Chapter I

Peopleware:
The Hiring and Retention of IT Personnel

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ABSTRACT

The hiring and retention of IT personnel has remained a top priority for managers given the increasingly important role that information technology plays in the success of virtually all companies today. In this chapter, through a series of case studies, we report on a set of best practices that are designed to help organizations develop strategy, recruit, hire, develop, compensate, and ultimately retain valued IT personnel. In addition, a model is presented that describes the key drivers of job satisfaction, and
ultimately determine turnover. It is suggested that the relative importance of these drivers, which include the quality of management, work attributes, compensation, and career development, will change for employees over time. Therefore, managing these drivers using the identified best practices can significantly assist organizations in attracting and retaining IT personnel.

INTRODUCTION

“We can’t hire enough good people to keep up with the demand...no matter how hard we try!...It really keeps me awake at night!”

Unfortunately, this CIO’s nightmare has become all too real for all organizations, large and small, public and private, across all industries. The hiring and retention of IT personnel has remained a top priority for managers despite the current economy, given the ongoing gap between supply and demand\(^1\) combined with the direct influence that IT human capital have on an organization’s ability to solve virtually every other IT-related challenge. For example, the recent demand for increased security has triggered the latest spike in demand. Effects of this phenomenon may include slowed growth in IT-dependent industries, increased outsourcing overseas, declining quality, and a decreased supply of technology goods and services.\(^2\)

Scarclities, whether in oil, steel, food supplies, or human capital, usually result in higher prices, and every economic indicator confirms that this is happening today. IT staffs are being paid higher salaries than their business counterparts with equivalent educational and career backgrounds.\(^3\) As one HR Director lamented, “The three most important words in the IT industry are salary, signing bonuses, and stock options!”

But, what do firms get when they pay their IT employees above-average salaries? According to one recent study, they get above-average turnover (Gartner Group, 2000). This study surveyed over 25,000 IT employees in more than 100 major companies and found that firms that paid salaries above industry averages for their IT positions tended to have higher levels of turnover. What does this imply? It seems to suggest that money does not buy happiness, certainly not for CIOs and HR departments. Firms that have tried to buy their way out of the tight IT labor market find they are simply getting into more
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