

# **RECRUITMENT AND RETENTION OF IT STAFF WITHIN A LEADING SOUTH AFRICAN BANK**

## **ABSTRACT**

*The Information Technology (IT) industry is currently faced with a shrinking pool of skilled IT employees as a result of the increasing demand for these employees. This increasing demand has put organisations under pressure to start devising retention strategies in order to retain the targeted employees. This paper is based on the study that was done in the IT department of one of the leading banks in South Africa. The study was conducted in order to understand the leadership's view on employee attraction and retention, and how these can be used as tools for reducing skills shortages in the IT department of the understudied bank. Findings of this study, which followed a qualitative methodology, indicated that high employee turnover is the main contributor of the skills shortages within this department. The non-existence of a proper retention strategy is making it difficult for the leadership team to identify the type of skills that are critical to the organisation and to retain such skills.*

## **1. INTRODUCTION**

The success of most organisations is dependent on their ability to use Information Technology (IT) and the availability and performance of the organisation's IT employees. Most organisations regard IT as mission-critical and IT employees are strategic resources (McConnell, 2004). Organisations utilise IT professionals to plan, develop, maintain and integrate the systems used in those organisations. This dependency on IT employees could have devastating business impact if some of the key employees were to leave. The business impact may include loss of corporate memory, disrupted projects that may over-run on defined schedules and budgets, quality issues, etcetera.

The shrinking pool of IT professionals currently faced by the IT industry can be attributed to the rapidly advancing technological markets which have resulted in a widened gap between the availability and demand of IT professionals (Turvey, 2006). In McGee's (2005) interview with companies, Gagné reports that 53 per cent of respondents were experiencing a shortage of IT employees. Turnover was the main reason for the shortage (46 per cent), followed by difficulty finding specific skills (33 per cent) and company growth (31 per cent). Gagné explains that employers were only focusing on attracting and retaining IT employees with critical skills and

experience. This increasing demand for skilled IT employees has put organisations under pressure to start devising retention strategies in order to retain the targeted employees. In order to stay abreast, technologically advanced organisations are increasingly on the lookout for highly skilled workers, while the labour market is dominated by individuals with limited skills (DPRU Conference, 2006:1).

There are different views available in the existing literature about the definition of employee retention, the type of employees to be retained, and what approach to follow when defining a retention strategy. Browell (2003:5) defines employee retention as “keeping those members of staff that one wants to keep and not losing them from the organisation for whatever reason, especially to the competitors”. Browell (2003:7) further explains that key employees are those who hold positions that are critical for the success of the organisation; for example, technical positions. These are the types of positions that are seen as a source of competitive advantage.

McKeown (2002:viii) further expands on Browell’s view about employee retention by mentioning that retention should be aimed only at top performing employees. He defines top performing employees as the type of staff that “adds value, contributes to the organisation overall and inspires others” (*ibid.*). McKeown’s view (2002:2) is that there is no precise definition of employee retention because the manager’s perception of retention varies. McKeown (*ibid.*) further explains that some managers view employee retention as “reducing the employee turnover figure to an acceptable level” while others think retention is about “compensation and benefits”; some think of it as “a component of culture” - that is, how people are treated within the organisation.

## **2. THE INSTITUTIONAL CONTEXT OF THE CASE STUDY**

This study was conducted in one of South Africa’s leading bank’s IT department. This study revealed that the understudied bank relies heavily on its IT employees for its day-to-day operations. The reliance on IT employees and the shortage thereof is the reason this study will focus on discussing the challenges that are facing this bank’s IT leadership when retaining key employees with critical knowledge and skills.

The challenge faced by the understudied bank is that it seemingly cannot retain IT professionals. Individual leaders devise their own retention strategies within their departments. This becomes

an issue because there is no uniformity in defining the type of resources that should be retained, the reasons for retaining them and the incentives that can be used to retain those targeted individuals. This has resulted in high employee turnover within this bank's IT department. This incoherence of a succinct retention strategy results in unwanted and unexpected turnover of employees with skills that are critical to the bank. The high turnover is causing unanticipated changes to the IT resource pool, which ends up having a major impact on the projects that are critical to the business.

Resultant from the abovementioned problem statement, the central question this study endeavours to answer is:

***What distinctive retention strategy elements should this bank develop to attract and retain IT professionals?***

To this end, the primary objective of this study was to understand the unique challenges faced in trying to attract and retain IT professionals who have knowledge and skills that are considered core to the bank's purpose of existence and continued success.

### **3. RESEARCH DESIGN AND METHODOLOGY**

A qualitative research approach was employed in this study. Strauss and Corbin (1998:10) define qualitative research as "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification"; thus the qualitative research approach was chosen because it helped in uncovering the deeper understanding of this particular bank's environment.

The study furthermore employed an interpretive research paradigm. This paradigm was chosen due to its' ability to capture the lives of the participants in order to understand and to interpret the meaning. Walliman (2006:20) explains that interpretive research is based on the view that a person can only experience the world through his or her perceptions, which are influenced by preconceived ideas and beliefs. When a researcher conducts interpretive research, he or she does not view the world externally, but from within the situation that is being studied (*ibid.*). This research paradigm, therefore, attempts to understand the phenomena being studied through the meaning and interpretations that individuals assign to them.

A case study research design was also employed in this study. Payne and Payne (2004:31) define a case study as “a very detailed research enquiry into a single example (of a social process, organisational or collectivity) seen as a social unit in its own right and as a holistic entity”. Payne and Payne (*ibid.*) further explain that the social unit is usually located in a physical place and differentiates between the people forming that social unit and other people who are not part of it. They stress that, by definition, a case study will not compare two or more social areas. Payne and Payne’s definition also identifies one key characteristic of a case study, that the social unit selected is a single example in its own right and unique importance. They further explain that this example is not treated as a sample, but the ideas gathered from studying this single unit can be reconsidered by other researchers and treated as contributing to knowledge.

The sample for this study was selected using a purposive (and therefore non-probability) sample. What Flick (2006) terms ‘case sampling’ was employed here, by deciding on the type and level of managers and the directors to interview. The levels of management involved in the interviews were senior managers and the directors of the bank’s IT department. The sample of interviewees comprised of four directors and thirteen senior managers.

Data was collected through the use of qualitative, semi-structured interviews. Interviews provide a way of generating data by talking to people about what they do in their everyday life (Miller and Brewer, 2003:167). The interviewer’s main function in the interview is to provide a framework where respondents can express their views verbally (*ibid.*). Qualitative researchers use this type of instrument with the aim of understanding how the interviewees feel about the topic of concern. Qualitative interviews focus on gathering more in-depth information from fewer respondents (*ibid.*).

Data analysis was performed according to Creswell’s (2003:190) 4 stage process for conducting qualitative data analysis, which is briefly spelt out below:

**Step 1: Organize and prepare data:** For this study, all the recorded data was transcribed onto Microsoft Word. The transcription was done after each interview was completed and not at the end of all of the interviews.

**Step 2: Read through all data:** A pass was made through the transcripts with the aim of gaining an overall understanding of the views of the bank’s leadership team with regard to staff attraction

and retention. Data was classified and grouped into themes, based on the views resulting from the data.

**Step 3: Begin a detailed analysis with a coding process:** In this step the emphasis shifted from memoing to describing, classifying and interpreting loop. This loop is where the coding process began.

**Step 4: Use coding process to generate description for the case study:** This step was performed by interpreting what the data uncovered. This interpretation was based on the understanding that was derived from the collected data.

The available literature for the researched topic was also used to verify the validity and the credibility of the discovered data.

#### **4. FINDINGS AND DISCUSSION OF FINDINGS**

The interviews conducted with the management team revealed that the inability to retain the type of employees that have skills that are essential to the organisation was one of the major challenges facing this department. The leadership team identified the following challenges as the inhibitors to employee retention:

##### **4.1. Not having a retention strategy in place**

The non-existence of an employee retention strategy was one of the issues that were raised by of the interviewees during the data collection. The interviewees indicated that the IT department does not have a proper strategy in place that can be used by managers for recruiting and retaining employees with the right type of skills. As a result, the department ended up having the high employee turnover that is uncontrollable. Interviewee (b) said:

“My view is that I don’t think this bank has a proper strategy in terms of employing the right people for the job and also in order to retain those people.”

Interviewee (b) stated that the bank should have a strategy in place that will provide guidelines to the management team as to the type of people who should be attracted and be retained by the bank.

Interviewee (g) also said:

“What I think the bank needs to do is a proper retention strategy. Something that is specific to various levels of performance and key skills and knowledge that we need to keep.”

Interviewee (g) suggested that the strategy must provide guidance on the type of skills and knowledge that is critical to the organisation and must be retained. This suggestion also concurs with, McKeown’s view (2002:41) that organisations need to identify the types of positions and roles that are critical during the as a part of defining the retention strategy.

#### **4.2. Employees not having interest in a job for life**

One of the interviewees pointed out that the average length of time that the graduates stay at the bank is a good example of employees not being interested in having a job for life within the bank. Interview (m) indicated that the average time graduates work at the bank is approximately a year to two years. Interviewee (m) said:

“...I think where the problem is, is retaining talent. We’ve seen that with the graduates, we do acquire them and after a year or so we tend to lose them. They are not looking for a job for life; they are looking to move quickly.”

Interviewee (m) raised several important points. The issue of being unable to retain graduates is a high risk for the bank when looking at the trends currently operating in the industry. Experts have predicted that the IT industry will soon be hit by a wave of aging workforce. Therefore, organisations need to devise plans of transferring knowledge from the soon-to-retire IT employees to the younger IT employees (Golden, 2006). As a retention strategy, organisations should start grooming younger employees to fill the positions of the soon-to-retire IT employees. A concern raised by Interviewee (m) indicates that the bank also needed to look at how the graduates are positioned in areas that will be of interest to them.

#### **4.3. Old type of technology is not appealing to youngsters**

Interviewee (i) also indicated that it is difficult to retain the younger generation in an environment where old technology is used. Interviewee (i) said:

“It’s difficult in the IT environment to retain [younger] staff. They want a challenge, they want to work on newer technology and if you do give them that opportunity to work on newer technology, you again must bring in a newer person to train and after 2 yrs they also want to

leave. So it's a viscous circle."

The issues raised by interviewee (i) highlight that employees want to be challenged and also to work with newer technology. One of the reasons for their preference for newer technology is the increasing demand that goes with it. Brandel (2007:36) states that IT talent shortage is only applicable to individuals with the right type of skills. In most cases the industry prefers to hire employees with the type of skills based on newer technology. Newer technology is preferred because IT knowledge has a short life span. Gartner Group (cited in Gaylard, Sutherland and Viedge, 2005:1) indicates that the IT knowledge life span is between two and five years and is rapidly decreasing all the time. This decrease happens because of the advancing technology that is used to store, organise and easily retrieve existing information. For this reason, the younger generation in the IT industry do not want to work with old technology that is used by the legacy systems.

#### **4.4. Ability to attract but not retain technical skills**

The bank spend a lot of time and money going on road shows across the country recruiting graduates from different institutions and much money is spent acquiring technical resources. Interviewee (c) confirmed this by saying:

"Attracting skills we are good at it but retaining current skills we are not good at that. The skill we are able to retain is more managerial rather than technical skills, especially for Group IT where the key skill is technical skill. We are unable to retain that particular skill, but we are able to attract it from outside."

This comment by interviewee (c) is cause for concern because it suggested that the bank invested more effort in retaining managerial resources in comparison to technical resources. Some IT experts have indicated that one of the factors contributing to high employee turnover and skill shortage in the IT industry is lack of employee development. Dubie (2008) argues that organisations are not willing to invest time and money to train their employees. With the industry shifting so quickly, the advances in business and technology outpace the ability for IT professionals to keep up. This change in the environment indicates that organisations need to continuously improve the skills of their employees in order to keep up with the industry. The lack of skills improvement results in the technical resources leaving organisations.

#### **4.5. Unattractive salaries/reward and recognition**

Richardson (2007:8) identifies the unattractive pay and working conditions as one of the reasons that are contributing to the unhappiness of the employees. These reasons eventually cause the employees to become disengaged, demoralised, less committed to their work and ultimately leaving their organisations. Interviewee (l) concurred with cited experts by saying:

“We are not rewarding the people who are sticking and stay to the bank and living the passion and the bank’s values the way they are and the way they should be done. When you are not rewarding those people as a result the other banks are poaching those people. We need to take care of the people who are here.”

Interviewee (l) stated that this bank was not rewarding its employees for their hard work and their loyalty. This comment indicated that the bank did not show appreciation to the employees that have been there for a longer period. As a result these employees are poached by the competitors due to the skills and experience these employees have acquired over the years. There were different forms of rewards and recognition that were used in the bank. Some of the interviewees indicated that these recognition initiatives have not been good enough on their own, employees also needed to be rewarded with money and be promoted to higher levels. Interviewee (i) said:

“Pay the people, recognize the people. I think we’ve gone a long way with recognition, but sometimes that is also not enough they don’t want the pat on the back they want money.”

Interviewee (e) also agreed that there were employees who had moved to other organisations and were offered more money than they were earning. He also confirmed that the salary bands that are fixed within the defined grading makes it difficult to offer competitive salaries to those employees who have been offered better salaries. Interviewee (e) confirmed this by saying:

“...Some people have moved for quite a bit more than what the bank is paying.”

#### **4.6. Not honouring promises**

Another issue raised by the interviewees as contributing factor to high employee turnover was that of not honouring promises.

Interviewee (i) said:

“...We told the staff members we are going to re-look at their salaries. The next minute we had PSA, and the next minute we stopped the salary survey. That specific incident to me did a lot



of harm.”

Interviewee (i) mentioned that the employees were promised that their salaries will be reviewed, but that never happened. Instead the “PSA” exercise was conducted. This exercise basically involved the retrenchment of some of the employees. Interviewee (i) indicates that the “PSA” exercise and the salary reviews that were not done did a lot of harm.

Interviewee (h) indicated that some employees were leaving the organisation because promises were made to them upon joining the organisation and these were not met. These promises usually relate to employees’ career growth – that is, opportunities available in the organisation that help the employee grow in his/her career. Interviewee (h) stated:

“When one joined you are normally told that this is what you will do; your career growth and all that. But few months down the line there is another structure, new management, and new ways of doing things. What you were promised when you initially started is no longer there.”

#### **4.7. Continuous restructuring**

Concern about continuous restructuring also came up several times during the interviews. Interviewee (a) also said:

“...We need to settle the area, restructure quickly and finish and let the folks get to work.”

Interviewee (f) indicated that the restructuring is often associated with employee retrenchments, and that causes the working environment to be unstable. Interviewee (f) said:

“...If you have one [retrenchment] that’s fine, but if you’ve had multiple the people become unsettled and they start to leave because they are not prepared to go through that amount of stress anymore.”

#### **4.8. Senior managers are not empowered to manage salary issues**

When looking at the comments made by the interviewees, it became clear that the senior managers of this bank felt that they did not have enough authority when rewarding their employees. Interviewee (f) said:

“...there are only two periods that we are allowed to do promotions. Increases are part of that

but are seldom looked at. It becomes difficult to match income bracket if the person is behind...we are trying, our hands are tied”.

The comment raised by interviewee (f) indicated that the management team believed that they were not empowered to offer the employees salaries they deserve. The consequence of not empowering senior managers with managing salary issues was that they ended up losing some of their key employees.

#### 4.9. Inappropriate management style

The issue of the inappropriate management style used to manage the employees was also identified as a contributing factor to high employee turnover. Interestingly enough, the comments within this section were raised by the directors of this bank. Interviewee (o) said:

“I think that the old saying that says people don’t leave organization, they leave managers. So our key challenge is to ensure that we have the right leadership and management in place to encourage people to stay with the organization.”

Comments by the directors in this section and the comments that were made by the senior managers in the previous sections (that is **Senior managers are not empowered to manage salary issues**) indicated that there was finger pointing between the directors and the senior managers. None of the parties was willing to take the responsibility. The finger pointing also indicated that it was critical for this bank to have a retention strategy in place, because that would assist in confirming the roles that must be performed by each party concerning the employee retention.

The need for clarification of roles was also confirmed by some of the comments that were made by the interviewees when asked to identify the person that is responsible for the retention of the employees. The following answers were given by the interviewees:

Interviewee (b) said, “It’s the line manager’s function with the support of HR”

Interviewee (c) said, “Line manager.”

Interviewee (j) said, “It’s a collective effort, but the overall responsibility lies with the director and the line manager.”

All views mentioned above were correct, but the relevance of each view was dependent on the retention definition that would be used in the department. Having a retention strategy in place would help to define the different roles that must be played by these parties. As mentioned earlier, most managers felt that their hands were tied in handling some of the issues such as salary negotiations or counter offering employees that were being head hunted.

## **5. CONCLUSIONS RESULTANT FROM THE FINDINGS**

The findings allude to the notion that the bank does not identify the unique demands of IT staff succinctly. This can be seen from the evidence provided, suggesting that the bank can attract but not retain staff. It must be borne in mind that IT professionals are highly mobile, as their skills are fervently sought after. Furthermore, IT professionals do not ascribe to a “work-for-life ethic” and, as a rule, move between jobs rather frequently. It would seem as though IT staff are motivated primarily by the salary and benefits they receive. Therefore, at this bank, it would seem as though they attract IT staff, but fail to live up to the expectations that these staff members have (especially in terms of salary and benefits); which deters – ultimately – from retaining top IT staff.

Although South African banks are typified by a state of constant restructuring, this lack of stability in the working environment results in promises not being honoured toward staff as managers do not have the freedom to take decisive action or a firm stance on issues when their whole environment is constantly in a state of flux. This, in turn, would lead to the perception that managers cannot make decisions on, for example, salary issues, and that there is no sense of accountability amongst managers. This overall dissatisfaction with managers further detracts from retaining IT professionals

The evidence that suggests that IT professionals at this bank work with old technology; which in turn leads them to be disinterested in their jobs, further underscores the unique nature of the IT professional as an individual. Being the proverbial “computer nerd”; they derive a sense of purpose in their work through engaging with the latest technology. As an IT professional, the expectation is to have the latest technology and to upgrade this technology whenever something better, faster and more powerful is available. Outdated and obsolete technology makes it exceedingly difficult for an IT professional to perform their vocational tasks properly; which in

turn leads to frustration and feelings of dissatisfaction in the workplace; a deterring factor in the strive to retain top IT professionals.

The evidence strongly suggests that the bank, although they would like to retain IT professionals, are not creating an environment conducive to the retention of these professionals, as little attention seems to be paid to the unique demands of this group of employees, which, at times, can be a rather demanding group of employees.

## **6. MANAGERIAL IMPLICATIONS**

The researcher suggested the following initiatives that could be implemented by the bank to increase the employee retention capabilities.

### **6.1. Initiating a talent management process**

A talent management process is dependent on being able to suitably deploy and develop acquired employees in order to retain them in the organisation. The leadership team must ensure that acquired employees are deployed to the 'correct' projects and teams. They must also ensure that these employees have the right type of skills developed; this can be achieved through peer learning and formal training. The success of deployment and employee development will result in employee retention.

### **6.2. Creating dialogue with employees**

This initiative focuses on how the understudied bank's leadership can build a relationship with its employees in order to understand their needs, and also provide guidance. One of the issues raised by the interviewees was that this bank was not good at creating a working relationship with its employees. Research conducted by the Centre for Talent Retention (2007:2) advises that managers should pay special attention to their talent by having continuous dialogue in order to understand the employees' needs.

### **6.3. Employment value proposition**

This initiative focuses on how this bank's IT department can design an Employment Value Proposition (EVP) that will be attractive to employees. A study conducted by the Corporate Leadership Council (2006:1) reveals those organisations that understand the EVP attributes to the attraction and retention of key talent.

## **7. CONCLUDING REMARKS**

The input provided by the management team of the understudied bank revealed that it was important for the organisation to have a detailed employee retention strategy. This strategy must provide details on the types of employees that should be retained in the organisation. The purpose of the retention strategy is to provide direction to the management team as to how to retain and look after these employees. This included defining how these employees will be managed, developed and rewarded. Interviewees wanted the strategy to provide guidelines, as to how to retain key employees who want to leave the organisation for reasons relating to salaries or careers, or that are stagnating due to lack of development. The interviewees suggested that the strategy must also provide guidance as to the type of employees who needed to be offered counter packages when poached by competitors. Such a retention strategy must provide guidance or identify scenarios in which managers may make counter salary offers.

Experts have offered several views in existing literature on the types of employees to be retained in organisations. Browell (2003:5) suggests that employee retention must focus on retaining the employees who hold the type of positions that are critical to the success of the organisation. These employees are seen to be critical and the organisation cannot afford to lose them to their competitors. In contrast, McKeown (2002:viii) suggests that retention should be aimed only at top performing employees. These are the type of employees who add value to organisations and inspire other employees. Both of these criteria suggested by Browell and McKeown were also raised by the interviewees. Views provided by this bank's management team and those cited from the literature, revealed that organisations that do not have a retention strategy in place, end up losing their key resources, and as a result fail to deliver on its strategic business goals.

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