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BRAKING IS'S REVOLVING DOOR: A STUDY OF INTERNAL LABOR MARKET PRACTICES AND IS TURNOVER¹

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Turnover is endemic in Information Systems (IS). Turnover rates for IS professionals are estimated at more than double the averages for other business professionals, and are in excess of 25% for certain positions in many regions in the United States and other countries. The turnover problem is exacerbated by the increasing demand for IS work, the rapid evolution of information technology which quickly obsolesces IS skills, and extreme shortages for certain IS skills. Thus, recruiting, developing and *retaining* a skilled staff is a central managerial concern in IS. But, **why is turnover so high and pervasive in IS? Are there organizational solutions that can be effective in reducing turnover?** These questions are the focus of this study.

Much of the prior research has searched for causes of IS turnover from the perspective of the individual worker, examining factors such as job dissatisfaction, career goals mismatch, and job compensation inadequacies. In this study, we examine the problem of high IS turnover from a different perspective — one of *Internal Labor Markets* (ILMs). ILMs refer to the rules and practices such as hiring and promotion criteria, job ladders, wage systems and training procedures that are established by organizations to govern their workers. The potential benefit of an ILM approach is that organizations can focus on *structural* solutions to IS labor problems, rather than focusing on individual factors that are often unpredictable, idiosyncratic and outside of their control.

Drawing upon the ILM literature, we argue that firms can influence turnover rates by altering the ILM structure under which their IS workforce is organized. We hypothesize that IS occupations comprise different ILM structures and that these structures differentially affect IS turnover at various occupational levels. In addition, we argue that institutional procedures and organizations' strategic IS focus play a moderating role in the formation of ILMs.

To examine these hypotheses, we have collected and analyzed data on internal labor structures of IS organizations in an in-depth study of a number of firms using interviews and questionnaires. We have examined our questionnaire data using agglomerative hierarchical clustering techniques. Results from the cluster analysis provide initial support for our hypotheses.

Looking across all of the firms, we find that the more managerial IS positions belong to an ILM structure that is classified as *industrial* with low turnover while the more technical IS positions belong to an ILM structure classified as *craft* with high turnover. However, certain firms (public sector firms and firms where IS is a critical function) have significantly lower turnover for their IS technical positions than the remaining firms in our sample. Our interviews with these firms suggest that they reduce turnover of the technical IS jobs by shifting their IS personnel from a craft to industrial ILM structure. These results imply that the problem of high IS turnover is not only correlated to individual factors but is also related to the type of employment subsystem under which a particular IS occupation is placed.

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