which facilitated creating a bigger job responsibility, made the moves possible. In many companies we have talked with, the salary policies are directly responsible for their inability to move IT people. So, as CIO, you need to make time to influence the salary and job policies before you need them.

3. Get your People ready for a move

There are always people in the IT department who are naturally interested in the business areas. These folks need to be nurtured in a number of specific ways, so that when the time comes, they are ready to move into the line. As CIO, you will need to:

- Ensure that your people understand the actual business of the business units. Whether this entails assigning them to cross functional business teams, sending them to sales or strategy meetings, or bringing in business executives as speakers, any efforts you can make to make the language of business their language is well worth it.
- Ensure they take industry accreditation courses. For example, many of the analysts at Clarica have taken most or all of the 10 courses to be a Fellow of the Life Insurance Industry (FLMI).
- Conduct your department as your company conducts its business. Adapt the business metrics (e.g. Balanced scorecard, MBO, Sigma 6, income statements) to the IT Department. Get your people ready for life outside the walls of IT.
- Encourage and train your people to be good people managers. This skill will help them to be successful wherever they are.

4. Send Your Best People First

The best people will always be successful and will pave the way for more IT people to follow. In addition, great people will be great partners for you in the projects ahead. Don't encourage your deadwood to move into the line... it will only poison the way for others. As one business manager put it: *"Success begets success. Send your best people first."* Failure is not an option here. As one IT human resources specialist recommended: *"Move people out of IT for the opportunities they can't get in IT. They move for challenge and more control. And don't expect them to come back."*

5. Manage the Turf Battles

The IT people you help to move into the line will no doubt be back with good ideas for projects... and they may be considered a threat by your existing IT people. You will need to intervene, prepare your people, and make an opportunity out of a potential fight.

6. Maintain the IT Knowledge Base in the Line

When your people start moving out, you can't forget them if you want strong partnerships to continue. The last thing you want is ex-IT people in the business units telling your people how to build systems, or proposing solutions that are clearly out of date. Since technology changes rapidly, this scenario will be inevitable unless you take action to keep them up to date.

There are many options. Clarica created an IT Council, which creates organizational technology standards and commissions research on emerging technologies. Many of the ex-IT people are members and keep up to date by attending vendor demonstrations and conferences. Other companies have lunch meetings for business people on IT topics, technology fairs, and demonstrations to keep new ideas rolling into the business areas.

Long Term Strategy on a Short Time Frame?

Just as an aside, it might have occurred to you that this strategy will take a few years to really pay off. Will you still be a CIO at that time? Do you really care? Interestingly, three CIO's from Clarica made the transition into the line. All in all, Clarica has 16 people in senior management positions in the Canadian Business Unit. Six of these people are currently IT or are former IT managers. You never know -- the next person you move out of the IT Department may very well be yourself!