Survival of the fittest
Migratory talent patterns spell trouble for established high-tech firms
Peter Hansen and Christian Kelly
In an increasingly digital world that rewards innovation, speed and agility, many established high-tech companies are struggling to maintain their relevance. For some, the threat posed by competitors born in the digital age may turn their search for relevance into a fight for survival.
Now and then

From mainframe computing to client/server platforms, high-tech companies have repeatedly transformed how the world works and lives.

Today, established high-tech companies want to bring their legacy of innovation to new products and services based on technologies and trends like the Internet of Things, artificial intelligence, 3D printing and virtual reality.

These “tenured-tech” firms face significant challenges from “digital-born” companies like Google and Uber that dominate the fields of cloud, analytics, social and mobility. These digital-borns are attracting the workforce of the future with promises of more interesting and meaningful work, cutting-edge work environments, appealing benefit packages and perks. Perhaps most tellingly, their future values confirm that investors believe they will be the ones to keep the growth promises of the digital age.

Follow the money

Accenture Strategy’s analysis found that the enterprise values1 of digital-born companies are overwhelmingly based on projections of future growth—with an estimated future value more than three times that of tenured-tech companies.2 This suggests that Wall Street forecasts digital-born companies to be the drivers of future growth.

Breakdown of enterprise value:
Help wanted

Investors and analysts are now attracted to the potential of digital-born companies. But tenured-techs are not ready to cede without a fight.

Tenured-techs are working hard to transition to leading-edge platforms and tying their vision statements to the promise of digitally driven innovation. Yet, for many, questions remain about how—and how quickly—they can successfully turn promising visions into disruptive products and solutions of their own.

Ultimately, the responsibility for executing a new digital vision falls to the leaders of tenured-tech companies. The digital age requires that leaders lead in new ways. They need to manage change in multiple areas—from technology platforms, operating models and product strategies to culture and talent—all at the same time. They must be willing to relinquish control. And they need to embrace the power of social media, mobile applications, robotics and analytics to improve organizational performance. Above all, they need to surround themselves with the workforce that can execute the digital vision.

Only one in twelve workers who leave a tenured-tech company opt for another tenured-tech
Historically, tenured-techs have not had a problem attracting the right talent. For years, engineers and developers flocked to the high-tech industry’s most recognized names. But today, the tide has turned. Accenture Strategy research suggests that attracting and retaining the workforce of the future may be tenured-tech companies’ biggest challenge.

Tenured-tech workers are defecting to digital-borns at an astounding rate.

Migratory talent patterns show that for every employee a tenured-tech company gains from digital-born companies, it loses eight employees to digital-born companies. Further, only one in twelve workers who leave a tenured-tech company opt for another tenured-tech.

High-tech talent is flowing from tenured-techs to digital-borns:
Once tenured-tech workers are gone, they're gone forever.

Tenured-tech employees who leave for a digital-born company are likely to stay in the digital-born camp. Digital-born employees are also fiercely loyal to the digital-born experience. Two-thirds of digital-borns who change jobs opt for another digital-born company. Talent migration patterns among digital-born and tenured-tech employees indicate that the appeal of digital-born jobs is here to stay.

Employees who changed employers more than twice followed two common paths:
It’s not just young workers who aren’t interested.

Professionals of all ages are answering the digital-borns' call for talent. Among a sample of tenured-tech millennials who left their jobs in recent years, 15 percent moved to a digital-born company. Only 6 percent opted for a position at another tenured-tech. And of our sample of tenured-tech job changers who were Gen-Xers or baby boomers, 28 percent moved to a digital-born company. Only a fraction (2 percent) stayed in the tenured-tech camp.

High-tech talent of all ages is migrating to digital-borns:

Some tenured-techs are responding to the talent crisis by creating new work environments, believing that innovative ideas will organically emerge from shared work spaces, fitness centers, walls of glass and futuristic campuses. Others seek to infuse their organizations with the right talent through acquisitions of other companies.

Such strategies, however, rarely produce the change that is required. Modern surroundings don’t stay modern for long. And “acquired” employees don’t hang around if the workplace culture is lacking.
Vision quest

To successfully weather digital disruption, tenured-techs need to reclaim their position as worthy employers of highly skilled digital talent. To that end, they may want to follow the digital-borns' lead.

Walk the talk
To deliver on their digital promises, tenured-techs need to shift from hype to action. That transition starts at the top, with leaders who can set the vision that will enable change, create highly adaptive organizations, and motivate and develop their workforces. They need to foster a culture of experimentation and collaboration, and hold all leaders in the organization accountable for the digital vision. Above all, they need to embody the attributes they hope to inspire among all their employees: curiosity, creativity, collaboration and digital advocacy.

Become a change master
Tenured-techs need to be lean and nimble, open to experimentation, and able to change rapidly. This directive is supported by Accenture Strategy research, which shows that high performers undertake 30 to 50 percent more change, at a faster pace, than their lower-performing peers. To drive performance and agility, many digital-born players have done away with old-school management practices and hierarchies. Game developer Valve, for example, has created an environment in which there are no managers and no one reports to anyone else. Tenured-techs could take inspiration from this radical approach and flatten their structures, reduce spans of control, and break down silos that divide large teams.

Offer “gig-like” experiences
Accenture Strategy’s US College Graduate Employment Study sheds light on why digital-borns attract larger numbers of potential workers. For recent grads, the opportunity to engage in interesting, challenging work and make a difference (both cited by 33 percent of our sample) is very important. Our findings suggest that older workers share these sentiments. Tenured-techs need to understand what technology workers, regardless of age, now want and expect from their employers. Static jobs are out. Collaborative, internal, project-based “gig experiences” are in. Talent strategies that are highly personalized can boost retention. Career paths that encourage lateral and upward moves between functional areas can help broaden workers’ experiences and create a more agile organization.
Be the visionary you've always been

Digital-born companies are poised to steal tenured-techs' market share, investor interest, talent and even their reputations. The threat of this digital disruption is real. But it's premature to predict the end of the tenured-tech boom.

For decades, tenured-tech companies have been masters of embracing change, beating the odds and achieving high performance. There is no reason they can't rise to the challenge posed by digital-born competitors. But to do so, tenured-techs need to do things differently. New leadership skills, talent strategies and organizational capabilities will make the difference. Tenured-techs that make the shift will build on the successes of their past and boldly plot their course to the future.
What tenured-tech leadership looks like

Microsoft CEO Satya Nadella is showing how bold leadership principles can steer one of the world’s most well-established tenured-tech companies successfully into the future. Since taking the helm at Microsoft in 2014, Nadella has launched a new corporate mission and championed a customer-focused growth mindset. Specifically, he has:

- **Cultivated innovation:** Encouraging the organization to adopt a mindset of experimentation, reconsider long-held assumptions, and work with partners and competitors to empower customers. He has also pushed for the company to embrace new (and not so new) technologies. For example, the company demonstrates its commitment to open source with the expression, “Microsoft ♥ Linux.”

- **Boosted organizational agility:** Eliminating management layers and stack rankings, reducing the perceived distance between functional groups, and restructuring to better align the organization with strategic priorities.

- **Empowered and inspired talent:** Supporting the company’s vision with a new talent strategy that provides regular feedback and coaching to employees, encourages learning from others, and emboldens workers to voice their opinions. For example, a weeklong “hackathon” has replaced the annual company meeting. The event gives employees a chance to explore their passions, often in support of societal good.

- ** Adopted new measures of success:** Shifting the focus from lagging indicators such as revenue to leading indicators—most notably, “customer love.”

Nadella’s efforts to transform the Microsoft culture are clearly working. Microsoft employees give CEO Nadella a 94 percent satisfaction rating on Glassdoor and 84 percent would recommend the company to a friend. One 2016 survey found Microsoft’s employee innovation rankings on par with those of other tech giants. Perhaps most tellingly, in the 30 months following Nadella’s appointment, the company’s share price has soared by 50 percent.

“If you don’t have a real stake in the new, then just surviving on the old—even if it is about efficiency—I don’t think is a long-term game.”

SATYA NADELLA
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About the Research

To understand the migratory patterns of the technical workforce, Accenture Strategy analyzed publicly available employment data and documented company-to-company career movements that occurred between 2011 and 2016 for a basket of primarily US-based tenured-tech and digital-born companies. Our sample comprised over 1,700 individuals who worked in technical functions such as engineering, IT, software development or product management.

The tenured-tech category comprises Fortune 500 companies, founded prior to 2000, with greater than 50,000 employees. The digital-born category comprises companies founded around 2000 with fewer than 50,000 employees and greater than $500M in annual revenue.

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Notes

1. Accenture breaks down enterprise value into current value of a company’s operations and the future value of investments. Future value depicts what investors will pay for a share in a company (beyond what current operations warrant) and reflects the expectations investors have for future growth. Those expectations are based on a number of intangible factors, including a company’s anticipated focus on innovation and talent development.

2. Accenture analyzed publicly available data through May 2016 for a representative sample of tenured tenured-tech and digital-born companies.

3. For purposes of our analysis, we looked at the migration patterns from tenured-tech companies to tenured-tech or digital-born companies. Other tenured-tech employees who left their companies went to other industries.


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