PSR Reviews

Bi-Monthly Newsletter for Positive Support Review's Clients and Subscribers

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Year 2000 Efforts Will Do Damage To Many

Y2K Activities Are Causing IT To Be Less Productive

Most enterprises around the world have some Year 2000 activities in place. As we get closer to the magical date of January 1, 2000, productivity is beginning to fall. For example, at one of or our clients, the IT function was proceeding on a major Y2K activity under the guise of normal system maintenance. At the same time, the "production" systems of the enterprise were starting to fall into a state of disrepair because not enough resources were allocated to the task.

Y2K is not new development and few entities are treating it as such. Rather, they are including Y2K features in the "System Maintenance" process. That is logical, but it is not a true reflection of the state of process. The CEO of one organization put it very clearly, "Over the last 2 years our maintenance costs have sky-rocketed,

Censorship by the government is like a stealth fighter - you do not know it's a problem until it's too late

yet the field tells me that things are getting fixed - but that it is taking twice as long. What do we have to do to improve the productivity and quality of the IT function?"

Now does that sound familiar? Add to this other things Y2K activities are impacting, which include:

➡️ Increased turnover rates as IT professionals are recruited for these activities. Tools used to accomplish this are causing secondary effects on the productivity of the IT function. It is predicted that turnover rates will soar to over 30% within the next two years.

Mid Level Positions In IT Now Pay $80,000

Strong IT Professionals Supply Sinks As Compensation Rises

PSR has just released it's midyear salary survey for IT positions. This is the 15th year that PSR has completed this update. In the survey, PSR's benchmark indicates the compensation level that individuals are exposed to. Normal forces of the marketplace have set the mid-level management position salary scale to over $80,000 for the first time. In large organizations (revenues over 500MM), this represents an increase of 5.5% for these management positions. In addition, there is an expansion of pay ranges due to the limited supply of scarce resources.

Also, there has been an extremely high demand for individuals who have experience that can be used for Year 2000 (Y2K) conversion projects. PSR found a number of situations where attrition rates were now exceeding the 30% level in organizations that have highly marketable skills. This is reflected in some of the salaries that have been commanded for positions that are needed for the successful completion of Y2K projects.

There are now situations where individuals have chosen to take positions in organizations where they get higher pay for CICS and COBOL skills than GUI skills because of the need to complete the Y2K projects as quickly as possible.

Other areas that have commanded increases include all of the positions that require Internet development and electronic commerce. The increase in compensation will evaporate as more individuals acquire the skills necessary for development and implementation in this new field. Some areas of particular increase are in Web design and implementation. Individuals
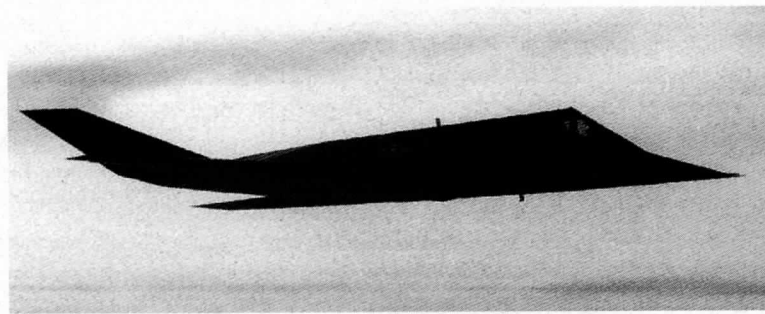
➠ Salaries for "old skills" are going through the roof. There have been cases in the New York area where hiring bonuses of over $15,000 have been paid for scarce resources. That, added to the reported increase of over 20% in base compensation, is causing individuals who do not have the older skills to learn them in order to obtain some of these high paying positions. This will take some of the "best and brightest" out of the new technology areas and put them in a place where their careers will be arrested.

➠ Resources are not available for new creative development activities. The IT function in many organizations is not able to invest in its future with the strain of Y2K on the entity. The processes associated with "typical moderniza-tion" of IT solutions are being put on hold as resources are limited.

While all of this is going on, the capacity to do effective outsourcing is drying up. Some forecasts indicate that over 75% of all organizations are going to materially delay normal maintenance and modernization due to lack of resources. Plus, the quality of products being delivered by Y2K projects are increasingly suspect. This is the legacgy that Y2K will leave the rest of us. We have found that Y2K activities typically have these problems associated with them:

➠ Estimates of the scope of impact as well as the level of resources required are inaccurate. In a recent review of a Y2K project, we found that the estimates were wrong by orders of magni-tude for 3 out of 5 areas that we reviewed.

➠ Management and understanding of the impact of Y2K are lacking. Even though the typical problem associated with Y2K is "well behaved" most organizations do not have individuals work-ing on Y2K activities that know enough about the business to understand what they need to do to be successful.

➠ Documentation is outdated at best and lacking at worst. With most of the Y2K resources from outside of the organization, this lack of documen-tation puts in question the accuracy and necessity of the Y2K effort.

All of these factors are creating a situation in which the overall productivity of the IT function and process is declining. Management now sees this and is looking for the necessary leadership to see that these problems are resolved quickly.

IT functions that will grow well are the ones that will respond timely to the demands placed on the organization due to Y2K. The problem here is that it is too late for any entity that has not already addressed these issues. There are also a number of organizations that have responded well to the Y2K needs and have addressed the issues as necessary. However, they have now gone back to busi-ness as usual, while competitors actively try to recruit members of their organization.

The best organizations are those that know that they have to learn from the lessons of Y2K. Unfortunately, these organizations are few and far between.

We must brace ourselves for:

➠ Falling productivity

➠ Increased staff attrition

➠ Skyrocketing compensation.

Not a very pleasant thought. All of the resources that are available are "sucked up" to do Y2K tasks while the management of the process does not know what the new system will function under.◀▣▶

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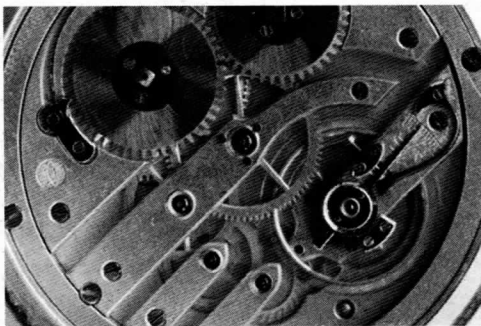
Mid Level Positions In IT Now Pay $80,000

(continued from page 1)

in e positions are geting paid premiums because they happen to be there now.

There has been a fairly strong demand across the country which has been the driving force behind an increase in supplemental compensation, as well as increased use of stock option packages, at top and middle level positions. This reverses the previous salary trend in which there was a decrease in supplemental compensation. Now, supplemental compensation represents 14% of total compensation for top positions and nearly 6% for mid-level positions in large companies, compared to 9% and 5% respectively at 1996 year-end. In the San Francisco bay area it is not unusual to see individuals jump from job to job every six months. In that market, the supply is so limited, employers will do almost anything to attract and retain good people.

budget permits, it is almost impossible to find new individuals who can take leadership positions in their existing IT structure.

A summary of the study is available on the Internet at the following url - http://www.psrinc.com/Salsrv.htm. In addition, the study can be purchased over the Internet.

The survey was conducted in the third quarter and supplemented by further research based on economic factors observed in first and second quarters of 1997. Sixty-nine (69) positions were surveyed. These positions are fully described in the "Position Description HandiGuide®" which is also published by PSR. The population of the survey was 17,315 individuals and over 400 organizations.

These salaries are only good for organizations in the markets that are depicted as being in an open environment. It is not clear what direction individual staff member compensation levels will take. In general, only those individuals who know

LARGE COMPANIES - Mid-Level Positions
□ Base Compensation Range   ▓ Total Compensation Range
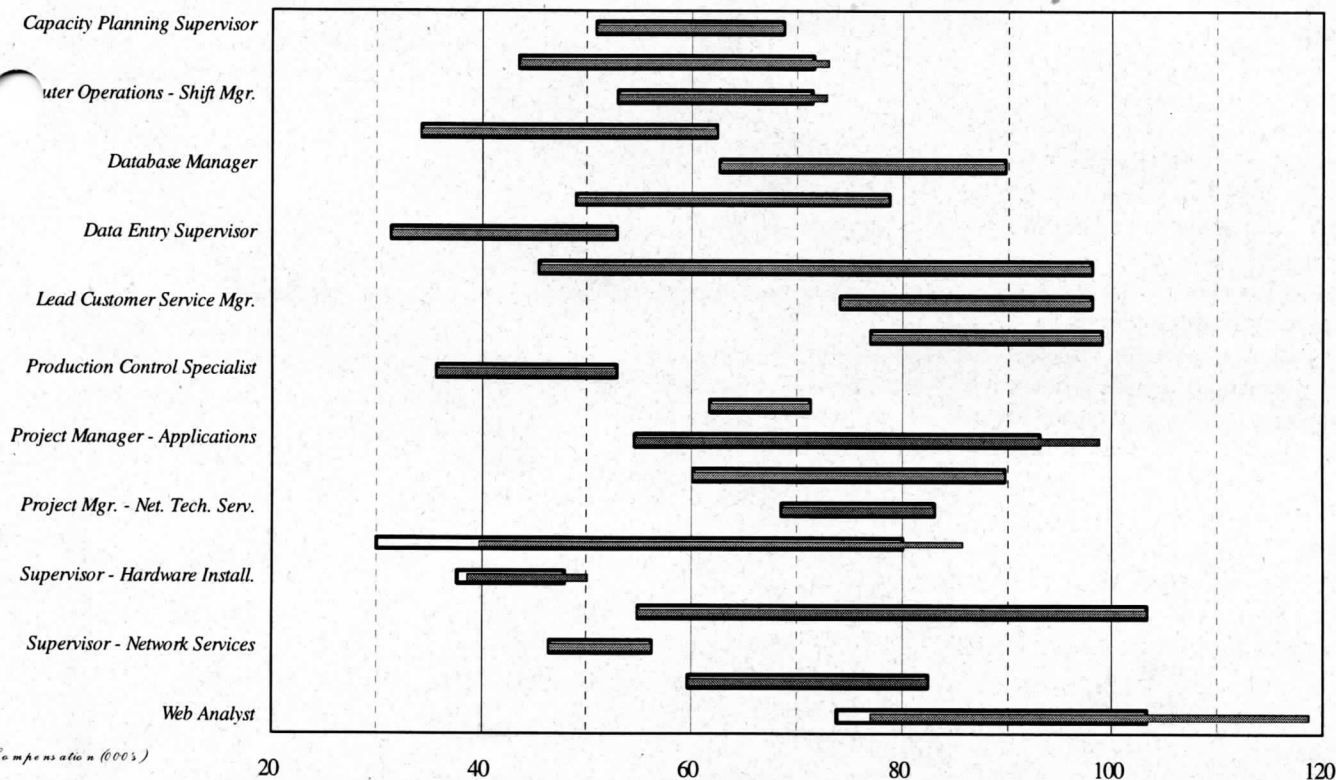
The chart above, shows the results of the mid-level position co   nsation study. We have found that some Web analysts were paid well over $100,000 per year. These individuals have the option to become individual contractors and reap the benefits of being independent contractors. In addition, a number of organizations have reported that, even if their

who you are will help you, and at the same time provide guidance for the near term.◄▩►

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Forecast for the National Information Technology Market

Wanted - Experienced IT Professionals who know what needs to be done

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Over the last few years there has been a major change in the way software is being developed. Ten years ago, if you asked a Fortune 1000 organization what the standard development environment is, they would have said COBOL and CICS. Today, aside from the Year 2000 project, the answer is JAVA, C++, HTML and Other. COBOL and CICS are the horse and buggy of IT. Additionally, most of the individuals involved in the new environment lack the discipline associated with the "old ways" of doing things. It is commonplace for a Project Manager working with these tools not to know about System Development Methodology, Change Control and Performance Measurement.

This past month we completed a risk assessment for a major West Coast services company that was concerned about the quality of the systems they were sending to their field operations. They had a major Year 2000 project that was using 30% of the total IT budget and the field system was being upgraded every six months. The code was not stable - it often failed; "fixes" when implemented did not work - testing did not take into account errors discovered in the field; and the head of IT, a 33 year old MBA, had no idea why the process was not working. This MBA, from a top-ten East Coast school, told us

that he had never encountered the types of problems he was dealing with.

This is a classic case of IT Management lacking the "maturity" necessary to effectively cost manage their source, in light of what was effective for the business. As enterprises have down-sized many have eliminated necessary positions and experienced individuals.

In a recent IT publication, there was a feature article that the future CIO (Chief Information Officer) was someone with an "understanding" of IT and held an MBA. This only exemplifies the fact that too many are discounting experience.

Based on what we have seen, this is not limited to the IT function. Enterprises are too focused on the concept that a single star can make an organization successful. For example, the average Stanford MBA graduate was offered a starting salary in excess of $100,000 per year.

In many MBA programs there is no requirement for IT courses. Also, demographics are changing and there is a decrease in the number of new workers entering the job market.

New skills and new technologies are often

driven by new entrants into the job market. What this points to is a pending explosion of demand for people with the right skills. our recent compensation survey, we found that, for the first time, our PSR benchmark salary for a large IT organization exceeded $300,000.

It is not unusual for salaries to go up by 15 to 20% per year. That means the forecast for the IT profession is as follows:

1. New skilled workers will be harder to find.

2. Experienced IT professionals will see compensation increases that are greater than any time since the 1960's.

3. Attrition will increase as new approaches force organizations to aggressively recruit experienced resources.

As long as the economy continues to move along, the best place to be is IT. But, buyer beware, there will be many out there who will claim they know something and do not. You may be left holding the bag if you do not know how to evaluate them.

Location	Prospects Short Term	Prospects Long Term
Northeast	Good	Excellent
Mid Atlantic	Excellent	Good
Southeast	Good	Good
South	Good	Excellent
Midwest	Excellent	Excellent
Southwest	Good	Good
West	Excellent	Excellent
Pacific Northwest	Excellent	Excellent - Good
Best Location	West - Midwest	West - Midwest