

Promoting From Within More Valuable Than External Hiring Says New Study

By: Tharp and Howell

Promoting from within has always seemed like a good policy for any organization if an able candidate exists. After all, creating a corporate culture that supports growth and internal promotion is likely to increase employee motivation and efficiency.

Now there's even more reason to favor internal promotion vs. outside hiring.

A new [study](#) by an Assistant Professor at the Wharton School of Business “documents some quite substantial costs to external hires and some substantial benefits to internal mobility,” according to Matthew Bidwell, the study's author.

One [article](#) reporting on Bidwell's work notes that his research in “Paying More to Get Less: The Effects of External Hiring Versus Internal Mobility” found:

External hires are generally paid about 18% to 20% more than employees promoted from within.

External hires leave their organizations, voluntarily and involuntarily, at higher rates than promoted workers.

External hires receive significantly lower job-performance evaluations during their first two years on the job, compared to internal hires who are promoted.”

Bidwell's work was based on several years of data from the investment banking arm of a financial services company. As such, the data set seems limited and a broader examination of the costs and benefits of internal hiring vs. external hiring seem warranted before reaching final judgment.

Also, common sense dictates that each hiring situation is unique. Even if Bidwell's conclusions are supported by further research, there may be situations in which an external hire is the best option notwithstanding internal candidates.

Still, the value of promoting from within seems undeniable and organizations should consider the Bidwell research as further reason to consider internal candidates in many situations.

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