Academic program as a key element of staff development in IT companies

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Agenda

• Modern Design Centers and their Staff
• Academic Programs as a Regular Practice in IT Industry
• Best Talents Filtering Funnel
• ROI & Savings
• Key messages
WHAT IS A MODERN DESIGN CENTER? High quality building, good decorations and furniture, latest hardware and software, internet access – YES, but these are just necessary attributes

STAFF is a key factor!
... and their Staff

Having experienced STAFF as a key factor we have to:

- Form it
- Keep it
- Train it
- Satisfy it
- Substitute losses and
- Be prepared for growing

STAFF development is critical process for IT!
Staff: hiring practice

Substituting losses and growing business we use all possible hiring channels:

- Hiring department
- Agencies and headhunting
- Referral
- Relocation
- Development of fresh graduates

Profitable and unlimited
Expensive and limited

Profitable STAFF development? Is it possible?
Staff development (1 of 2)

• Current staff
  – Carrier planning
  – Substitution matrix
  – Trainings
  – Performance reviews
  – Promotions
  – Relocations (among projects or sites)

Focus on INTERNAL staff is better than “Super Experts” hiring
Staff development (2 OF 2)

New staff development at Universities
  – Lectures, practices and seminars
  – Special labs
  – Study projects
  – R&D projects

New staff development at company
  – Summer practice
  – IT-college
  – Internship

Focus on INTERNAL staff requires fresh graduates tuning
Internal Promotions and Relocations

Academic Program

L0/L1 (Technician/Junior)

L1 (Junior)

L2 (Intermed)

L3 (Senior)

L1

L2

L3

Labor Market

Internal promotions and fresh graduates tuning create SYNERGY
Best Talents Filtering Funnel

Labor Market

IT College

2-6 months internship

Diploma

Employee

University Courses

Summer Practices

Students' study projects

Company funded R&D

3rd Year 4th Year 5th Year 6th Year Graduation

Time

Students 100 - 150 40 - 60 25 - 30

Academic Program should cover major hiring needs
Academic Program as a Key Element of Staff Development

- AP should be oriented to **PROFITABILITY** improvement
- AP should be oriented to **THE BEST TALENTS** identification
- AP with 115 students, IT College and 25 interns **IS COST EFFECTIVE:**
  - ROI = 300%+
  - 3 years AP savings around $238K

Profitability of Academic Program is payment for your efforts!
Assumptions for ROI calculation

- Annual Academic Program budget - $8,000
- Average internship duration - 4 months
- Average monthly salary of interns - $600 RUR
- Average %% if intern hours billed to customer – 10%
- Average billing rate per month - $4,000
- Monthly L1 salary level
  - Internal promotion – $800
  - Market average – $1,075
- Monthly L2 salary level
  - Internal promotion – $1,350
  - Market average – $2,000
- Monthly L3 salary level
  - Internal promotion – $2,100
  - Market average – $2,800
- Salary increase annual rate – 20%

Assumptions are based on St.Pete data
ROI calculation – Staff scenario

• Year 1
  – From 115 AP graduates – 25 interns
  – In 4 months (average) – 25 L1
• Year 2
  – 10 L1 grow to L2
  – 10 L1 remain in the same positions
  – 5 L1 leave company
• Year 3
  – 5 L2 grow to L3
  – 8 L1 grow to L2
  – 2 L1 leave company
  – 2 L2 leave company

Scenario is based on authors experience
# ROI calculation

<table>
<thead>
<tr>
<th>P&amp;L: Costs and savings items</th>
<th>Year 1 Balance</th>
<th>Year 2 Balance</th>
<th>Year 3 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT college &amp; summer practice: Student -&gt; L0</td>
<td># of graduates</td>
<td>115</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Cost</td>
<td>-$8 000,00</td>
<td></td>
</tr>
<tr>
<td>L0 (Interns)-&gt;L1</td>
<td># of people working</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td># of people resigned</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Cost</td>
<td>-$60 000,00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intern billed (10%)</td>
<td>$40 000,00</td>
<td>$16 560,00</td>
</tr>
<tr>
<td></td>
<td>L1 Salary savings</td>
<td>$55 000,00</td>
<td></td>
</tr>
<tr>
<td>L1-&gt;L2</td>
<td># of people working</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td># of people resigned</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L2 salary savings</td>
<td>$93 600,00</td>
<td>$31 260,00</td>
</tr>
<tr>
<td>L2-&gt;L3</td>
<td># of people working</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td># of people resigned</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>L3 salary savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Year savings</td>
<td>$55 000,00</td>
<td>$110 160,00</td>
</tr>
<tr>
<td></td>
<td>Total savings</td>
<td>$55 000,00</td>
<td>$165 160,00</td>
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<tr>
<td>ROI</td>
<td>39,71%</td>
<td>201,71%</td>
<td>309,44%</td>
</tr>
</tbody>
</table>

- **Academic Programs annual budget**: $8 000,00
- **Average internship duration, months**: 4
- **Average % of Intern hours billed to customer**: 10%
- **Average billing rate per month**: $4 000
- **Average salary during internship**: $600,00
- **L1 salary level**: Min $800,00, Average $1 075,00
- **L2 salary level**: Min $1 350,00, Average $2 000,00
- **L3 salary level**: Min $2 100,00, Average $2 800,00
- **Salary increase annual rate (for most productive)**: 20%

L0: Average Internship Duration: 4 months
L1: Average Internship Duration: 4 months
L2: Average Internship Duration: 4 months
L3: Average Internship Duration: 4 months
Nonmonetary profits

With young talented people passed through our Talent Filtering Funnel, we get:

• Proved skills and intellectual level
• Adaptation period passed during internship
• High degree of loyalty towards Exigen Services
• Reliability
• Predictability
• High motivation

Nonmonetary benefits are very important in long term perspective
Key Messages

• Experienced Staff is critical for IT Company Success
• Academic Program is a key element of “Staff development conveyer” oriented to **THE BEST TALENTS** identification
• AP with 115 students, IT College and 25 interns is **COST EFFECTIVE and PROFITABLE:**
  – ROI = 300%+
  – 3 years AP SAVINGS are around $238K
  – 25 interns will work productively as **TECHNITIAN** and **JUNIOR ENGINEERS**
• Additional **NONMONETARY BENEFITS** will support your company in long term perspective
Thank you!

Questions?

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