ABSTRACT

Since 2008, the weakened global economy has resulted in increased layoffs, hiring freezes, and company closures in high-tech industries. Ironically, there has been increased demand for information technology professionals (IT workers) in non-high-tech industries such as financial services, healthcare, and transportation industries. This idiosyncrasy suggests there is value in exploring IT personnel strategy in non-high-tech industries. Larger firms or high-tech companies commonly compete for IT talent through lucrative incentive payments or higher base salaries. In contrast, smaller companies or non-high-tech firms with limited resources are more constrained in their compensation strategies, and more vulnerable in competing for IT talent. Taking this predicament as a backdrop, this paper reports the findings of a case study investigating IT compensation practices in a small, U.S. based, Chinese media firm that relied on IT to change its media strategy. Focusing on four specific risk areas, we illustrate how this firm competed successfully when resources were scarce but competition high within and across the industry.

Keywords: Case Study, IT Compensation, IT Professional Management, IT Shortage, Small Non-IT Firm

INTRODUCTION

The global recession has dramatically changed how businesses operate. In many countries around the world firms have retrenched, cutting workers, freezing worker salaries or rolling back increases, or closing offices. Beginning in 2008, the high tech industries were especially vulnerable, as were many universities who saw enrollments in IT degree programs shrink dramatically. Consequently, there is a false impression that the demand for IT professionals has shrunk due to the recession, or that all technology jobs have been outsourced to a few countries such
as India or the Philippines. Hirschheim and Newman (2010) challenged this assumption. In fact, during those early years of economic trauma, a report from CareerBuilder.com (2008) showed that regardless of the recession in high-tech industries, IT demand increased in other non-high tech industries such as financial services, healthcare, and transportation. In general, demand for IT workers has continued in non-high-tech industries, but may differ by industry type (Morgan 2009; Hirschheim & Newman 2010; Morgan 2010; Morgan 2011). Luftman and Zadeh (2011) argued:

The rather slow recovery from the recent recession poses new challenges to IT executives around the globe. The relatively consistent top managerial concerns cannot simply be addressed through identical responses in different geographies; each area has its own set of characteristics and appropriate response to management concerns. In other words, unique characteristics of the local markets influence management responses of enterprises operating in a globally linked environment. (Luftman & Zadeh, 2011, p.202)

From the perspective of demographic change, Radant (2014) further argued that IT professionals will continue to be hard to find due to decreasing birth rate. These challenges of responding to multiple external and internal demands associated with the volatile IT workforce is especially challenging for smaller firms. Whereas larger firms may spend up to 64% of their IT budgets on staffing issues (Luftman & Zadeh, 2011), smaller firms may not have that luxury. “Resource poverty” and the intensified “war for talent” are special conditions of smaller firms that differentiate them from their larger counterparts (Cassell, Nadin, Gray, & Clegg 2002; Colomo-Palacios, Ruano-Mayoral, Soto-Acosta, & Garcia-Crespo, 2010).

A 2007 report from the Small Business Administration (Hope & Mackin, 2007) found that overall, employees of large establishments stay in their jobs longer than employees of small establishments. They also found that firms that offer benefits improves employee retention, decreasing the probability of an employee’s leaving in a given year by 26.2 percent and increasing the probability of staying an additional year by 13.9 percent.

We do not have deep understanding of the impact on IT personnel, given the higher competition for skilled personnel. Ironically, IT compensation has been identified as a critical lever to attract and retain IT professionals, and to reduce IT turnover (Ang, Slaughter & Ng, 2002; Colomo-Palacios, Casado-Lumbreras, Misra & Soto-Acosta, 2012). Therefore, understanding how to compensate IT professionals leads to increased effectiveness in strategic management of IT human capital. Large or high-tech companies often compete for IT talent by offering higher salaries or lucrative incentive payments. In contrast, small or non-high-tech firms with relatively limited resources are more constrained and thus more vulnerable in competing for IT talent.

So how do small, non-high-tech firms address these issues? What is a viable IT compensation strategy to cope with the uncertainty a small, non-high-tech firm must face? This question serves as the motivator of this research. This paper reports the findings of a case study investigating IT compensation practices in a small, Chinese owned media firm that relied on IT to change its media strategy. Focusing on four specific risk areas, we illustrate how this firm competed successfully when resources were scarce and competition was high. We draw inferences for similar non-high-tech firms and compare back to the literature to suggest avenues for future research.

SIGNIFICANCE OF THE CASE STUDY

The researchers selected an Asian-owned media firm headquartered on the Southwest coast with four branches in other major cities across the United States. This site provided a unique and relevant opportunity at the practical, empirical research, and theoretical levels.
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