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If you were to fill a room with tech founders and ask them what they think the biggest policy problem they have is, access to talent and skills would be top of the list. Brexit or no Brexit. Rain or shine. Talent builds tech businesses.

More than 50% of respondents to a 2017 TechNation survey said they experienced a shortage of employees and almost 25% described sourcing talent as a “major challenge”. [1]

Given that our job is to represent the more than 220,000 [2] UK tech startups, The Coalition for a Digital Economy (Coadec) is intimately familiar with this problem and has spent all of the decade of our existence funnelling ideas to Government on how to fix it.

We routinely listen to startup and scaleup founders explain how difficult it is to first find the right person with the right skills, and then actually hire and keep them in post.

This is a huge problem. Not being able to find the right talent not only directly impedes on the growth of individual startups/scaleups, but it also costs the wider UK economy approximately £63 billion [3] a year in lost GDP.

But we know all that. Skills are hard to find. The important part about this report is that it examines a deeper question – the additional burden placed on startups/scaleups, as the outsized demand for skilled labour now requires employers to go beyond standard recruiting strategies, to add staff retention as a key priority for their growth strategies.

Recruiting and retaining skilled workers go together. And both must be addressed in order for startups to grow into scaleups and for scaleups to grow into unicorns. As the battle for talent intensifies, the return on investment from being able to hold onto skilled employees will play an ever-greater role in determining the winners from the losers.

How startups/scaleups are able to differentiate themselves in terms of working culture, management style, and career development will be a key factor in their long-term success.

By providing a snapshot of the problem of retaining skilled workers, and then outlining actionable solutions employers can take – this report is both timely and of great use. Founders should give it a read.

Dom Hallas
Executive Director, Coadec
For years we have been talking about a ‘war on talent’ and the recruitment problems facing tech startup and scaleups, both in the moment and down the line. Yet these issues remain challenging.

Businesses across not just the UK but globally are struggling to keep up to date with the advancements needed to innovate, create and trade at their highest potential.

However, something not always considered or discussed in this conundrum is how it affects the ability to retain staff.

Traditionally, highly skilled people who want to change roles regularly and maximise income have tended to go down the contractor route. They are effectively in a buyer’s market, picking the best jobs at the best rates.

But now, as companies struggle to evolve their retention strategies and resort to counter offers, we are seeing an increase in bidding wars for existing employees identified by the competition as a potential hire.

As we head further into 2019, with its unrest and uncertainty, there is a heightened requirement for increased productivity and stability. Keeping talent must be an absolute priority for sustainability and growth.

For startups and scaleups in particular, this poses many issues that are different to those at the larger tier end of business, but the wider landscape affects everyone looking to improve productivity, maximise resources and keep key roles filled.
90% of UK STEM businesses struggled to recruit staff in 2018.
Knowing the investment and effort it takes to recruit, retention of the hard-to-attract talent is a priority for everyone leading a business.

Whether you are a small group of passionate innovators or a high-growth outfit, it’s never been so important to recognise and hold on to your game-changing talent.

This problem is becoming increasingly severe. Employee turnover in engineering and tech in the UK is at critical mass with one in three businesses claiming that in 2018 they saw an increase in staff leaving compared to the previous year.[4] Almost 60% of employees believe their company struggles to retain talent.[5]

LinkedIn’s most recent report revealed that IT and software in particular is now the highest employee turnover sector[6] with only 18% of developers working at their company for more than four years. [7]

Stack Overflow statistics reveal that in 2018, just 33% of UK developers were not open to opportunities. The remaining 67% were either open to opportunities or actively looking; giving us an overwhelming picture of the situation.[8]

So what is enticing STEM talent to leave their current roles? What do employers need to prioritise to maximise employee happiness and retention?
STRAIGHT FROM THE HORSE’S MOUTH: WHY DO PEOPLE MOVE ON?

To gain an insight into why employees move roles, we went straight to the source to gather the most accurate, timely and relevant data.

We collected responses from 180 individuals who have moved roles in the previous four months within the tech and engineering industries to understand what influenced their decision.

While it comes as no surprise that salary matters to many, our research also reveals that having a great working culture is key to retaining the best and brightest talent.

The people we spoke to ranged from junior to senior level positions and were looking for employment in the UK within the tech startup, scaleup or SME sector.
KEY FINDINGS
80% of candidates considered leaving their role due to poor working culture or management style.
Key findings from the research show that when people are considering leaving a role:

- **80%** blamed poor working culture or management style
- **77%** cited a lack of career development or progression
- **66%** said they were dissatisfied with their salary or rewards package
When it comes to culture and management style:

81% said their team and colleague dynamic was most important

80% agreed that their manager has a significant impact on their level of happiness

79% said that the management style of their direct manager is key
Regarding career development, the most important were:

- **Personal Development Plan with Clear Targets**: 71%
- **Regular Feedback and the Amount of Training Received**: 68%

Regarding resources available, those prioritised were:

- **The Right Tools and Equipment**: 79%
- **Using Emerging Technologies and Languages**: 73%

Employee Engagement
Our survey respondents also told us that when people are looking for a new role:

- 83% said the salary and rewards package was most important.
- 78% said career progression and development were top considerations.
- 77% cited culture and management style as key factors.
In relation to the rewards package:

What are the most important elements of your rewards package?

- **Basic Salary**: 85%
- **Holiday**: 71%
- **Non-Financial**: 52%

Interestingly, 77% said they would sacrifice any additional rewards in favour of a higher basic salary.

Despite importance of salary, 78% said that work-life balance is an important consideration when looking for a new role.

What are the most important aspects of work-life balance?

- **Flexible Working**: 80%
- **Remote Working**: 78%
- **Compressed Hours**: 59%
said they would sacrifice any additional rewards in favour of a higher basic salary.
The importance placed on salary may not seem like very good news for startups and scaleups who may struggle to compete with larger employers. However, our research suggests that fostering a great working culture and offering opportunities for career development is critical to staff retention.

People do not leave because of a lower salary rate. They are seeking exciting and up-to-date places to work that create a rounded package more in line with who they are and how they want to live their lives.

In turn, this means there is a real opportunity to gain a competitive advantage by putting people policies at the heart of core business decisions as investment in their happiness and wellbeing is imperative to their decision making process.

At the crux of our candidate research is the conclusion that as a company you can choose one of two approaches:

You can either increase your salary offering to attract new employees or invest in creating an excellent culture to retain existing employees.

However, there is a risk that if you increase salary and nothing else, your retention issues may continue, as it’s the cultural elements that our candidates highlighted as the factors that keep them at a company.

What do the results say?

“You can either increase your salary offering to attract new employees or invest in creating an excellent culture to retain existing employees.”
Our research with people who left their workplace shows a hunger for more than just good salary rates - though this, it has to be acknowledged, still plays a major part.

But what do employers think?

What do they see as the main barriers to staff retention? And how can high-growth startups and scaleups compete with larger firms when it comes to salaries?

We spoke to five employers in the tech and engineering sectors to find out.
These business leaders were unanimous in their belief that employee retention within tech and engineering has become a bigger issue over the last few years. Talent is often able to “pick and choose” from a range of opportunities.

Most felt it was difficult to understand the true reasons for an employee leaving, with doubts over the honesty and validity of exit interviews and employees not wanting to burn bridges when giving their reasons for departure.

Measuring employee happiness on a wider scale presented issues. The validity of employee surveys and retention initiatives being deceptively difficult to measure when many of them overlap or have a lag effect rather than immediate impact.

All agreed 1:1 contact between leadership and employees is the key to understanding employee happiness and impacting employee retention.

“MANY EMPLOYEES Aren’t INTERESTED IN BENEFITS, THE BOTTOM LINE IS THEY’D RATHER HAVE MORE MONEY”
WHAT DID OUR BUSINESS LEADERS SAY?

There are some key themes that presented through the business leader interviews that show how things are changing in the workplace, what is working and what still needs attention – no matter how difficult or time consuming that might be.

KEY THEMES:
1. PRIORITISING 'PRESENT'
2. SOCIAL NETWORK
3. ARE BENEFITS A BENEFIT?
4. VALUES FOR LONGEVITY
5. LEADERSHIP KILLED THE CULTURE
6. WHAT COULD THE FUTURE LOOK LIKE?
ONE: PRIORITISING 'PRESENT'

Murray (XYZ Reality) commits to a weekly informal 1:1 with each of his direct team members. Sometimes it can be a 10-minute check in, other times it’s an hour coffee off site. The individual can talk about whatever they need to, raising any questions or issues, inside or outside of work.

"Yes, it’s time consuming, taking time out of my week, but it keeps an even keel in the team, I’m able to tackle any potential issues before they become a problem."

Murray believes that being 'present' and connected with the team, prioritising his availability, and working as one with the team is the key to long lasting retention.

TWO: SOCIAL NETWORK

Our tech employers believe that fostering the right social environment not only makes for a more enjoyable workplace, but also plays a critical role in retention.

Joao (Yapily) invests time in weekly team catch ups to cultivate a culture of trust with easy access to leadership and focuses on fostering a strong personal engagement between the entire team. He encourages a culture with very little hierarchical structure, where enjoyment of working together as a team and friendships are key.

Murray (XYZ Reality) has introduced weekly lunches, everyone contributing a dish towards the shared lunch, as well as quarterly away days and regular team events. “A social focus means that the team becomes comfortable with each other, which ultimately generates the best ideas and innovation” he says.
There certainly seems to be a shift in the perception and value of benefits and the role they play in attraction and retention. What do employees want? Do they want benefits at all? Can we adapt policy to make them more impactful? Our employers had mixed views.

Neil (Altran) thinks that “many employees aren’t interested in benefits, the bottom line is they’d rather have more money” a huge shift from 10-15 years ago where healthcare and pensions were highly regarded, although his experience shows there is variation in demographics as it’s particularly the younger generation opting against benefits.

Offering flexible benefits is one solution. Bobby (Mortgage Gym) asks: “How can we judge what’s important to different employees? We can’t. Some will want to max out their pension and healthcare, whereas others will want more holiday days to allow them to travel. I’m in favour of flexible benefits to cater for these differences, however, it’s not always feasible for startups and scaleups to offer that level of benefits.”

Whilst flexible benefits offer a potential solution, Neil (Altran) advises the solution may not be as straight forward as it seems. He said: “In theory flexible benefits cost nothing, however, in reality there are hidden costs. There can be a significant HR overhead in implementing and running the policy.”

He also highlights that without excellent communication and management, flexible benefits can lead to perceived earning discrepancies amongst employees, resulting in friction.
Bobby (Mortgage Gym) focuses his retention strategy on hiring on values. He said:

“From the off, we need to be more up front about the values of a company and look at whether candidates truly share them. I would sacrifice a little skill to get the values and culture alignment right, as without those, the individual won’t succeed long term in a company.”

He believes by recruiting with values at the forefront of your mind, you’ll have a team that positively reinforces your culture, ready to learn and develop in a way that promotes long term employee opportunity and tenure.

In line with our candidate research, our employers recognise that leadership is the centre of a company’s culture. Leadership style can have a huge impact on retention.

Joao (Yapily) echoes the view that recruiting on values and traits is key to leadership expansion saying: “Future leaders need to have raw traits or personalities for leadership, it should be a natural evolution, and not forced.”

He believes recruiting on values, coupled with leadership training and mentoring, will develop the next generation of leaders. They will be able to carry a culture forward, maintaining employee retention during important expansion phases.
Bobby (Mortgage Gym) said the sector may need to adjust to a new normal and create their plan around that new realisation. “Expectation might be shifting – 18 months retention is good rather than a couple of years. If you hire 10 junior employees, 18 months retention for the majority of them and three years for two of them might be a good outcome.”

Our business leaders were all aware of the question “if this is the reality, what is the repercussion?”

If we’re choosing to invest in junior and more attractable employees, learning and development will need to be key to ensure a return on investment.

Equally, how will an increasingly transient workforce impact on culture and team dynamics? What will the impact on your recruitment team be? How will it change how you attract talent?

“If we accept a new normal, we need to be ready for the changes it may bring” (Bobby Mortgage Gym).
Leaders know that a clear understanding of accountability and role purpose plays a key part in employee retention.

Tomas at Debut recognises that setting individual and team goals, as well as 360 feedback reviews, is a big part of giving employees accountability and a structure providing clarity on achievements.

This year, one of Tomas’s objectives is setting and reviewing goals for each employee, creating a structure in which everyone has a clear understanding of their route towards progression and promotion.

But has this taken an even further step forward? Tomas had noticed a potentially surprising trend in the tech market. He said: “Some candidates are asking about bonus-related pay, it seems to be increasingly attractive in today’s market.”

Could this create a full loop to the initial concept as offering targeted related bonuses requires a robust measure performance and effectiveness capability through goal setting and reviews?
With the scale of growth we're seeing in the tech and digital sector, it's no surprise that companies are more and more focused on finding and keeping hold of the very best talent.

The best people are increasingly aware of their value and, as this report shows, are open to new opportunities. The most successful businesses we know focus on employing people with the same values and goals as them.

Even with these processes in place, it’s an ongoing mission to keep those values aligned and make sure that talent remains happy and productive.

Ben Shorrock
Managing Director, Tech Spark
Now more than ever, employees need to be at the heart of business. But how can we encourage that shift or ensure we’re adapting to what today’s talent really wants from employers?

This section seeks to provide some solutions for the main challenges facing employers today, bringing together the candidate and company research as well as our own thoughts on these key issues.

SOLUTIONS:
1. Career Development
2. Culture
3. Empowerment and Accountability
4. Line Management
5. Hiring
6. Communication and Involvement
7. Recognition and Reward
One: Career Development

**Problems**
- Progression is lateral rather than upwards
- Development is undefined, without clear time frames and relies on the speed of success of the company

**Solutions**
- Hire against soft skills and values to ensure adaptability, use tools/techniques to help assess against soft skills
- Visualise your long-term mission, in a 1-3 year plan, highlighting key future roles in that journey, make it accessible
- Encourage external mentoring to guide employees in developing transferable skills, moving into broader roles
- Set stretch assignments for team members showing potential - ask them to lead an initiative or project

**Problems**
- Early employees progressing may lack clarity on accountabilities and expectations
- Non-leadership progression routes unclear

**Solutions**
- Develop multiple and visual career paths - with clear goals for each level of progression
- Introduce an internal or external training programme which is clearly linked to personal development goals
- Start succession planning early, talk to your team about their medium and long term career goals, understand their interest in the different development routes
## Two: Culture

**Startup**

### Problems
- Culture and values aren’t clear – “we’ll get to that when we’re big enough”
- Everyone’s too busy to develop meaningful relationships within the team

### Solutions

Invest early in forging a people culture:
- Something as simple as hot desking can foster relationships across the team
- Take time out as a team, encouraging connections and empathy – don’t neglect social activities
- Clearly articulate your ‘why’ as a business and live by it. “People don’t buy what you do! They buy why you do it” works for employees not just customers – company away days are great for communicating

**Scaleup**

### Problems
- Your original culture dilutes as your business grows
- Cliques start to form – original team vs newbies

### Solutions

- Create ambassadors for welcoming and encouraging integration
- Focus on practical solutions to allow employee integration: mentoring scheme, CSR committee, voluntary training and hosting social activities
- Celebrate new starters – nail your onboarding process and get them talking to everyone in the first week
- Create a team charter – the appropriate behaviour
Three: Empowerment and Accountability

**Startup**

**Problems**
- Success is only defined by big bold company milestones
- All hands on deck culture means individual accountabilities unclear

**Solutions**
- Create job specs along with a scorecard, creating clear performance measures.
- Use OKRs to align business and individual objectives, clarifying accountabilities and showcasing individual impact.
- High level of communication and openness – communication will be key to clarify accountability in unclear scenarios, and give praise for smaller success factors. Make time for communication, both structured and informal/adhoc 1:1.

**Scaleup**

**Problems**
- Employees disengaged as the impact of their work becomes unclear
- Responsibility isn’t given up to newcomers easily

**Solutions**
- Use RACI model to give clarity of delegation with accountability.
- Create a process to highlight achievements and give credit – employee of the month, end of week team meetings.
- Company conferences – annual and quarterly – highlight strategy and progress. Give clarity of the ‘why’, your bigger picture and what the team are working towards.
- Monthly town halls – give everyone a voice on key issues.
FOUR: LINE MANAGEMENT

STARTUP

PROBLEMS
- Founders can be passionate business leaders but struggle to lead people
- A small leadership team could mean inflexible leadership and a lack of diversity

SOLUTIONS
- Understand your leadership style - use personality tests and leadership evaluation tools
- Identify a leadership mentor to help you develop your skills
- Attend peer level, tech focused leadership development events / workshops
- Focus on creating a ‘safe environment’ where honest and open dialogue is the norm - regular 1:1s

SCALEUP

PROBLEMS
- Inexperienced middle managers struggle to maintain leadership of culture and values
- No process to develop new leaders

SOLUTIONS
- Assign mentors to top team - help them transition from functional leadership to leading people
- Create a leadership development programme – mixture of internal and external training
- Check the vibe of your employees – anonymous 360 feedback, pulse employee engagement surveys, skip level 1:1s
**STARTUP**

**PROBLEMS**
- Employees might not share the ‘why’ and passion of the founders
- Technical skills appeal over adaptability
- One person interviewing risks a lack of diverse opinion

**SOLUTIONS**
- Focus interviews on motivations and expectations – their why
- Plan how to assess soft skills, and communicate this across the interview team
- Don’t rely on referrals from immediate networks where diversity could be limited - engage with a minimum of 3 different groups (a relevant university course / local college / BAME network / Women in tech group / D&I meet up network)

**SCALEUP**

**PROBLEMS**
- More detailed technical job requirements diminish importance of soft skills.
- No founder in the interview means power of storytelling suffers
- Standard of hires slips as the hiring decision is removed from the founder

**SOLUTIONS**
- Map out and promote future hiring needs, avoiding panicked hires where you focus on skills to plug a gap
- Define your EVP and make this clear on your website and marketing collateral
- Involve a cross section of managers and employees, invest in training for managers
- Introduce process to standardise interviews – interview form, measuring outcomes, assessment against set criteria. Measure the data to work out where to improve
Everyone’s too busy to ask how someone is doing

Plan time into your diary to check in with each employee on a monthly basis – five minute catch up, coffee or lunch, or delve into a project. Ask for their opinion on an idea or question you have

Allow time at the start or end of your day for 10 minute informal chat with one or two of your colleagues – a simple question of ‘how was your day?’

As the company structure and hierarchy develops, new and lower level hires don’t know what the leadership team is focused on as they are further removed from the day-day action

A structured internal communication and two way feedback system need to be introduced:

- Multiple channels of communication and different ways in which to provide feedback (including anonymous options)
- Practical examples: 360 feedback, employee surveys, ideas box, director open door days, town halls and shared lunches – all encouraging communication and providing mechanisms for feedback
SEVEN: RECOGNITION AND REWARD

PROBLEMS
- No formal structure for praise, reward and recognition

SOLUTIONS
- A formal structure might seem overkill, a compromise could be the introduction of a Friday meeting, reviewing the week with storytelling and highlighting individual success and achievements
- Reward success, but also the demonstration of company values and behaviours to reinforce your culture and importance of team ethos

PROBLEMS
- Poor visibility of employee achievements and behaviour at director level, leading to lack of praise

SOLUTIONS
- Introduce a colleague recognition scheme, created in line with your company values and behaviour
- Empower middle management, and every employee to drive the scheme, removing the reliance on director visibility
- Once an employee hits a number of recognitions – reward them, make this something your people want. Survey your team to capture their ideas for this
Author and business strategist Jim Collins once said: “Great vision without great people is irrelevant.” It is a truth that is particularly pertinent in the startup and scaleup world as these fledgling years of growth depend on human endeavour.

The advance of technology has never replaced the need for businesses to find and retain great people. As the digital world seems to evolve at an increasing pace, the people needed to deliver on the vision remain in ever-growing demand.

This is something that, as recruiters specialising in tech and engineering, we are in pole position to witness. But, given we are recruiters, it may seem counterintuitive to create a report that seeks to understand and deliver solutions on helping companies keep people – rather than promoting freer movement in the market.

However, we know that creating an employer brand that works not just to attract people but also retain them is essential. The ‘sell’ to candidates has to reflect what is really going on in the business.

The importance of this is underlined in the report findings, which show that people leave a role because of poor working culture or management style but that salary is the main reason they will accept a new job.

While money will usually be at the top of a list of reasons to accept a position, getting the employer brand proposition right at this stage will not only help you find the people you want – it will help you keep those you worked so hard to secure.

Overall, the findings here show the challenges faced by startups and scaleups – creating a culture is a major piece of work, so it is perhaps no wonder that this aspect of the workplace cannot be a one-size-fits all.

This raises serious and potentially daunting questions for those at the front line of the digital revolution. We offer some solutions to these pressing issues as we want to ensure the talent we secure not only stays in post but contributes in a real and meaningful way.

I’d like to personally thank everyone who took part in this report; it’s been fascinating hearing people’s point of view. We hope it’s useful for founders and scaleup leaders as they build the businesses and workforces of the future. I’d love it to play a role prompting debate and furthering retention in the tech sector and beyond.

Alan Furley
Director, ISL Recruitment


