



Don't forget internal talent in workforce planning and recruiting

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Internal hiring helps organizations fill roles more quickly and often in a more cost-effective way while providing opportunities that keep employees engaged and satisfied. However, internal hiring requires the right resources to work effectively and isn't always the most strategic choice for filling vacancies. After breaking down cross-industry data on internal hiring, we provide guidance for how to benchmark this measure and think critically about your use of internal hiring

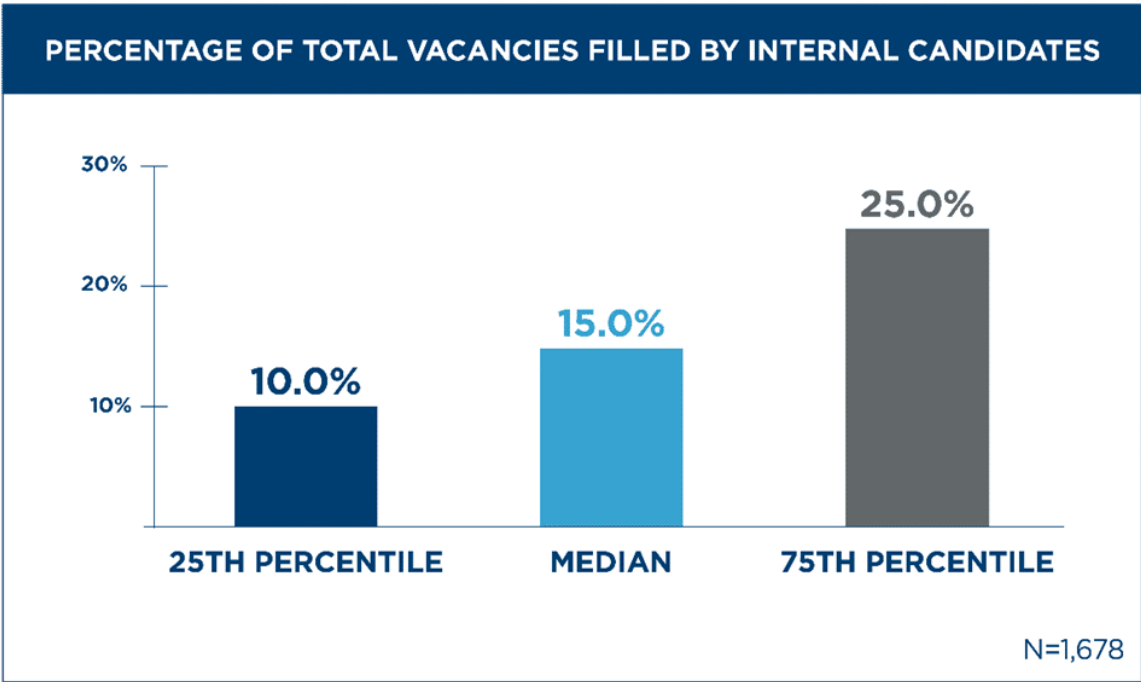
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The percentage of total vacancies filled by internal candidates includes promotional, lateral or other types of internal moves and applies to all levels and types of positions. At a broad level, it is an indicator of the formal movement of talent within an organization and the strength of its internal talent pipeline.

This is a measure that should be on any HR leader's dashboard, especially because internal hiring drives benefits like better retention and employee satisfaction. **APQC** has consistently found that career development opportunities are a top driver of unwanted turnover, second only to higher compensation and more important than factors like work/life balance or better benefits. Organizations that can provide these opportunities will be more likely to keep their best talent from walking away.

See also: [5 ways to reimagine internal talent mobility](#)

Internal hiring also preserves the organizational knowledge and relationships that an employee has already built. At the very least, internal hires already understand your organization's culture and what matters most to the business, which can help to reduce time to competency.



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APQC finds that at the median, organizations fill 15% of their vacancies with internal candidates. Organizations at the 75th percentile (the upper end of the spectrum) fill 25% or more of their positions with internal candidates, while organizations at the 25th percentile fill 10% or less of their vacancies internally.

Benchmarking guidance

For the most accurate assessment of your performance on this measure, it is important to find and benchmark against organizations that are similar to yours. Benchmarking within your industry is a good place to start since industry can often dictate the external talent market and the feasibility of tapping into it. Organizations with a similar headcount also make for good benchmarking peers. Smaller organizations may have fewer opportunities to promote from within, so it won't be helpful to compare yourself to an organization with 10,000 employees if you only have 100.

It is important to track this measure as part of a balanced set of measures that includes KPIs like the total cost of recruiting, cycle time to fill open positions, quality of hire and retention. Doing so helps to ensure that you do not inadvertently optimize one area (for example, cycle time to fill open positions) at the expense of other priorities like candidate quality.

You should also interpret your benchmarking results in light of your:

- **Business trajectory:** How similar or different are the capabilities that you have today compared to what you'll need in the future? Major changes can make it less viable to hire internally.
- **Workforce composition:** Especially factors like the typical age and career stage of your workforce. If a large percentage of your workforce is getting ready to retire, for example, you may need to look outside the organization for new talent.

Human capital strategy and workforce plan: Ideally, your assessment of this measure should take place in the context of a broader workforce planning process. Your goal is to meet business needs and help the business achieve its objectives, whether that means internal hiring, external hiring or another alternative.

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When and how to use internal hiring

If you are wondering whether or when to use internal hiring, the considerations below are a great place to start:

- **Capabilities:** If specific capabilities are not available or are prohibitively expensive in the external labor market, you may want to hire internally for these positions. Employees with adjacent capabilities may be good potential candidates.
- **Employee interest:** Is redeployment an attractive option for employees, or would you have trouble getting enough qualified candidates to apply for the role internally?
- **Time:** Developing employees for new roles does require some lead time. Do you need specific capabilities immediately? If so, do you have internal candidates who are ready to get to competency and contribute quickly?
- **Cost:** It may be more expensive to develop employees to fill an internal role than to hire externally. On the other hand, you may have candidates who do not need development, which would cost less than an external hire. Weigh the cost of internal hiring as one consideration, among others.
- **Alternatives:** Are there other viable ways to meet this business need? For example, it's important to think about whether you can use technology to either automate the work or redesign the work so it can be carried out by fewer employees or employees with different skill sets. Outsourcing and contract workers are also alternatives you should consider if these options are available.

Tips for effective internal hiring

Leading organizations carry out the following practices to make **internal hiring** as effective as possible.

1. Evaluate and look for opportunities to improve your job posting practices. Think carefully about how internal opportunities are posted, where they are posted and whether these opportunities are visible to employees across the enterprise.
2. Make internal hiring part of your standard hiring process. Think of internal employees as another talent pipeline, and work to optimize your practices around that pipeline. Recruit and source employees both internally and externally depending on your strategy and business needs.
3. Develop internal transfer policies. For example, decide on criteria that employees need to meet to be considered for an internal hire, such as minimum time in their current role and current performance ratings. You may also need to revisit your policies around remote work and work locations if you want to take full advantage of internal hiring.

4. Provide incentives to managers so they don't prevent employees from leaving the team for other opportunities. For example, some organizations design performance goals around helping employees move to new roles or promotions.
5. Educate hiring managers so they consider internal hiring as an option alongside external hiring or other alternatives.
6. Align internal hiring with your learning and development infrastructure. Ideally, employees should have the resources to prepare for potential future roles. They should also have visibility into the kinds of opportunities that might be available if they pursue different learning paths or build new skills.
7. Align your compensation structure with internal hiring so that employees don't feel like they have to leave your organization for better pay. There doesn't need to be a raise involved with every transfer, but paying external hires more for the same role can discourage internal movement.

Key takeaways

Internal hiring can be a powerful and effective tool in HR's workforce planning toolkit, but it needs to be supported with the right infrastructure and resources. Doing it well not only means thinking about the capabilities you have in-house today but also imagining the capabilities that your organization needs in the future and providing employees with resources to help build that future. Organizations with mature internal hiring practices often enjoy better retention and employee satisfaction. More broadly, they have a wider range of tools at their disposal to fill vacancies and get the business the talent it needs to succeed.

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What Does It Mean To Be Skills-First? Planning Your Skills Roadmap

By **Beamery** September 28, 2023

The traditional approach to hiring (or redeploying) talent relies on assessing people based on their experience, education, and previous job titles. But many businesses are now starting to embrace a skills-first approach to talent management: the notion of focusing on the skills needed for particular tasks.

Becoming a skills-first organization **has risen up the business agenda**. This means identifying the skills relevant to do the work, then matching people (with those skills) to the tasks at hand.

“84% of business leaders think talent approaches need to reflect a focus on skills rather than traditional job roles.” **(Source: Navigating The Changing Talent Landscape)**

The beauty of a **skills-first approach** is that it can be applied across the full talent lifecycle. With a single currency and common language for assessing candidates (as well as employees and alumni), HR teams and management can really understand the human capital that their business needs.

Putting skills at the heart of your organization gives you many of the answers you need in response to the changing economic situation. It helps you become more agile and unlock greater productivity, while boosting diversity and enhancing employee engagement and wellbeing.

‘Jobs’ vs. Skills: Why you need a unified skills taxonomy

Increasingly, it's clear that we have been too limited in the way we look at work. Instead of trying to fit people to a fixed ‘job’, we should be focused on identifying what skills are needed to do the work. Forrester calls this ‘unbundling the job’: a more adaptive model to work, where elements of jobs are broken down into projects, gigs or tasks.

Rather than focus on ‘jobs’, we focus on the problem to be solved or the ideal outcome – and then find the people with the skills, interests and capacity to get us there.

A skills-based approach acknowledges that people are so much more than a job title. Or even one static job description. They have skills from previous roles, skills they picked up in other walks of life, and ‘adjacent skills’ that they could – with the right training – quite easily acquire. **And they are keen to learn**. As their skill sets grow, they can be deployed to new tasks or projects to meet business needs.

A skills-first organization is therefore one that is incredibly agile and well set up to meet the needs of a changing world, and demanding workforce. So how do you build one?

1. Create or enhance your skills taxonomy

Understanding what skills you have – the potential in your organization and wider talent pipeline – and the skills you need, relies first and foremost on a **unified skills taxonomy**. Your organization must clearly define what skills truly 'mean' in your organization (including soft skills, technical skills, and behaviors), and then connect this to a dynamic job architecture.

"Only 10% of HR executives say they effectively classify and organize skills into a skills taxonomy or framework—although nearly all (85%) have some efforts underway." (**Deloitte study**)

The skills taxonomy needs to be clear, dynamic, and interoperable with other systems and platforms.

2. Manage your new taxonomy

44% of business leaders told us that "better workforce data" was needed in order to enable a skills-first approach to talent – and 42% noted "more automation of HR processes" was required.

This is where AI can help. With smart explainable AI tools, you can ensure skills are commonly defined and automatically connected between systems. AI can also infer what skills a person may have but not have listed; work out what skills they could potentially develop; and work out their seniority and proficiency, relative to industry context. Crucially, it can ensure people's skills are updated as they learn new things – automatically.

Make sure your new job architecture doesn't become stale in a fast-changing world of talent.

3. Start actioning valuable skills insights

A unified skills taxonomy opens up a whole new world of insights about your workforce – and your potential workforce. Understand where skills deficits are in the labor market. **Shape your L&D strategy** to re-train or upskill talent, in order to plug gaps. Compare what is happening in the external world and better prioritize acquisition activities, in order to build talent pools of those most-sought-after skills.

Skills intelligence sits at the heart of improved internal mobility initiatives, for example: where employees and opportunities are matched together in a Talent Marketplace. Better internal mobility programs could massively impact **retention in a tight talent market** – and it's impossible without good data and systems.

Smart, explainable AI comes in here too. It can take the information about the skills of employees and use that to match them to suitable roles, or recommend training opportunities.

And it's amazing for **workforce planning**. With always-up-to-date skills intelligence, organizations can quickly identify where they have what they need to address new business priorities, respond quickly to new

opportunities or challenges, and ensure that they have the right people in the right roles at all times.

4. Connect the rest of your ecosystem

According to Deloitte, 63% of HR executives say they are using “skills-related technology embedded in core HR information systems” – but just 33% say they have a single source of skills data across the entire workforce. If you're going to be making important talent decisions about people based on skills, then that skills data needs to be verified and valid.

Enabling talent agility requires combining capabilities across your talent tech stack – which may include an internal Talent Marketplace, Learning Experience platforms, your Talent CRM, an ATS, and so on – in order to connect talent supply to demand (skill needs and opportunities), on a continuous basis.

This combination of skills intelligence and talent supply, within a truly holistic approach that looks at non-traditional as well as traditional talent pools, is what will enable true talent agility. As part of a total workforce strategy, a skills-first approach offers access to a wider pool of skills and expertise, including contractors, freelancers and other non-traditional workers.

It's a continued effort that is agile and iterative. People are motivated by the data that is leading them to new opportunities, they pursue those and build more experience, which leads to better data about people's experiences, which feeds better matches between talent and opportunities in the future.

A skills-based approach means cultural as well as technological changes. The roles of managers and leaders evolve from managing employees to orchestrating work and skills through projects, tasks, gigs, or problems to be solved; they need to be prepared and empowered to share talent more freely in the organization.

Technology can work in the background to empower leaders to make better decisions with skills data. Employees too can get recommendations for new opportunities to upskill, within the flow of their work. The power of generative AI means that adopting the right technology for a skills-first approach doesn't have to be arduous – it can be as simple as asking one question.

The question for leaders is: are you ready to embrace this change?

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