IBM Talent Management Solutions

Smarter Workforce Institute

Making Moves

Internal Career Mobility and the Role of AI

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With contributions from: Peter Russell (UNLEASH), Nigel Guenole, Ph.D. and Louise Raisbeck
Executive summary

Two decades on from McKinsey’s War for Talent,1 there appears to be no letup in hiring challenges. As this paper reveals, many organizations are struggling to find talent for their open positions. Facilitating movement of employees across different jobs can help fill skill gaps while satisfying employees’ desire for career progression and new experiences. However, despite the importance and significant benefits of internal mobility, our study found that almost one third of HR professionals are not satisfied with their organization’s ability to meet their internal mobility goals. Artificial Intelligence (AI) is moving from buzzword to HR practice and could be a solution to this dissatisfaction. In this paper, we share research insights into HR’s experience of internal talent mobility and explore the role that AI is playing today and could play in the future.

Key findings

The IBM Smarter Workforce Institute and UNLEASH survey of HR professionals found:

Hiring challenges persist
- Over one third of HR professionals surveyed (35 percent) say their organizations very often or always have difficulty filling open positions

Internal mobility is important but has room to improve
- A majority (79 percent) believe internal mobility is important to their talent management strategy, but only 30 percent are satisfied with their ability to meet goals in this area
- Most (over 80 percent) believe increasing internal mobility would yield significant benefits: lower recruitment costs, faster times to fill open positions, faster time to productivity for new hires, higher retention, improved career satisfaction, and better culture fit
- Internal mobility should be balanced with external hiring to mitigate potential concerns such as reduced innovation and diversity (identified by 37 percent and 38 percent of participants, respectively)

AI can help to leverage internal mobility
- The vast majority of participants believe artificial intelligence-enabled technology can help realize the benefits of internal mobility by facilitating better skills matches, tapping a larger internal talent pool, improving employee visibility of opportunities, highlighting critical skills, and enhancing employee experience

Defining internal talent mobility

In this study, internal talent mobility refers to meeting skill needs by moving talent within the organization through upward moves (promotion) and lateral moves (new jobs at a similar level).
Hiring challenges persist

Many organizations in our survey report having difficulty finding talent. As shown in Figure 1, half (51 percent) of HR professionals say their organization has difficulty filling open positions some of the time, and over one third (35 percent) say they very often or always have a problem filling job openings.

Figure 1. Many organizations have difficulty filling open positions

<table>
<thead>
<tr>
<th>Never</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Very often</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>51%</td>
<td>31%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2018 IBM and UNLEASH HR professional survey (n=167)

Internal mobility provides significant advantages

Internal hiring plays an important role in addressing organizational hiring challenges. Our survey reveals that nearly half of new positions (45 percent) are filled internally either by promotion (26 percent) or lateral move (19 percent). Just over half (55 percent) of open positions are filled externally. See Figure 2.

Figure 2. Nearly half of new positions are filled internally

Source: 2018 IBM and UNLEASH HR professional survey (n=167)

Previous research can help to explain why a significant portion of job openings are filled internally:

- With internal hiring organizations have more information about the skills and prior performance of their candidates.\(^2,^3\) This means they are able to better match jobs to internal candidates.
- Internal hiring can be more cost-effective. For example, a study by Professor Matthew Bidwell from the Wharton School at the University of Pennsylvania found that external hires are paid 18 to 20 percent more than those promoted from within.\(^4\)
- Internal candidates typically have firm-specific skills, the skills and knowledge that can only be acquired and utilized within one particular organization,\(^5\) and are therefore able to get up to speed faster.\(^6\) Moreover, employees promoted internally show significantly better performance for the first two years than externals hired for similar positions.\(^7\)

The HR professionals in our survey also recognize the advantages of internal hiring. As shown in Figure 3:

- The majority of respondents (80 percent or higher) indicate that increasing internal mobility would save recruitment costs and reduce hiring and onboarding time to a moderate or great extent.
- In addition, 90 percent of respondents believe internal mobility enhances employee career satisfaction, and 80 to 83 percent believe it improves retention and culture fit to a moderate or great extent.
Figure 3. Advantages of internal mobility

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To some extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less time for new hires to get up to speed</td>
<td>14%</td>
<td>28%</td>
<td>56%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faster time-to-fill for open positions</td>
<td>1%</td>
<td>5%</td>
<td>14%</td>
<td>38%</td>
<td>42%</td>
</tr>
<tr>
<td>Lower recruitment costs</td>
<td>3%</td>
<td>6%</td>
<td>12%</td>
<td>31%</td>
<td>49%</td>
</tr>
<tr>
<td>Lower salary costs</td>
<td>13%</td>
<td>15%</td>
<td>29%</td>
<td>30%</td>
<td>13%</td>
</tr>
<tr>
<td>Higher employee career satisfaction</td>
<td>8%</td>
<td>27%</td>
<td>63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better retention</td>
<td>1%</td>
<td>4%</td>
<td>13%</td>
<td>32%</td>
<td>51%</td>
</tr>
<tr>
<td>Better culture fit</td>
<td>1%</td>
<td>5%</td>
<td>14%</td>
<td>28%</td>
<td>52%</td>
</tr>
<tr>
<td>Less need for training and development</td>
<td>4%</td>
<td>14%</td>
<td>21%</td>
<td>41%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: 2018 IBM and UNLEASH HR professional survey (n=167)
Limitations of internal mobility
It’s important to recognize that HR professionals also see potential limitations associated with internal hiring. As shown in Figure 4, our study found some evidence of concerns around diversity (mentioned by 38 percent of HR professionals) and innovation (mentioned by 37 percent of HR professionals). Since external hiring can bring in new skills and fresh thinking, organizations may want to balance internal and external hiring to get the best out of the two approaches and to meet their own strategic talent requirements.

Figure 4. Potential limitations of internal hiring

To what extent would increasing internal talent mobility result in the following in your organization?

<table>
<thead>
<tr>
<th>Less diversity</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To some extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18%</td>
<td>17%</td>
<td>27%</td>
<td>23%</td>
<td>15%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less innovation</th>
<th>Not at all</th>
<th>To a small extent</th>
<th>To some extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14%</td>
<td>22%</td>
<td>26%</td>
<td>28%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: 2018 IBM and UNLEASH HR professional survey (n=167)

Internal mobility is important but not working well for many
Given the significant benefits of internal mobility seen in both this study and other research, it is not surprising that a majority (79 percent) of HR practitioners in our research say that internal mobility is important to their talent management strategy (Figure 5). In fact, more than half (53 percent) of HR practitioners go as far as to say that internal talent mobility is very important (see ‘to a great extent’ in Figure 5) to their talent management strategy.

Figure 5. Internal mobility is important to talent management strategies

To what extent is internal talent mobility important to your talent management strategy?

<table>
<thead>
<tr>
<th>Not at all</th>
<th>To a small extent</th>
<th>To some extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>14%</td>
<td>26%</td>
<td>53%</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2018 IBM and UNLEASH HR professional survey (n=167)

Despite this recognized importance of internal mobility, only 30 percent of HR professionals are satisfied with their organization’s ability to meet its internal talent mobility goals (Figure 6). This indicates that there is significant room for improvement in this area.

Figure 6. Many are not satisfied with their ability to meet internal mobility goals

How satisfied are you with your organization’s ability to meet your internal talent mobility goals?

<table>
<thead>
<tr>
<th>Very Dissatisfied</th>
<th>Dissatisfied</th>
<th>Satisfied</th>
<th>Very Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>9%</td>
<td>26%</td>
<td>39%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: 2018 IBM and UNLEASH HR professional survey (n=167)
In order to improve internal mobility, it is helpful to understand what challenges organizations face. Our survey reveals (Figure 7) three types of challenges:

- **Manager challenges**: One of the top challenges mentioned by HR professionals is managers’ unwillingness to put people forward for new opportunities (mentioned by 59 percent of respondents). Furthermore, 44 percent of HR professionals say that managers believe external candidates will turn out to be better hires than internal candidates. However, previous research has suggested that this is a managerial misconception. Such ‘grass is always greener’ thinking could be restricting career opportunities for existing employees.

- **Employee challenges**: Challenges to internal mobility also relate to employees’ lack of career information, with more than half of HR professionals (51 percent) saying that employees don’t have visibility of potential career or role opportunities. Furthermore, 43 percent of our respondents say that employees are not encouraged to look internally for new career opportunities. Without visibility of opportunities and encouragement to pursue them, employees may be tempted to look elsewhere (outside the organization).

- **Strategic alignment**: Finally, more than half (58 percent) of HR professionals say that talent mobility is not aligned to business strategy. Without strategic alignment, there is unlikely to be sufficient leadership support to make talent mobility a reality in the organization.

**Figure 7. Challenges to internal talent mobility**

<table>
<thead>
<tr>
<th>Which of the following challenges to internal talent mobility does your organization face?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers unwilling to put people forward for new opportunities</td>
</tr>
<tr>
<td>Talent mobility not aligned to business strategy</td>
</tr>
<tr>
<td>Employees don’t have visibility of internal career opportunities</td>
</tr>
<tr>
<td>Managers think external candidates are better</td>
</tr>
<tr>
<td>Employees are not encouraged to look internally for career opportunities</td>
</tr>
</tbody>
</table>

**Source**: 2018 IBM and UNLEASH HR professional survey (n=167)
Using AI to improve internal mobility

Our study has clearly highlighted the benefits of internal talent mobility and the challenges organizations face in optimizing their practice in this area. With its big data analytics and machine learning capabilities, AI can help address the challenges identified by HR professionals in our study.

Our survey asked HR professionals about the adoption of AI in their organizations. Almost two thirds (65 percent) of HR professionals say they have not yet adopted AI, 16 percent of HR professionals have a small amount of experience of using AI to enable internal talent mobility, another 13 percent have used it to some extent, and a total of 6 percent have used it moderately or to a great extent. At this relatively early stage of AI technology adoption, this is encouraging progress. See Figure 8

Figure 8. A modest percentage of organizations have experience using AI

AI and internal mobility

AI solutions use data, pattern recognition, and natural language understanding to gather insights into employees and roles. The technology can then offer better visibility of opportunities and better matching between skills and jobs, creating personalized recommendations for the workforce. This process is constantly refreshed as new data become available. Because it understands an employee’s skills and experience, and knows what roles exist, AI is also able to expose opportunities that an employee might have been unaware of or never considered before. This all helps to increase mobility within the organization.

Source: 2018 IBM and UNLEASH HR professional survey (n=167)
While current use of AI in internal talent mobility is still modest, expectations of what AI can deliver are very high. In particular, almost all (92 percent) of our HR respondents expect AI solutions to deliver a better match between skills and jobs, and 87 percent see AI providing employees with increased visibility of opportunities (Figure 9).

Figure 9. Expectations of AI benefits in talent mobility are high

Which of the following changes would you expect to see from using artificial intelligence solutions in talent mobility?

- Better match between skills and jobs: 92%
- Enhanced experience for employees looking for new opportunities: 89%
- Larger pool of internal candidates to consider for positions: 88%
- Better visibility of opportunities for employees: 87%
- Better understanding of critical skills organizations need for success: 83%

Source: 2018 IBM and UNLEASH HR professional survey (n=139)

Implications for organizations

HR professionals recognize that they could be doing more to reap the benefits of internal talent mobility. Furthermore, employees have consumer-grade expectations of workplace interactions, and that includes the areas of careers and internal mobility. To meet these HR and employee demands, we are seeing the emergence of AI that is able to understand employees and jobs, identify patterns and provide role recommendations based on individual fit, and suggest personalized career steps. Chatbots also feature in these AI solutions to support answering employee questions and provide an engaging and enhanced experience.

While AI works to improve employees’ career experiences and fulfill organizations’ hiring needs, the greatest benefits will only come with alignment of business strategy, organizational culture, and processes. This may include:

- Instilling values that encourage growth and movement across the organization
- Communicating that career growth and mobility via lateral movement and stretch within role has significant benefits and increases employability
- Selecting and developing managers with a growth mindset who will encourage their people to develop and move on
- Establishing processes that make the actual move from one job to another seamless
- Encouraging shared learning and openness to new and different approaches
- Defining a framework for understanding skills and competencies that support the business strategy and future of the organization

As our data have shown, many organizations are just starting to explore AI solutions in the area of talent mobility. In terms of where to begin, our experts advise:

- Defining the career mobility experience you want to create for your employees, along with measurable short- and long-term objectives
- Using analytics to identify an area in the business for a pilot. This area is likely to be experiencing challenges with internal mobility, for example, low job movement, siloed career steps, high attrition, etc.
- Running an AI-driven pilot to deliver and test the experience and objectives you have defined, proving the value and impact of an AI approach for talent mobility
Making Moves: Internal Career Mobility and the Role of AI

About the study
In 2018, the IBM Smarter Workforce Institute collaborated with UNLEASH (formerly, HR Tech World) on an international survey of HR professionals about talent mobility in their organizations. Survey results presented in this white paper are based on the responses of 167 participants across industries from more than 32 countries.

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About the authors
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Sheri Feinzig, Ph.D. is the Director, IBM Talent Management Consulting and Smarter Workforce Institute and has over 20 years’ experience in human resources research, organizational change management and business transformation. Sheri has applied her analytical and methodological expertise to many research-based projects on topics such as employee retention, employee experience and engagement, job design and organizational culture.

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Sheri received her Ph.D. in Industrial-Organizational Psychology from the University at Albany, State University of New York. She has presented on numerous occasions at national and international conferences and has co-authored a number of manuscripts, publications and technical reports. She has served as an adjunct professor in the Psychology departments of Rensselaer Polytechnic Institute in Troy, New York and the Illinois Institute of Technology in Chicago, Illinois, where she taught doctoral, masters and undergraduate courses on performance appraisal, tests and measures. Sheri is also co-author of the book The Power of People: Learn How Successful Organizations Use Workforce Analytics To Improve Business Performance (Pearson, 2017).

Hannah Hemmingham is the European lead for IBM Watson Talent consulting and is also the lead trainer for IBM Watson Career Coach. She is a Chartered Occupational Psychologist who specializes in talent management, including assessment and selection, performance management, learning and development, coaching and the employee experience. She has partnered with clients for over ten years, drawing on her psychology and coaching background to enable clients to understand, define, and create solutions tailored to their employee and business challenges. Most recently, Hannah turned her experience and expertise to the development of IBM Watson Talent solutions to ensure the technology is underpinned by behavioral science and that consulting solutions support client success in the AI era.
References


