

Hysteria hits IT ...

... what price loyalty?

by Iain Smith of Diaz Research

A memo on the
10th anniversary
of the year 2000

It was 1997 and businesses were hysterical. Why? The realization had dawned that (incredibly) many of the computer systems then in existence could not store or process dates after 1999 - i.e. the year 2000 or any later year. So as the clock struck midnight on 31 December 1999 software in jets, lifts, ships, hospitals, weapon systems and more would malfunction. Lots of software, you see, only used two digits to store year data (e.g. '99') so trying to go beyond that would break the software.



Even businesses that had no plans to operate systems over the New Year were worried in case the year 2000 ('Y2K') saw all their systems rendered useless. The financial risks were vast, so the incredulity with which news of the Y2K problem was greeted soon gave way to **panic**. While investigation teams were set up to examine the problem, legacy programmers were told to stand by for action. Soon, consulting firms were busily and very profitably engaged, too: should Y2K problems emerge, a signed-off bill of health from IBM or similar would be the difference between dismissal and survival for Board members and CIOs.



Soon (the IT world then, as now, being one of rapidly disseminated information and disinformation) the talk was of a **massive shortage** of skilled programmers to do the work that was needed. Legacy programmers were told to expect plenty of overtime. There was persistent talk of COBOL programmers in the US who were demanding and getting \$100,000 a year. (In today's money, \$150,000.) Journalists were

delighted: circulation must have risen when tale after tale of pay spikes, skills shortages and crises hit the front pages. Soon many CIOs were saying that if they wanted to stop their legacy systems experts from walking, they would have to pay financial incentives. And that is how the **IT loyalty bonus** (a deferred bonus to be paid to IT employees who stayed with their employer until 2000) emerged as an option.

Soon after this option was first mooted, the phone at the Hay Group in London, where I worked, rang. One of our biggest insurance company clients had a problem. Its IT leadership team had reported that many other IT functions were now offering their staff one-off loyalty bonuses. The company's pay experts had been unable to confirm or refute this rumour, but were under pressure to do so soon. Hence their call to the Hay Group, where I was a consultant. As someone who knew lots of other IT functions, I got involved. I and some junior colleagues who had some free time set about calling client after client to find out what was happening. We only reached one company that had actually promised an IT loyalty bonus: a business in North West England, part of a Scottish banking group.



Five days later I attended a rather bad-tempered client meeting in the City of London, where I was able to report very few hard facts, only a general lack of evidence. I remember how one panicky IT manager inexplicably said this proved that they as a company should announce an IT loyalty bonus scheme immediately.



Obviously there had to be a better way to help clients. What if a number of companies decided to share all their Y2K-related 'people management' plans and practices via a trusted third party like Hay? If they also shared the fees, then everyone could get much better information, and at a fraction of the fees needed for a specially commissioned study.

In this way **IT Human Resources '97** was born. For just over two thousand pounds, forty companies got its definitive report on loyalty bonuses and skills shortages, and a seat at a specially convened peer-peer conference in London. They each, of course, had to complete a questionnaire and participate in a telephone interview.



Our report showed that in sharp contrast to the lurid stories about large loyalty bonuses, only about 10% had any plans to use them. And those that did were mostly targeting bonuses at a small minority of IT employees. In summary, very few of the UK's IT workers were eligible for loyalty bonuses in the run-up to 2000. The data we collected also showed that the extra resources needed to tackle the Y2K problem were only a fraction of the headline figures that were being bandied about: less than 28,000, not 300,000.

This work proved to be immensely valuable to those who participated. I remember standing by a fax machine to give one company's IT HR manager the information he needed just before a key decision-making meeting. He told me later our initiative had been terrific value for money. His company had decided on the basis of the research NOT to pay loyalty bonuses to all its IT staff. With over a thousand staff and a proposed loyalty payment of around £1,000 **the saving was £1million.**

(POSTSCRIPT: That company, and others who paid no bonuses, saw no rise in IT resignations. Conversion of software was largely complete by

1998. In the final hours of 1999 the world held its breath as Year 2000 crossed the Dateline and hit New Zealand, Australia, Japan ... 24 hours later the whole world was in 2000 AD without mishap.)

A seven-digit immediate cost saving does not happen every year but it illustrates the value of knowing what's really happening behind the scenes. IT has more than its fair share of hearsay and rumour and there's no substitute for getting the *actual facts* professionally analysed and presented. Companies can then take **better decisions**, and by sharing the costs of fetching and analysing those facts, they get **excellent value**. The Y2K experience was inspirational in helping me to understand that proper research takes time and money, too.



At Hay, we did a similar exercise when SAP pay got out of hand, and in the dot.com boom, when the picture on pay and stock options was very unclear.

But things did not stop there. These initiatives, which were diversionary for Hay (as a management consulting firm) led to the formation of **Diaz Research**, which is now the **trusted hub** for the exchange of information and best practice in IT people and organization, and IT HR management.

Since 2001, Diaz has let clients access each others' experience in areas as diverse as **skill shortages, IT executive education, talent management, contractor rates, women in IT, standby pay, shiftworking, demographics, aptitude tests and pass levels, bonus payouts, IT e-book offerings, headcount plans, recruitment plans and methods, graduate career propositions** and more. In addition to research, private peer-peer events (face-to-face, online, teleconferences) are a key part of what we do to help clients.



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