

Employee Retention

Research: Why Rejected Internal Candidates End Up Quitting

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Illustration by Monika Jurczyk

Summary. In most cases, internal job applicants who are rejected end up quitting: research indicates they are nearly two times as likely to leave their organizations compared to those who were either hired for an internal job or had not applied for a new job at all. The lost... [more](#)

There is perhaps no better experience for a hiring manager than seeing the resume of an outstanding internal candidate land on their desk. You can fill the job immediately and, because current employees know the organization and its quirks, they require less handholding in order to get up to speed quickly. You also rarely have to pay the premium typically required to lure in external candidates. As an added bonus, hiring an internal candidate signals to other employees that they too have a future in the organization, making it more likely that they will look internally when contemplating their next career move.

Given these benefits, firms have been expanding their efforts to make it easier for current employees to learn about and apply for new internal opportunities. Creating more open internal talent markets certainly increases the odds that a hiring manager will find that perfect internal candidate, but it also means that hiring managers more often find themselves in the unenviable position of having to tell other employees that they did not get the job. While good data on internal application patterns is hard to come by, recent estimates suggest that managers can expect to receive an average of 10 internal applications for every open job, a number that was confirmed in our conversations with talent acquisition leaders across more than two dozen large organizations. That means it is often the case that 9 employees — 10 if you hire an external candidate — hear “no” each time a job is posted.

How do those rejected employees respond? They respond poorly, at least in the short term. After all, no one wants to be turned down for a job, and the sting is often greater when you are told “no” by your current employer. Studies have shown that internal rejection leads to reduced job satisfaction and reduced commitment to the organization. Rejection can also engender feelings of envy toward the workers who “beat them out” for the job or lead employees to engage in counterproductive work behaviors, such as stealing from their companies. If employees stick around a few months after rejection, however, these negative attitudinal effects tend to fade away.

But many employees decide not to stick around. In fact, research indicates that rejected internal candidates are nearly two times as likely to leave their organizations compared to those who were either hired for an internal job or had not applied for a new job at all. The lost productivity, combined with the costs of finding replacements for these employees, is often substantial. We wanted to figure out how firms might systematically reduce the likelihood that rejected candidates will exit. Fortunately for firms, our research suggests that while rejection may be inevitable, turnover is not.

We analyzed just over 9,000 rejection experiences of employees at a Fortune 100 company over a five-year period. A key insight from our research is that employees do not apply for jobs solely because they want a new job right now; they also apply to learn what opportunities might be available to them *in the future*. If an employee is rejected today, they are more likely to stick around if they feel they will have good chance to advance tomorrow. Because flatter hierarchies, rapidly changing job requirements, and increased external hiring have combined to leave employees perplexed as to what career paths look like within their organizations, the easiest and most straightforward way for employees to figure out what opportunities are likely to be available — both today and in the near future — is to apply for a job. While a rejection is a clear indication that the employee is unable to move into a role now, employees also pay close attention to two aspects of the hiring process to determine whether they are likely to be able to move into a similar role in the future.

Did they interview with the hiring manager? We found that internal candidates who were rejected after interviewing with the hiring manager were half as likely to exit as those rejected earlier in the process. The reason is twofold. First, because hiring managers usually only interview a very small number of candidates (recent estimates suggest about 2% of applicants), getting an interview signals to the candidate that they already possess many of the characteristics needed to move into the job. Second, an interview provides a forum for hiring managers to give feedback to candidates

about any knowledge and skills they may currently lack, as well as how to acquire them if they wish to be hired for a similar job in the future.

In contrast, employees who do not advance to the interview stage tend to feel that their application was not given serious consideration and rarely receive concrete feedback about how to improve their chances of success in the future. They are therefore more likely to look externally for subsequent advancement opportunities.

Important to note: Having someone from HR interview a candidate is not a substitute for a hiring manager interview. In fact, we found that rejected candidates who interviewed with HR but not the hiring manager were just as likely to leave as those candidates whose applications were rejected as part of the automated pre-screening process baked into most applicant tracking systems.

Were they rejected in favor of an internal or external candidate?

We also found that a rejected candidate's likelihood of leaving was cut in half if they were passed over in favor of an internal candidate rather than an external candidate. Why do candidates seem to pay such close attention to whether a colleague or an outsider was hired? Not surprisingly, employees believe that the past predicts the future. When they see their organization favor an external candidate, they assume they will have to face external competition for similar jobs in the future, lowering their own chances of being hired. When employees see a colleague get hired, they assume that internal candidates (like themselves) will be favored in the future. They are therefore less likely to explore external opportunities.

Additionally, seeing a colleague get hired initiates a positive, upward social comparison process, wherein rejected employees feel as though they can emulate those employees' successful mobility attempts in the future. We ran additional analyses that supported this argument: rejected internal candidates who were more similar to the winning

candidate (in terms of functional expertise and tenure in the company, for example) were much more likely to stick around following a rejection.

Given these results, what should companies do? While it is impractical for most companies to guarantee that every internal applicant will be interviewed, firms must be strategic in considering which employees are interviewed.

Consider the case where a star employee in the marketing department applies for a finance job. It is quite possible that the hiring manager has no idea that this employee is a star in marketing, and it would be reasonable for a hiring manager to be hesitant to interview someone that has little related experience. However, not interviewing that candidate doubles the likelihood that he will leave the company. Organizations should therefore ensure that their applicant tracking systems have a capability to flag applicants whom the organization wants to retain and require that they be interviewed. To prevent hiring managers from being overwhelmed with internal applicants, some of whom might not be right for a given job, we suggest that organizations be thoughtful about who they include on a “must interview” list.” They might also redirect workers to other jobs within the firm for which they might be better qualified. Companies such as IBM, for example, have developed technology that explicitly provides individualized information about alternative internal career paths through online career management tools.

While we do not suggest that organizations should only hire internal candidates, our work does suggest that organizations should carefully consider whether to hire an external candidate when there is a viable internal candidate. External hires can bring valuable knowledge and new perspectives into the organization, but doing so also increases the odds that current employees will take their own knowledge elsewhere.

In short, companies that strategically manage their internal talent market are better positioned to keep rejected employees onboard.

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