

Outcomes of External and Internally Hired Employees: Highlighting Buy and Build Strategy

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Abstract

This study emphasizes upon altering employees attitudes with regards to their entry type (external recruitment or internal recruitment). It focusses the people side; their association with organizations and love for their work by testing the difference of job involvement and organizational commitment among internally promoted employees and externally hired staff. These employee attitudinal work outcomes were considered major predictors by researcher for organizational effectiveness and thus measured. The study was carried out upon telecommunication industry of Pakistan including 5 companies (Zong, Telenor, Ufone, Warid and Mobilink). A sample of 90 employees at executive/managerial level was taken (externally hired& internally promoted at same level). Data was collected using questionnaire technique, summated through likert scale and processed in SPSS. Descriptive statistics and 2-Independent sample t test was applied to identify the results. Organizational commitment and Job involvement of employees showed no significant difference with regards to type of hiring source. The research work has practical and theoretical implementations which are discussed along with ground for further research.

Keywords: Internal promotion, External Hiring, Recruitment, Job involvement, organizational commitment.

Introduction

Telecommunication sector of Pakistan arose as one of the wildest rising sectors in Pakistan ever since it was released for private concerns. The Government gathered more than Rs. 100 billion revenue from telecommunication sector in 2008-2009 and it has attracted substantial Foreign Direct Investment in the country(Hashim, Munir, & Khan, 2009).It proved that the role of telecommunication sector is central for economic development. The studies of (Jipp, 1963),(Norton, 1992) and (A, 1997, a) experimentally prove the positive relationship between economic growth and telecommunication infrastructures.

On the other hand, significant shifts in global economy have forced enterprises to reconsider expenditures related to talent that requires doing more with less. While new strategies were executed in response to these changes, high workforce performance and organizational success was ensured by introducing the processes that can measure and improve employee engagement (Insights, 2013). (Perrin, 2013) showed that employee attitudes can adversely affect organizations productivity and performance. It is also witnessed with below mentioned researches that amongst all important employee work

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Academy of Contemporary Research Journal

V IV(II), 1-6, ISSN: 2305-865X

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attitudes, organizational commitment and job involvement are also the significant interpreters of other job outcomes like job performance, turnover and absenteeism and thus can affect to organizational performance.

Job involvement and organizational commitment were chosen with regards to employee hiring techniques. Two routes are generally assumed; hiring employees from external sources like advertisement, employee referrals, college placement offices, self-initiated contacts and newspapers etc. and other source is hiring existing employees at same position from within the company. (Earnest & Landis) These work outcomes were taken because in past readings these variables were measured as significant predictor of employee job performance (Keller, 1997) and of other work related outcomes. (Blau & Boal, 1987) explained that *Organizational Commitment* as an interpreter of absenteeism and turnover, describes 34 percent of the variance at maximum (Katerberg Jr, Hom, & Hulin, 1979) and 3 percent at minimum (Michaels & Spector, 1982). However, *Job involvement* seems to more reliably predict turnover than absenteeism, accounting for as greater as 16 percent of the variance (Farris, 1971) and as minute as 2 percent (Beehr & Gupta, 1978). Turnover costs to organizations are well recognized (Mirvis & Lawler, 1977; Steers & Rhodes, 1978; Wanous, 1980). Moreover, (Blau & Boal, 1987) elaborated that employees with low level of job involvement and organizational commitment, have low level of work attention. Consequently, this can be safely assumed that if employees have high job involvement and stronger organizational commitment, it may lead to less turnover intentions and improved performance that may ultimately give raise to organization's performance and success. In this research, researcher proposes to seek that in Telecommunication sector of Pakistan, what type of employees at executive and managerial levels are more involved with their jobs and more committed to the organization? Internally promoted; who have longer tenures and more association with organization or externally hired; who are new to organization?

Objective of the Study

Studies of (Van Latham & Leddy, 1987) focused the impact of recruitment sources on attitudinal measures (job involvement, organizational commitment and job satisfaction). (Bidwell, 2011) stretched the recruitment methods to internal hiring along with external sources of hiring and measured one employee job outcome e.g., performance. The purpose of this reading is;

- 1- To analyze the difference in the job involvement of internal and externally hired employees.
- 2- To analyze the difference in the organizational commitment of internal and externally hired employees.

Literature Review

Recruiting positions in organizations signifies one of the most essential human resources (HR) management functions (Judge & Ferris, 1993). Recruitment is considered as a process in which best talent pool is picked either from outside the organization or from within the organization (Business Dictionary, 2014b). A sociological

and organizational perspective on employment suggests that techniques that checks individuals to fit with jobs e.g., (staffing techniques) lay impact on employment outcomes (Granovetter, 1988). Moving forward, (Breaugh, 1981) examined link between recruitment sources and its impact on employee performance, absenteeism and worker's attitude. Likewise, (Van Latham & Leddy, 1987) extends to these studies that sources of recruitment methods has effect on worker's attitudes of job satisfaction, job involvement and organizational commitment. Following the same mark, (Matthew Bidwell, 2011) took internal promotion versus external hiring suggested that whether you hire a resource or fit the existing one in shape, both routes has a substantial impact on employee's performance.

External Hiring and Internal Promotion-both schemes have their pros and cons which accordingly leave impact like every strategy (Sullivan, 1999b) and (Sullivan, 1999a). This study proposes impact on two dimensions; organizational effectiveness and on employee job outcomes. From the past studies decoded by (Chan, 1996), (DeVaro & Morita, 2013), and (Brookmire, 2013), it has been observed that the recruitment approaches e.g., External Hiring and Internal Mobility give researchers a hot favorite debate on the viewpoint either the resource should be bought or the existing ones should be building.

Studies of (Breaugh, 1981) and (Van Latham & Leddy, 1987) make this reading more curious in a sense that these studies tested the impact of few recruitment methods and made a comparison between them. Both studies emphasizes on external sources of recruitment like college placement offices, newspapers, advertisements, employee referrals and self-initiated contacts. While internal hiring techniques (internal promotion, lateral transfers) remained unnoticed. Generalizing into two main categories internal hiring and external hiring, (Bidwell, 2011) brought forward his work on the impact of external and internal hiring techniques on employees work outcomes. Job performance was one job outcome that was addressed in that study. Therefore, in this study, researcher highlighted there may still be unheard callings with regards to impact of recruitment sources (i.e., internal along with external sources) on other employees work outcomes such as job involvement and organizational commitment. In this particular area, research does not seem to be documented. Understanding the importance of the internal hiring versus external hiring approaches through sizzling discussions of (Sullivan, 1999b), (Sullivan, 1999a), (Chan, 1996), (York & Favaro, 2011), (DeVaro & Morita, 2013), (DeVaro & Morita, 2013), (Brookmire, 2013), (Matthew Bidwell & Keller, 2013) and according to (Booz & Co's 12th Annual CEO Succession study) and recent research about CEO succession by (Mathew Bidwell, 2012) revealed that senior employees, those are hired externally cost more to company, they have less tenure in their roles and accomplish lower in comparison to internal hires. Booz and Company's study also showed that 35 percent of the externally hired CEOs were dismissed against 19 percent, who were promoted from within the organization. Researcher in this study stretches the thread to scrutinize the difference of job involvement and organizational commitment amongst internally promoted employees and

externally hired employees. This study provides threefold analysis in a sense;

1. It describes impression of external hiring and internal promotion with employee work outcomes
2. It highlights usefulness of internal/external selection techniques in Pakistan Telecommunication industry.
3. The analysis inspects if there is any difference in job involvement and organizational commitment of external and internal employees.

Hypothesis

- 3- H1: There is a significant difference among the job involvement of external and internally hired employees.
- 4- H2: There is a significant difference among the organizational commitment of external and internally hired employees.

Theoretical Frame Work

Theoretical framework includes 2 independent variables and 1 dependent variable. Outline of variables is given below;

Internal Promotion and External Hiring (Independent Variables)

There are two major viewpoints of staffing techniques on which talent managers put emphasis. Internal vs. external Hiring; Internal Mobility is a technique of using the existing human resources in the company to fulfill another skill gap in the organization. "The same gap can be filled by hiring the people from outside the organizations too. But it has been sizzling debate among senior managers that what is the better solution buying the new resource or build the existing one?"(Sullivan 1999).

(Sullivan 1999) describes internal promotion as tool for employee development and retention. There are numerous beneficial reasons to prefer inside hiring and outside hiring. Internal employees are already familiar with the norms and culture of the organization so they take less time in adjusting themselves in a new role and perform better against the external hires. Hiring the internal resources cost less to the company as it reduces the bargaining power of employees. The process saves time as internal employees take less time to make their decisions, resulting to quick hiring.

Internal Hiring fosters the positive trustful environment and creates a long lasting strong bond between employee and organization. Consequently companies retain the potential resources within the company. (Sullivan 1999) Says such strategy helps to raise employee morale and helps evolving the employee skills instead of deteriorating.

On the other hand, external hires bring innovation in the company. New hires coming from an outside culture force the company to re-think on the existing processes. They ask "why do we do things that way". It also keeps the internal employees motivated and keep them on edge they know they have to compete the outsiders. External hires don't have the political coalitions already set up. In a standing culture, outsiders might help shake things up and help the company evolve its culture. (Sullivan 1999)

Employee Work outcomes (OC & JI – Dependent Variables)

Organizational Commitment

(Newstrom & Davis, 1998) defines employee commitment as a measure to which an employee associates himself with an organization and wants to stick with it. It is an extent of the employee's willingness to be a part of a firm in future. It often shows the employees trust in organization's objectives and mission, willingness to expand effort in their accomplishments, and aims to continue working there.

The organizational commitment attitude has various attributes and organizational commitment can be measured with the help of these like (age, tenure in organization, internal or external control attributions and dispositions such as positive or negative affectivity) and organizational (the job design and leadership style of one's supervisor) variables. (Meyer & Allen, 1991) described three dimensions of it.

Affective Commitment involves the employee's sensitive affection to, identification with, and participation in the organization;

Continuance Commitment covers commitment based on the costs that the employee links with leaving the organization; and

Normative Commitment involves the employees' feelings of obligation to stay within the organization. Study of (Saleem & Saleem, 2014) depicts that Pakistani personnel widely accepts normative commitment as true.

Organizational commitment is important to researchers and organizations because of the desire to retain a strong workforce. Researchers and practitioners are keenly interested in understanding the factors that influence an individual's decision to stay or leave an organization (Bhatti, Nawab, & Akbar, 2011)

Employee commitment is considered important for Telecommunication industry because loyal and committed workforce gives high productivities along with efficiency (Punia & Sharma, 2008).

Job Involvement

The extent to which an employee is promised in and enthusiastic about performing his work is recognized as Job involvement (Business Dictionary, 2014a).

Business managers seems to be well aware of the concept that job involvement and organizational commitment substantially pay off since employees will be more likely to assist in furthering their company's objectives.

Research Design

Measures

Job involvement and Organizational Commitment Scales developed by (Lodahl & Kejnar, 1965) and (Meyer and Allen 1991) respectively.

Population and Sampling

Population of the study was managerial/executive level employees working in telecommunication industry (Mobilink, Telenor, Warid, Ufone and Zong) of Pakistan, excluding the employees working to meet daily operations. The rationale behind this sample selection was the hiring norms in Telecommunication industry, as per the hiring practice/hiring policies of few organizations, external hiring was found only at managerial/executive levels. Researcher intended to give equal weightage to both

samples (external and internal employees). At operation level which is the officer level, 95% of the employees are the same who are elevated from within the company. Hence, at executive/managerial levels, there were chances to get both samples externally hired candidate and internally promoted also. Executive and managerial, both level employees do not meet daily operations but it is about either to get work done by first and mid-level employees or it involves generating and implementing ideas for process improvement. Moreover, employees' significance at these levels is most imperative in any industry and any organization for gaining the competitive edge.

An online calculator "RaoSoft" was utilized to define the sample size for unknown population in telecommunication industry working in Pakistan and software suggested a sample size of 96 at 10 percent margin of error, 90 percent confidence level and 50 percent response rate. Convenience sampling method was used for this study due to time and cost constraints.

Software Used

Statistical package for social sciences (SPSS) was used to gain the results about collected data. Moreover, Endnote software was used to manage the references for the study.

Results

Table 1 shows salary ranges of employees, employees taking salaries as per their respective designations. 19% employees belong to salary range 36k – 45k, 36% belong to 46k – 60k and rest of the percentage receives salary above 60k.

Table 2 shows age ranges. Only 5.5% employees are those who are between the age ranges 23-25 years. 61% employees are between age limit of 25 – 30. Rest of the employee percentage is above 30 and lie in 30 – 35 years.

Table 3 shows experience/ tenure of employees in current organizations. Due to less percentage of externally hired employees, there were only 5.5% of employees who had less than 1 year of experience. 19% employees were those, who had tenure between 1-2 years. People who held this much experience were external employees who were occupying their very first position in their current organizations. 14% of the employees had 2-3 years of experience. 27% of the employees had 3-5 years of experience and 33% of employees had more than 5 years of experience.

To test the normality of data, one-sample KS-test was applied and results showed that data was normal. After testing the normality of the data, two independent sample t-test was utilized to find out if there exists difference among the Job organizational commitment of external and internal hiring.

To operationalize the hypothesis "there is a significant difference among the organizational commitment of external and internally hired employees" tests were applied on SPSS.

For further analysis two independent sample t-test was applied, table 4 showed the results ($t = .815, p = .417$) that was found insignificant, which means that organizational commitment does not differ with respect to internally promoted and externally hired employees.

To operationalize the hypothesis "There is a significant difference among the job involvement of external and internally hired employees", tests were applied on SPSS.

T-test Analysis ($t = -.833, p = .407$) given in table 5 showed that there is no significant difference among the job involvement of internally and externally hired employees.

The control variables of the study such as age, gender, tenure and salary ranges were also considered to measure the difference of attitudes.

Conclusion & Discussions

Significant difference was not found while predicting the JI and OC of internally promoted and externally hired employees unlike the difference of performance shown in Bidwell's research. Bidwell's study states that due to incomplete information or lack of firm's specific skills, external hires perform worse than internally promoted employees. And he concluded that employees who have longer relationship with firms e.g., (more experience with organization), employers can get higher returns from them specially the high performers. Researcher of this reading assumed likewise; those employees who have longer life spans in organization have high commitment with the organization and are more involved with their jobs. Committed employees, no doubt serve at their best in the organization (Punia & Sharma, 2008). On the other hand, it is assumed that if employees love their work and are more involved with their job, they are more likely to give their best shots towards organizations goals. However, empirical evidence showed contrary to this logical assumption.

One reason could be the association of externally hired employees with their first jobs in very first organization of their career, who has no prior organization comparison in their minds and they also feel fear to lose their first job. Then they might think it's necessary to be involved with their jobs and they also commit to the very first organization which is feeding them. Percentage of such new hires was 4 % only in this study. The scope of this study also compels the researcher to evaluate 75% of sample who are internally promoted. Out of the 75%, 61% employees have 3 or more than 3 years of work experience with organization. Here, analysis of tenure is important.

While hiring for new positions, managers always need to think and evaluate whether they should hire from internal pool or from external sources. If they promote employees from within the company, it helps employees make positive view of the company and impacts employee outcomes usefully. But if they do not find any competent employee from within the organization, they seek outside resources.

Research put light on salary factor because according to (Bidwell, 2011) companies pay more to external employees in comparison to employee who are promoted internally. This factor may also be the reason for external employees to feel motivated and may involve with their jobs and feel committed to the organization.

Study took age factor with respect to organization treatment with their senior employees. Promotion of employees, job enrichment and job rotation of employees was also seen as part of company's strategy (use of tournament theory) to inspire old workers through competition (Lazear and Rosen, 1981). Here, it takes a lot of consideration of employers to pick external hire instead of insiders.

Considering all above factors, the study concludes after testing the hypothesis; results showed that internal and external hires have no difference in their Job involvement and commitment with organization. Likewise, a research conducted in 2013, by (Jamil & Naeem) shows impact of outsourcing recruitment process on employee commitment and loyalty but also there, no significant difference was found.

Hence, this study concludes that organizational commitment and job involvement are independent nature of variables irrespective of the tenure, age, salary ranges and the routes (external hiring and internal promotion) through which employees enter in enterprise.

Managerial Implications

Talent managers employ recruitment strategies and select employees. To prospective candidates, organization's offerings are made. These offerings make impact on employee outcomes (Rioux & Bernthal, 1999). In applied and basic research, targeted outcomes can be measured for the sake of organization's knowledge and success. Results can be used in future recruiting decisions.

In Telecommunication sector of Pakistan, this study targets in contributing knowledge to executives and managerial level hiring, excluding operatives (first line officers customer relationship officers and officers who meet daily assigned targets. This study provides a useful insight to Talent managers while hiring human capital at executive and managerial levels.

Research Limitations and room for Future research

One potential limitation concerns the nature of the sample used in present study. As discussed earlier, in Telecommunication sector, there is less number of externally hired candidates. Thus, selected sample represented external and internal hires with 1:3 respectively. The same research could also be conducted on a higher level, provided to have an opportunity of more time and resources to investigate the organizations, taking a bigger sample, giving more emphasis on tenure and even other work outcomes.

Second potential limitation may be cross sectional nature of the study which may be comprehended by conducting longitudinal study. Further, common method bias may affect the results. Current study determines the difference on job involvement and organizational commitment of external and internal employees. Researchers are encouraged to further examine the difference of other work related outcomes such as job satisfaction, OCB, motivation, employee turnover intentions etc amongst external and internal hires.

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Source: Researcher's own processed image (Framework Of Variables)

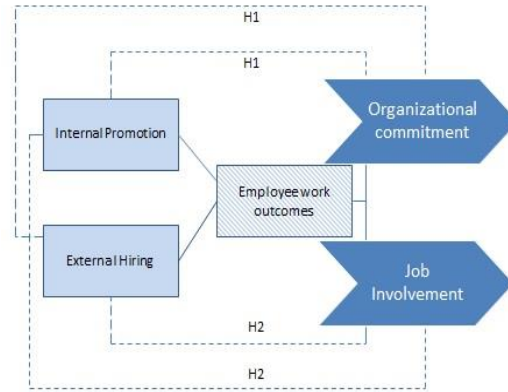


Table 1: Salary Ranges

Salary Ranges	N
less than Rs 25,000	0
Rs 26,000 - Rs 35,000	0
Rs 36,000 - Rs 45,000	17
Rs 46,000 - Rs 60,000	33
above Rs 60,000	40

Table 2: Age Ranges

Age	N
23-25	5
25-30	55
30-35	30

Table 3: Experience

Tenure	N
less than a year	5
1-2 years	17
2 -3 years	13
more than 3 less than 5	25
more than 5 years	30

Table 4: 2 Independent Sample t-test for Organizational Commitment

Group Statistics					
OC	Hiring	N	Mean	t	2-tailed
	Internal Hiring	68	3.45	0.815	0.417
	External Hiring	22	3.37		

Table 5: 2 Independent Sample t-test for Job Involvement

Group Statistics					
JI	Hiring	N	Mean	t	2 tailed
	Internal Hiring	68	3.28	-0.833	0.407
	External Hiring	22	3.34		