After Shocks: The Effects of Internal Sourcing on Voluntary Turnover

Jay H. Hardy III[1], Chase E. Thiel[2], Carter Gibson[3], Anthony C. Klotz[4], Andrew Barsa[3]

[1] Oregon State University

[2] University of Wyoming

[3] Modern Hire

[4] University College London

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Correspondence concerning this manuscript should be sent to: Jay Hardy, Oregon State University, College of Business, 370 Austin Hall, Corvallis, Oregon, 97331; E-mail: jay.hardy@oregonstate.edu; Phone: (720) 841-2167

Abstract

Promoting internal employees to managerial positions (internal sourcing) is a popular employee retention tactic. Although some research indicates that internal sourcing reduces voluntary turnover, conflicting evidence suggests that internal sourcing strategies make employees *more* difficult to retain in strong job markets (i.e., when job opportunities are plentiful relative to job seekers) because promotions increase an employee's external marketability. The onset of the COVID-19 pandemic—a global exogenous shock that triggered an event chain characterized by a weak job market followed by a historically strong one—provided a unique opportunity to test these competing perspectives. Drawing upon Events System Theory and the Unfolding Model of Turnover, we argue that internal sourcing creates positive perceptions among employees about their employer, making them less inclined to seek external opportunities during periods of heightened employee mobility. Specifically, we predict that internally sourced employees perceive lower levels of employment threat and higher levels of organizational support than those hired externally, which mitigates their turnover risk in strong job markets. We tested these predictions in two studies: a longitudinal field study involving 11,072 restaurant managers who were newly promoted or hired into their roles in the years surrounding the onset of the COVID-19 pandemic and the strong job market that followed, and an experiment designed to mirror the field study conditions, in which we examined the psychological mechanisms underlying this phenomenon. Collectively, the results of our studies support our predictions, offering valuable insights into the effects of internal versus external sourcing on employee retention.

Keywords:

Voluntary turnover; hiring source; great resignation; exogenous shocks; perceived threat

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In the Spring of 2020, the start of the COVID-19 pandemic constituted a powerful exogenous shock that set off a chain of events that affected almost every aspect of the world of work (Akkermans et al., 2020; Lin et al., 2020; McFarland et al., 2020). From this moment until the end of major lockdowns, economic markets seized, work conditions shifted, and organizations laid off employees in anticipation of an economic downturn (Hilsenrath & Cambon, 2021; Yakusheva, 2022). However, just one year later, the economy was in recovery, and employees found themselves facing abundant employment opportunities (Faccini et al., 2022; Ravenelle & Kowalski, 2023). Combined with psychological changes brought about by the pandemic (Klotz, 2021), these job market conditions triggered a phenomenon referred to as the Great Resignation (Davidson, 2022; Dill, 2021; Sull et al., 2022) in which employees left their jobs at record levels, causing widespread employee shortages and massive disruptions to the global economy (Cambon & Torry, 2022; Chakraborty & Maity, 2020; Yap et al., 2021).

During this period of record-low unemployment, organizations faced unprecedented workforce retention challenges (Maurer, 2022). Historically, one widely used retention strategy is promoting existing employees, as promoted employees are thought to be less likely to quit compared to their externally-hired peers (Benson & Rissing, 2020; Bertheau, 2021; Bidwell, 2011; Carson et al., 1994; Lyness & Judiesch, 2001). Supporting this notion, employees often cite a lack of career advancement opportunities as one of their primary reasons for quitting (Parker & Horowitz, 2022). Nonetheless, the effectiveness of promotions as a retention tactic remains a topic of debate among scholars, as promotions also enhance an employee's attractiveness to other employers through an elevated title and skillset, paradoxically enhancing their capability to leave when presented with outside opportunities (Akkermans et al., 2019; Nelissen et al., 2017; Trevor et al., 1997). This debate is perpetuated by the absence of research on how economic or organizational contexts shape turnover—a notable absence given that turnover is inherently context-bound (Flynn et al., 2024; Hom et al., 2017; Nyberg & Ployhart, 2013; Rubenstein et al., 2018). The current body of research on hiring source and turnover retains an important, unanswered question: By using promotions to boost employee retention, are employers unintentionally increasing future turnover when the job market favors employees?

To address this tension within the turnover literature, this study examines the relationship between hiring source (internal versus external) and voluntary turnover in the wake of the COVID-19 pandemic, which set off an event chain leading to a weak job market (i.e., high unemployment) followed by a period of recovery and a strong job market (i.e., low unemployment; Flynn et al., 2024).[1] We draw upon Event System Theory (EST; Morgeson et al., 2015) to explain how macroeconomic shocks, like a global pandemic, can trigger a chain of events that influence processes at the organizational and individual levels. According to EST, strong events can reshape the context in which employees interpret and respond to organizational practices such as hiring (Liu et al., 2023). To further ground this investigation, we integrate this theorizing with the Unfolding Model of Turnover (Lee & Mitchell, 1994), which explains how turnover decisions unfold over time following shock events. We draw from these perspectives to argue that internal sourcing positively shapes employees' feelings about their employment and organization during weak job markets, thus increasing retention when the market shifts to facilitating higher employee mobility. Specifically, we propose that, compared to their externally sourced peers, internally sourced (i.e., previously promoted) employees perceive lower levels of

[1] In this paper, we use the phrases "weak job market" and "strong job market" to describe the labor-related macroeconomic conditions underpinning our theorizing. A *weak job market* refers to economies in which job opportunities are scarce relative to the number of job seekers, resulting in higher unemployment and reduced employee mobility. Conversely, a *strong job market* describes economies where jobs are plentiful relative to job seekers, resulting in lower unemployment and more favorable opportunities for employees. These definitions align with prior discussions of labor market conditions in the management literature (e.g., Gerhart, 1990; Trevor, 2001).

employment threat and higher levels of organizational support in weak job markets, reducing their turnover risk when faced with a strong job market later on.

To test these predictions, we conducted two studies: a field study examining turnover behavior among restaurant managers across five years spanning the period of time before, during, and after the COVID-19 pandemic and an experiment in which we manipulated hiring source under simulated conditions designed to reflect those present in the field study. Together, these studies contribute to the literature on talent sourcing, employee turnover, and exogenous shocks in several ways. First, we provide evidence from a real-world, long-term operational setting that internal sourcing can be an effective retention tool. Second, we advance the turnover literature by highlighting how these mechanisms—reduced employment threat and increased organizational support—mediate the relationship between hiring source and turnover intentions. Specifically, our research suggests that strong job markets amplify the retention benefits of internal sourcing via these underlying mechanisms. Finally, our findings contribute to the literature on event-oriented organizational behavior (Liu et al., 2023) and exogenous shocks (Meyer, 1982; Ramey, 2016) by showing how hiring source can influence the turnover calculations employees make in response to external disruptions.

Hiring Source and Employee Turnover

Companies primarily fill existing openings for managerial positions in two ways: internal sourcing (typically promotions) or external sourcing (i.e., external labor markets; Bidwell, 2011). Although factors like talent philosophy and candidate availability influence sourcing decisions (Bidwell & Keller, 2014; Brymer et al., 2019), organizations often claim to prefer internal hires (Bertheau, 2021; Bidwell & Mollick, 2015). Research shows that internal sourcing can reduce employee turnover (Benson & Rissing, 2020; Bidwell, 2011), substantiating the conventional wisdom of a promotion-oriented talent management strategy. However, some studies challenge this position by showing that the increased skills and enhanced employability resulting from promotions may actually *increase* turnover (Nelissen et al., 2017; Richardson et al., 2023; Trevor et al., 1997). Empirical investigations comparing the talent management implications of hiring source have been somewhat sparse (Bertheau, 2021; Breaugh, 2013), leaving an opportunity to reconcile these contrasting perspectives on the dynamics of internal sourcing.

A more complete understanding of the influence of hiring source on turnover behavior requires consideration of surrounding macroeconomic conditions (Hom et al., 2017; Rubenstein et al., 2017). Event Systems Theory offers a useful framework for examining how changes in external conditions shape employee attitudes and behavior within organizations. According to EST, major “shock” events initiate “event chains”—sequences of interrelated occurrences that unfold over time and cause “a number of things to happen over time or downstream in the organization” (Morgeson et al., 2015. p. 531). Building on EST, we propose that the retention-based benefits of internal sourcing will be especially pronounced within an event chain triggered by a large exogenous shock such as the COVID-19 pandemic. This particular event chain began when the pandemic introduced economic uncertainty for companies, resulting in a weak job market. A second link in the chain was formed when economic conditions improved and job markets strengthened, empowering employees to act on their desires to pursue alternative opportunities. In alignment with EST, the Unfolding Model of Turnover proposes that voluntary turnover (or stay) decisions are often processed following shocks and actualized when departure opportunities emerge (Lee & Mitchell, 1994). Thus, how companies treat employees in the wake of exogenous shocks can act as a filter through which subsequent information (e.g., job-market strengthening) is processed (Lee et al., 1999). If an employee’s filter is positively valenced, they will likely remain even when conditions compel them to leave (e.g., a strong job market). Conversely, if this filter is neutral or negative during shock-induced high unemployment, turnover becomes more likely as soon as conditions allow (Lee et al., 1999).

Building on this event-chain perspective, we contend that internally sourced employees interpret post-shock job market weakness more positively than their externally sourced counterparts. The value employees place on internal mobility opportunities (Bidwell, 2011; Bidwell & Mollick, 2015) and the benefits attributed to receiving them (McElroy et al., 1996) means that internally sourced employees are more prone to view their organization as prioritizing and valuing their existing workforce (Carson et al., 1994; Gusdorf, 2008), especially during times of job market weakness and high unemployment. Conversely, externally sourced employees, devoid of this shared organizational history, might perceive a company preference toward external talent, which would negatively influence their perceptions of safety and stability as employees within the firm—perceptions that are made especially salient when unemployment is high following an exogenous shock (Bidwell, 2011; Chan, 1996; Gusdorf, 2008; Holstrom, 1999). Thus, externally sourced employees should feel less secure in their jobs than their internally sourced peers following exogenous shocks, leading to a higher likelihood of voluntary turnover in employee-favorable job markets. This probability is further amplified by externally hired employees' greater familiarity with the external job market (Arnold et al., 2021), placing them in a better position to exit than their internally sourced peers.

Hypothesis 1: The risk of voluntary turnover will be lower for internally sourced employees than for externally sourced employees in strong job markets.

The Mediating Roles of Perceptions of Employment Threat and Organizational Support

The Unfolding Model of Turnover posits that employees look for signs of employment security when exogenous shocks create economic uncertainty (Lee et al., 1996). On this basis, uncertainty caused by shocks like the COVID-19 pandemic can intensify employees' desires for support from "within" organizations and protection from "outside" threats. Economic turmoil and a weak job market following a shock amplify perceptions of employment threat—an adverse psychological state caused by the prospect of losing one's employment (Lazarus, 1993). Threat is a common response when presented with uncertain circumstances (Staw et al., 1981). Khawli et al. (2022) found that economic disruptions following the onset of the COVID-19 pandemic caused heightened feelings of unemployment threat among many employees. The prospect of employment loss can be jarring because of the central role of employment in people's identity (Ashforth & Mael, 1989; Pierce et al., 1989). The threat of losing employment can even trigger a "flight" response in employees, causing them to search for new, ostensibly more secure employment (Ashford et al., 1989; Staufenbiel & König, 2010).

When organizations prioritize external hires over internal promotions, employees tend to see the company as less committed to its workforce and respond with reduced loyalty (George, 2003). Along these lines, we expect that externally sourced employees will experience elevated levels of employment threat when unemployment is high and the job market favors employers compared to their internally-promoted peers. Internal sourcing, signaling an organization's loyalty and long-term commitment to employees, provides employees with a semblance of security that should be especially recognized and valued during periods of high unemployment (Bidwell, 2011; Carson et al., 1994; Gusdorf, 2008). Conversely, the absence of these threat-reducing signals for externally sourced employees should increase their sense of employment threat during times of job market weakness, thus activating protective mechanisms such as job search behaviors (Peltokorpi & Allen, in press), which become manifest in higher rates of turnover once the job market improves and unemployment recedes.

> *Hypothesis 2*: *Perceived employment threat will mediate the relationship between hiring source and voluntary turnover risk in strong job markets.*

In weak job markets, reports of layoffs, hiring freezes, and pay cuts are often prevalent.

As a result, employees become acutely aware of the precariousness of their employment and respond by seeking signs “inside” their organization of support (Lee et al., 1996; Lin et al., 2021). Following the onset of the COVID-19 pandemic, many employees reported elevated consumption of bad news (including bad job market news, Yoon et al., 2021) and, thus, lower perceptions of organizational support (Daniels et al., 2022). For internally sourced employees, prior promotions represent tangible contrasting evidence that their employer values them (Carson et al., 1994; Gusdorf, 2008). Accordingly, as companies make changes in response to the effects of exogenous shocks (e.g., wage freezes; layoffs), internally sourced employees should be less likely to perceive such disruptions as signs of diminished organizational support. In line with this notion, research has shown that the availability of promotion opportunities bolsters perceptions of organizational support, subsequently enhancing employee loyalty (Panaccio & Vandenberghe, 2009; Rhoades & Eisenberger, 2002; Settoon et al., 1996; Tansky & Cohen, 2001). Conversely, externally sourced employees, lacking the support-affirming signal of prior promotions, are more likely to see such events as indications that the organization does not support its employees and will be more likely to search for alternative employment when conditions allow.

> *Hypothesis 3*: *Perceived organizational support will mediate the relationship between hiring source and voluntary turnover risk in strong job markets.*

Method

To test these predictions, we conducted two complementary studies. Study 1 examined the strength and generalizability of the effect of hiring source on voluntary turnover risk during a strong job market (Hypothesis 1) using a large sample of restaurant managers who were either promoted or hired into their roles within an international restaurant chain between 2018 and 2023. In Study 2, we sought to (a) establish the causality of the hiring source-voluntary turnover relationship (Hypothesis 1) and (b) test predictions regarding the psychological mechanisms underlying this effect (Hypotheses 2 and 3) by conducting a scenario-based experiment in which participants experienced an exogenous shock that triggered job market weakness and subsequent recovery, similar to that experienced by the employees in Study 1 following the onset of the COVID-19 pandemic. Together, these studies offer a multi-method examination of the relationship between employee sourcing and turnover in the wake of exogenous shocks.

Transparency and Openness Statement

In the following sections, we describe our sampling plan and all data exclusions (if any). We adhered to the *Journal of Applied Psychology* methodological checklist. Analysis code and research materials are available upon request from the first author. Data for Study 1 are proprietary and thus not readily available. Analyses in Study 1 were conducted using the PROC GLM, PROC LOGISTIC, and PROC LIFETEST functions in SAS, version 9.4 (SAS Institute Inc., 2013). Study 1's design and analysis were not pre-registered because data were collected for an applied selection project. Study 2 analyses were pre-registered on AsPredicted.org (https://aspredicted.org/blind.php?x=CJV_F29). Data in Study 2 were analyzed using the PROC GLM, PROC LOGISTIC, and PROC CAUSALMED functions in SAS. All data, analyses, and research materials for Study 2 are available upon request.

Study 1 Methods

Data and Sample

The sample consisted of managers starting new roles in a large American restaurant chain between January 1, 2018, and August 31, 2023 (N = 11,072)[2]. The mean age at time of hire was 34.0 years old (SD = 8.98), 46.3% identified as female (n = 5,142), and 53.7% identified as male (n = 5,948). In total, 60.5% of managers were White (n = 6,698), 17.7% Hispanic (n = 1,959),

[2]This study involved deidentified archival data and was thus classified as exempt from further review by the institutional review board (IRB) of Oregon State University (IRB-1278: Turnover During the Great Resignation: The Impact of Promotions on Turnover Risk in Response to Exogenuous Shocks).

13.0% Black (*n* = 1,440), 1.2% Asian (*n* = 132), 0.4% Pacific Islander (*n* = 44), 0.8% Indigenous American (*n* = 87), and 6.4% did not specify (*n* = 712).

Measures

Hiring source. Hiring source refers to the candidate pool from which the manager was selected (i.e., internal or external), which was recorded in the organization's applicant tracking system (ATS) at the time of hire. We operationalized this variable using a dummy code, where 0 indicated the manager was promoted from within (i.e., internally sourced) and 1 indicated they were hired from outside the organization (i.e., externally sourced).

Voluntary turnover. Voluntary turnover refers to an event where an employee willingly chooses to leave the organization. In our analyses, we operationalized voluntary turnover using a binary outcome variable, where 1 indicated a voluntary departure, and 0 indicated sustained employment. To ensure meaningful comparisons between manager cohorts and align with the organization's talent management framework, we examined turnover outcomes 180 days after the employee's start date as the primary indicator of retention success or failure.[3]

Job market strength. The Great Resignation, an event characterized by a historically strong job market and elevated rates of employee turnover, is generally recognized to have begun in April 2021 (Gittleman, 2022) and to have lasted through the middle of 2023, when quit rates returned to pre-pandemic levels (Morgan, 2023). To compare the turnover behavior of managers

[3]Our decision to use a 180-day tenure milestone had statistical and practical advantages. Statistically, the rolling cohort structure of our data, where managers were hired continuously over a five-year period, meant that those with earlier start dates had longer observation periods and, thus, more opportunities to leave the organization than those hired more recently. Failure to account for this structural characteristic of our data would result in a spurious positive correlation between hire date and turnover outcomes. To mitigate this, we used a standardized retention milestone (180 days post-hire) when defining tenure outcomes. This approach created a uniform observation window for all managers, regardless of their start date, ensuring fairer comparisons across different cohorts. The 180-day milestone holds practical significance as well because it aligns with the organization's talent management framework, which considers continued employment at the 180-day mark a retention success. Ancillary analyses demonstrated all study findings were robust to the use of alternative tenure milestones (30, 60, 90, and 270 days).

during this historically strong job market to the weaker market that preceded it, we created a dummy-coded time-based variable, where 0 indicated a hire date between January 1, 2018-March 31, 2021, and 1 for those hired between April 1, 2021-August 31, 2023.[4]

Pre-hire qualifications. All managers underwent a pre-hire assessment during the selection process. Scores from this assessment were used as a proxy for pre-hire qualifications.[5]

Analytical Approach

We used a combination of survival analysis and logistic regression with a time-based parameter to examine how turnover trends among managers varied as a function of hiring source. These time-based models were central to developing our understanding of the behavioral responses of managers during a historically strong job market.

Survival analysis is a statistical approach used to estimate the probability of a change in an individual's status from one state (e.g., employed) to another (e.g., resigned) within a specific interval of time (Allison, 2010; Morita et al., 1989). We used survival analysis in our study to model changes in the conditional risk of voluntary turnover within this organization between 2018 and 2023. In this case, conditional risk of voluntary turnover refers to the likelihood that a manager hired within each three-month window would voluntarily leave the organization within 180 days of their start date, assuming they had not already quit or been terminated for some other reason (e.g., being fired).[6] This method enabled us to dynamically model turnover risk across

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[4]Ancilary analyses revealed all study results were robust to the use of alternative dates within a similar timeframe (e.g., March 1st, May 1st, or June 1st) as the demarcation point instead of April 1st, 2021.This robustness demonstrates that the observed effects are tied to the broader shift in job market conditions rather than being overly dependent on selecting any single start date of the Great Resignation, which cannot be precisely determined.
[5] All study findings were robust to the inclusion (or omission) of pre-hire qualifications as a control in our analyses.
[6] In survival analysis, data points that become unavailable within a given interval (e.g., managers who were terminated, retired, took a long-term leave of absence, or were still employed at the organization at the end of the study period in mid-2023) are considered "censored." This categorization acknowledges that these individuals have ceased contributing data to the study without experiencing the event of interest, namely voluntary turnover. The ability to account for these censored observations is a key advantage of survival analysis as it avoids the potential overestimation of voluntary turnover risk, thereby maintaining the integrity and precision of the analysis.

different periods, providing an understanding of changes in turnover patterns over several years.

We then incorporated a time-based parameter into logistic regression models to explore how the strong job market influenced the relationship between hiring source and turnover risk. Specifically, in our analyses, the job market strength parameter captured systematic differences in turnover behavior in the period before versus during the Great Resignation. Using this method, we were able to isolate the impact of macroeconomic conditions on turnover and formally test whether these changing conditions influenced the effect of hiring source on turnover risk.

Together, these methods provided a more comprehensive view of turnover risk, enabling us to detect patterns consistent with broader job market shifts and formally test our hypotheses about the unique effects of hiring source on turnover within strong job markets.

Study 1 Results

Descriptive statistics and intercorrelations of study variables can be found in Table 1. Of the 11,072 managers in our sample, 79.1% (n = 8,760) acquired their position via internal sources, and 20.9% (n = 2,312) were hired externally. Despite the large sample size, we did not find evidence of systematic differences in pre-hire assessment scores among internally versus externally sourced candidates (B = .00, p = .95), suggesting that, on average, internally and externally sourced candidates were similarly qualified for the role.

Hiring Source and Turnover Risk during a Strong Job Market

One key assumption underlying our investigation was that voluntary turnover risk would initially decrease following an exogenous shock, such as the COVID-19 pandemic, followed by a subsequent increase when job markets strengthened. Supporting this assumption, logistic regressions showed a strong positive relationship between industry-wide seasonally-adjusted voluntary turnover rates during a manager's hiring month (Bureau of Labor Statistics, 2023) and turnover behavior (B = 1.85, p < .001, odds ratio = 1.85, [1.67, 2.04]), indicating that changing rates of manager turnover behavior in our sample were sensitive to fluctuations in the broader labor market, before, during, and after the COVID-19 pandemic. Furthermore, as shown in Figure 1, survival analysis revealed that manager turnover risk decreased suddenly in Q2 of 2020, followed by a sharp increase in 2021. This increase marked the start of a prolonged period of elevated turnover risk, characteristic of the strong job market of the Great Resignation.

In Hypothesis 1, we predicted that internally sourced managers would exhibit less voluntary turnover during this strong job market. To test this prediction, we analyzed turnover risk as a function of hiring source. In support of Hypothesis 1, logistic regression revealed that during the Great Resignation, voluntary turnover risk was about four times higher for externally sourced managers relative to their internally sourced peers ($B = 1.38$, $p < .001$, odds ratio = 3.99, [3.37, 4.73]). To unpack the job market's influence on this effect, we next examined whether the strength of the relationship between hiring source and turnover was influenced by the timing of the manager's employment. As shown in Figure 2 (Table 2), a survival analysis stratified by hiring source showed that the uptick in turnover risk during the strong job market (characteristic of the Great Resignation) was markedly less pronounced among internally sourced managers.

Although compelling, survival analysis does not allow for formal tests of the statistical significance of this effect. Therefore, we conducted a follow-up analysis using logistic regression in which the time-based strong job market parameter was used to model differences in turnover risk among managers hired during the Great Resignation compared to those hired in the weaker job market that preceded it. As shown in Table 3, we found support for a statistically significant interaction between hiring source and the time-based job market strength parameter ($B = 0.38$, $p = .006$), such that the hiring source effect was significantly stronger during the Great Resignation than before. In practical terms, this interaction effect represents a ~47% increase in turnover risk for externally sourced managers relative to their internally sourced peers during the Great

Resignation compared to before, significantly accentuating the pre-existing disparities between these groups. This finding underscores the strong job market's differential impact on the turnover behavior of externally sourced managers and highlights the augmented challenges in retaining them in strong job markets, collectively providing support for Hypothesis 1.

Supplemental Analyses: Hiring Source, Job Performance, and Job Market Strength

The availability of performance data offered a unique opportunity to examine the performance implications of hiring source before versus after the onset of an exogenous shock. Consistent with prior findings (e.g., Bidwell, 2011), we found internally sourced managers were rated more positively by their superiors ($B = .24$, $p < .001$), received fewer customer complaints (B = −0.42%, $p < .001$), generated more weekly sales (B = \$271.15, $p < .001$), and had lower rates of subordinate turnover (B = −2.16%, $p < .001$), than their externally hired counterparts, even when controlling for pre-assessment ratings. However, as shown in Figure 3, the strength of several performance-hiring source relationships changed during the Great Resignation. Specifically, the advantages of internal sourcing diminished for customer complaints (B = −0.13%, $p = .050$) and weekly sales (B = \$511.14%, $p < .001$) metrics during this time, such that the main effect of hiring source on weekly sales became statistically non-significant (B = \$55.04, $p = .547$). In contrast, the relative benefits of internal sourcing on subjective performance and subordinate turnover were more robust. These results suggest that the hiring source-job performance relationship is sensitive (at least in part) to economic disruptions caused by exogenous shocks. Collectively, these findings underscore the complex interplay between hiring source and organizational performance during periods of economic disruption, suggesting that external shocks can temporarily erode some of the performance advantages typically associated with internal hires. This highlights the need for organizations to adapt their talent management strategies to support employees, regardless of hiring source, during such disruptive periods.

Study 2 Method

Sample

To complement the findings of Study 1, we conducted an online experiment conducted with a sample of 300 working adults in the US recruited in July 2023 through Prolific Academic. The experiment in Study 2 lasted approximately 20 minutes, and participants were paid $3. To increase data quality, we used the prescreening option in Prolific to limit study participation to respondents with a >99% approval rating. Following data collection, we removed participants who either did not finish the study or failed the manipulation check (N = 16).[7] Our final sample included 284 participants. The average age of participants was 42.5 years (SD = 13.5); 46.83% identified as male, 50.35% identified as female, and 2.81% identified as non-binary (or preferred not to say); 71.13% of participants were White, 11.62% were Black, 9.15% were Hispanic, 5.63% were Asian, and 2.46% were other or chose not to self-identify.[8]

Experimental Task, Procedures, and Hiring Source Manipulation

All participants were told that they would play the role of a general manager for a fictitious organization called The Rural Kitchen, a popular, fast-casual restaurant chain.[9] Participants were then randomly assigned to one of two experimental conditions. In the internally sourced condition, participants were told that The Rural Kitchen had promoted them to general manager after working their way up the management hierarchy. In the externally sourced condition, participants were told that The Rural Kitchen had hired them as a new general

[7]All study findings were robust to the decision to include or omit participants based on their response to the manipulation check.
[8]This study involved minimal risk to participants and was thus classified as exempt from further review by the institutional review board (IRB) of the University of Wyoming (Protocol #20220609JP03328: The Effect of Promotions on Voluntary Turnover).
[9] The full text of all scenarios is provided in the Appendix.

manager after working their way up the management hierarchy at other restaurants.

Next, participants were presented with a scenario describing a global panic spurred by a cyber hacker’s AI virus that severely disrupted essential systems, reducing people’s willingness to leave their homes. Participants were told the economic disruptions of the virus caused a 60% decline in business and a 40% revenue reduction at the participant’s restaurant (echoing conditions following the onset of the pandemic; NRA, 2021), causing widespread unemployment and job insecurity. They then completed scales assessing perceived levels of employment threat and organizational support. After completing these measures, participants read a recovery scenario in which the cyberattack was neutralized, which, along with technological advances stemming from the threat’s neutralization, propelled economic prosperity and a surge in dining demand. As a result, restaurants began vigorously hiring to meet the increased customer demand, offering enhanced compensation and benefits packages to attract applicants. These conditions led many employees to leave their prior organizations for better opportunities. Finally, participants were informed that a reputable competing restaurant had contacted them, offering them a new job as a general manager similar to their current role. They were then asked to report whether they would stay with The Rural Kitchen or pursue this new opportunity.[10] They then completed a manipulation check, answered demographic questions, and were debriefed.

Measures

Perceived employment threat. Perceived employment threat refers to the psychological distress employees experience when they believe their job is at risk. This variable was assessed using a 4-item scale adapted from Fugate and colleagues (2012), with responses rated on a 7-

[10] To rule out the possibility that mention of higher pay associated with the new position could potentially bias our results, we reran the Study 2 protocol in February 2024 with a new sample of 300 participants, using the same scenarios but excluding any formal mention of pay differences associated with the new offer. All Study 2 findings were fully replicated using this alternative protocol. Full results of this replication study are available upon request.

point scale (1 = strongly disagree, 7 = strongly agree; $\alpha = .97$). An example item is, "I feel that my employment with The Rural Kitchen is threatened because the company will lay me off."

Perceived organizational support. Perceived organizational support refers to the degree to which employees believe their organization values their contributions and cares about their well-being. This was measured using a 4-item scale adapted from Eisenberger and colleagues (2002), with responses rated on a 7-point scale (1 = strongly disagree, 7 = strongly agree; $\alpha = .96$). An example item is, "The Rural Kitchen cares about me."

Turnover. In this study, we assessed turnover in two ways. Turnover *intentions* refer to an employee's desire to leave their current position. Following the recovery scenario but before the offer, turnover intentions were measured using a 3-item scale in which participants indicated agreement with the following statements: "I want to leave The Rural Kitchen for a new job," "I want to leave The Rural Kitchen for employment elsewhere," and "I would choose to work for a different organization than The Rural Kitchen," rated on a 7-point scale (1 = strongly disagree, 7 = strongly agree; $\alpha = .97$). Turnover *decision* refers to the participant's actual choice whether to leave their position after receiving an external job offer. This was measured using a single item: "Would you quit your current general manager position at The Rural Kitchen?" Responses were coded as 1 for "yes" and 0 for "no," serving as the primary measure in our analyses.

Study 2 Results

Table 4 reports descriptive statistics and intercorrelations of key variables. The manipulation check asked participants to "reflect back on how you joined The Rural Kitchen as a general manager and indicate the correct response." Results revealed that 94.7% of participants correctly recalled whether they acquired their role internally or externally.

We first examined the influence of the hiring source manipulation on turnover intentions and decisions. In support of Hypothesis 1, participants in the externally sourced condition reported higher turnover intentions (M = 3.37) than those in the internally sourced condition (M = 2.96; B = 0.41, p = .031, R^2 = .02). Participants in the externally sourced condition were also more likely to quit when presented with a competing offer than those in the internally sourced condition (B = 0.33, p = .007, odds ratio = 1.96 [1.21, 3.18]). Specifically, 6% more participants in the externally sourced condition "quit" their jobs when presented with a new offer (22.2%) than in the internally sourced condition (16.2%, X^2 [1, N = 284] = 7.47, p = .006).

In Hypotheses 2 and 3, we predicted that perceptions of employment threat and organizational support would mediate the effect of hiring source on subsequent turnover intentions and decisions as job markets improved. Results indicated that participants in the externally sourced condition reported higher overall perceptions of employment threat (M_{external}= 5.04, M_{internal}= 4.25; B = 0.79, p < .001, R^2 = .07) and lower perceptions of organizational support ($M_{external}$ = 4.50, $M_{internal}$ = 5.26; B = −0.76, p < .001, R^2 = .10) following the crisis scenario. Furthermore, using the Proc CAUSALMED function in SAS version 9.4, we found statistically significant indirect effects of hiring source on turnover intentions and behavior through perceptions of employment threat (*indirect effect on turnover intentions* = 0.19, p < .001, 95% *CI* [0.06, 0.32]; *odds ratio indirect effect on turnover decisions* = 1.26, p < .001, 95% *CI* [1.04, 1.48]) and organizational support (*indirect effect on turnover intentions* = 0.42, p < .001, 95% CI [0.23, 0.60]; *odds ratio indirect effect on turnover decisions* = 1.26, p < .001, 95% *CI* [1.04, 1.47]), such that higher perceptions of threat and lower perceptions of support following during the crisis scenario led to higher rates of turnover in response to the offer scenario once the job market recovered for participants in the externally sourced conditions relative to the internally sourced condition. Thus, Hypotheses 2 and 3 were supported.

Discussion

Companies often use promotions as a tactic for retaining employees. However, extant research has suggested that promotions enhance employees' human capital, improving their job market mobility. Drawing upon EST and the Unfolding Model of Turnover and examining the effect of new-hire source in the context of a pandemic-induced weak job market followed by a strong one, we found that internally sourced managers were less likely to leave their organization than their externally-hired peers, an effect attributed to the diminished perceptions of employment threat and heightened feelings of organizational support that promotions confer. These findings are poignant in an era characterized by increasing employee empowerment and a rising propensity to resign (Andreatta, 2021; Tsipursky, 2022). Next, we turn to the theoretical and practical contributions of these findings to our understanding of human capital dynamics.

Theoretical and Practical Contributions

The present findings extend our collective understanding of the effects of internal sourcing on voluntary turnover by explaining how two critical mechanisms linking this strategy to reduced turnover manifest when macroeconomic conditions create weak, then strong job markets. Although concerns have been raised about internal sourcing as a retention strategy, our results underscore its efficacy by theorizing and showing that promotions can increase employee perceptions of security and support during times of employment uncertainty, which then promote commitment when retention is vital to an organization (i.e., a strong job market). In doing so, our findings support arguments made by scholars that early employment experiences shape subsequent attitudes and behavior (Bauer et al., 2007; Walker et al., 2013). Further, our research paves the way for future investigations of other mechanisms manifesting the value of promotion.

Our theorizing and findings also contribute more generally to the turnover literature by clarifying a key way broader macroeconomic conditions shape turnover. Although job market-level implications of economic events have been previously discussed (e.g., Röglinger et al., 2022), our study expands this knowledge by testing the consequences among employees deciding whether to quit (Morgeson et al., 2015). Our research amplifies the noted importance of studying employee behavior in context (Hom et al., 2017; Lee & Mitchell, 1994; Rubenstein et al., 2017) by providing evidence not only that voluntary turnover is a function of macroeconomic conditions (Gerhart, 1990) but that internal sourcing is a particularly effective mitigation strategy because it lowers voluntary departure when the job market is strong and favors employees.

Our research also contributes to the growing body of literature on event-driven organizational behavior by providing evidence of the timelines and specific psychological mechanisms through which external shocks trigger event chains that shape voluntary turnover. Theories of event-oriented organizational behavior are still somewhat new, meaning that relatively little empirical work has tested the predictions of these theories (Liu et al., 2023). Our research corroborates the value of these perspectives and supports further examination of retention and organizational behavior trends within the context of specific events.

Finally, the results of this study highlight the practical value of policies emphasizing employee development and career advancement, revealing that such strategies facilitate employee retention and performance. Although it is tempting to turn to external labor markets to overcome challenges associated with promotions (e.g., they can create vacancies elsewhere in the organization, contribute to divisiveness among employees, and restrict access to new perspectives that outside hires can bring [Gusdorf, 2008; Schaubroeck & Lam, 2004]), our findings point to an underappreciated risk to this tactic. Specifically, an external sourcing strategy may amplify turnover risk when job markets become more employee-favorable. Maintaining a consistent emphasis on internal hiring can thus buffer organizations against future turnover. As our results indicate, a balanced, long-term focused, ongoing internal development and promotion program signals employee appreciation and security and strategically positions firms to retain talent through varying economic conditions.

Limitations and Future Directions

Several boundary conditions and limitations of the present study should be considered when interpreting and applying our findings. To start, the reliance on self-reported measures in Study 2 introduces the potential for common method bias. Although we employed procedural remedies to mitigate this risk, such as an experimental design with counterbalanced measures, the use of a single data source warrants caution in interpreting these results. Additionally, while valuable for establishing causal inferences, the scenario-based design may limit the ecological validity of the findings, as it cannot fully replicate the complexities of real-world turnover decisions. Some of this limitation is mitigated by the use of field data in Study 1. However, the time-based analyses used in Study 1 do not account for more granular temporal variations within the strong and weak job markets, which may further influence turnover dynamics.

Another potential concern might be whether the robustness of our results to minor variations in the selected demarcating date calls into question the link between our findings and the specific timing of the Great Resignation as an event. However, because the start date of the Great Resignation cannot be precisely determined, the consistency of the effects across these alternative dates reinforces the interpretation that our findings reflect a broader, systemic shift in job market conditions during this period rather than relying on a single, arbitrary cutoff point.

Finally, it is important to note that our study explored just one of many potential shocks employees may encounter in their careers, and caution is warranted when generalizing these findings to other disruptive events. On this point, we echo calls for more research on precisely how events influence employee decisions to quit (Lee et al., 1994; Hom et al., 2017; Rubenstein et al., 2017) and to investigate other psychological mechanisms underlying the effects of sourcing on how employees navigate the aftermath of exogenous shocks (e.g., employee felt obligations, gratitude, trust, and commitment). Furthermore, because in both studies, the post-shock employment context eventually became rich with opportunities to change jobs, it is possible that these effects may not materialize in industries and occupations where employees are more embedded or have fewer alternative opportunities for employment. As such, additional research is needed to determine whether the impact of negative employment events is opportunity dependent, or might differ as a function of cultural variability.

Conclusion

In the context of the COVID-19 pandemic and the ensuing Great Resignation, this study delved into the efficacy of internal sourcing for bolstering employee retention amidst a strong job market. Findings from a field study and an experiment indicated that following an exogenous shock, internally sourced managers were less likely to perceive threats to their employment and more likely to perceive organizational support, reducing their subsequent risk of voluntary turnover relative to externally sourced managers when the job market strengthened. Our theorizing and findings underscore the importance of understanding the link between retention strategies and employee perceptions following exogenous shocks. Future investigations into varied industry contexts and alternative external shocks will further delineate the robustness and applicability of these findings across diverse employment landscapes.

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Appendix

Crisis Scenario

A global crisis has emerged. Last week, a group of cyber hackers unleashed an algorithm that infiltrated the computer systems of the world's major governments and companies. Their program has taken over and is disrupting major public utility grids, automobile onboard systems, databases, etc.—leading to widespread havoc. Cars have crashed, trains have derailed, all airplanes are grounded, and electric grids are unstable.

Due to these threats, people are not going out of the house much, especially for non-essentials such as take-out food. Business at your location has dropped by over 60%, and company revenues are down 40%. The restaurant industry, which thrives on human interaction and mobility, has been particularly hard hit, with many establishments, **including several locations of The Rural Kitchen,** having to close their doors permanently.

With companies like The Rural Kitchen having to lay off employees and with very few employment options overall, the number of unemployed workers has jumped to record levels. As a result, many people throughout the nation are grappling with job losses or pay cuts, while others are worried about the stability of their employment. This has created a particularly risky situation for those who might be considering a job change, as the number of available positions in the market has dwindled. Those who do leave their job are finding it very difficult to find new employment.

Recovery Scenario

Now, please imagine that it is six months later and you are still employed by The Rural Kitchen.

Thankfully, the hackers' AI attack has been neutralized. Not only is there "pent-up" demand for dining out given the long shutdown of social life, but AI advancements developed to neutralize the hackers' attack have created massive economic efficiencies that have led to record economic prosperity. Accordingly, job market conditions are now very good. In fact, employers (**including The Rural Kitchen**) are trying to hire as many new workers as they can to meet increased demand. In attempts to "lure" applicants in, many companies are offering higher salaries, better benefits, improved work conditions, and even sign-on bonuses. Accordingly, the turnover rate is at record highs as record numbers of employees are quitting their current jobs and switching to new ones. Changing jobs, of course, is not without risk, and many of those who did quit are expressing regret.

In the current environment, many restaurant chains like The Rural Kitchen are struggling to find qualified individuals to join the company despite implementing many of the same hiring and retention strategies as their competitors (e.g., raising salaries, increasing flexible work opportunities). **You haven't been offered any other jobs yet or applied for any, but you wonder what you might do if another company offered you a job with higher pay and other attractive aspects. It's clear that there are many job openings for managers in your geographic area at this time, some of which advertise better pay and benefits than you currently receive at The Rural Kitchen. Thus, there is a good chance that you could improve your compensation if you left The Rural Kitchen. However, changing your job can be a hassle, does not come with guarantees, and means stepping into the "unknown."**

External offer

"Now, imagine that a reputable restaurant in your industry has offered you a job for a general manager position similar to your role at The Rural Kitchen. This opportunity comes with better pay than your current position at The Rural Kitchen. However, your direct experience with this other restaurant is limited."

Table 1

Means, Standard Deviations, and Intercorrelations of Study Variables (Study 1)

Variable	*M*	*SD*	1	2	3
1. External hire	0.21	0.40			
2. Voluntary turnover (180-day mark)	0.12	0.33	.21**		
3. Job market strength[a]	0.46	0.50	.11**	.11**	
4. Pre-hire assessment rating	0.17	0.83	.00	−.01	−.07**

Note. N = 11,072.
**p < .01
[a]Job market strength was coded 1 for managers hired during the strong job market of the Great Resignation (April 1, 2021 - August 31, 2023) and 0 for those hired in the relatively weaker market before (January 1, 2018 - March 31, 2021).

Table 2

Survival Analysis: Voluntary Turnover Risk by Manager Hire Date Stratified by Hiring Source (Study 1).

Interval (date)		Internally sourced managers (n = 8,760)							Externally sourced managers (n = 2,312)						
Lower	Upper	# Quit	# Cens.	Effective sample size	Conditional probability of failure	SE	Survive	Fail	# Quit	# Cens.	Effective sample size	Conditional probability of failure	SE	Survive	Fail
Jan ‘18	Mar ‘18	27	67	8726.5	0.0031	.0006	1.00	0.00	33	21	2301.5	0.0143	.0025	1.00	0.00
Apr ‘18	Jun ‘18	73	122	8605.0	0.0085	.0010	1.00	0.00	41	42	2237.0	0.0183	.0028	0.99	0.01
Jul ‘18	Sep ‘18	124	182	8380.0	0.0148	.0013	0.99	0.01	27	29	2160.5	0.0125	.0024	0.97	0.03
Oct ‘18	Dec ‘18	123	272	8029.0	0.0153	.0014	0.97	0.03	19	24	2107.0	0.0090	.0021	0.96	0.04
Jan ‘19	Mar ‘19	149	177	7681.5	0.0194	.0016	0.96	0.04	40	32	2060.0	0.0194	.0030	0.95	0.05
Apr ‘19	Jun ‘19	171	247	7320.5	0.0234	.0018	0.94	0.06	24	26	1991.0	0.0121	.0025	0.93	0.07
Jul ‘19	Sep ‘19	149	214	6919.0	0.0215	.0018	0.92	0.08	171	121	1893.5	0.0903	.0066	0.92	0.08
Oct ‘19	Dec ‘19	175	239	6543.5	0.0267	.0020	0.90	0.10	23	16	1654.0	0.0139	.0029	0.83	0.17
Jan ‘20	Mar ‘20	159	244	6127.0	0.0260	.0020	0.87	0.13	23	15	1615.5	0.0142	.0030	0.82	0.18
Apr ‘20	Jun ‘20	31	86	5803.0	0.0053	.0010	0.85	0.15	8	5	1582.5	0.0051	.0018	0.81	0.19
Jul ‘20	Sep ‘20	189	308	5575.0	0.0339	.0024	0.85	0.15	23	18	1563.0	0.0147	.0031	0.81	0.19
Oct ‘20	Dec ‘20	187	291	5086.5	0.0368	.0026	0.82	0.18	28	19	1521.5	0.0184	.0035	0.80	0.20
Jan ‘21	Mar ‘21	143	243	4632.5	0.0309	.0025	0.79	0.21	25	12	1478.0	0.0169	.0034	0.78	0.22
Apr ‘21	Jun ‘21	178	331	4202.5	0.0424	.0031	0.76	0.24	70	48	1423.0	0.0492	.0057	0.77	0.23
Jul ‘21	Sep ‘21	176	479	3619.5	0.0486	.0036	0.73	0.27	85	85	1286.5	0.0661	.0069	0.73	0.27
Oct ‘21	Dec ‘21	94	221	3093.5	0.0304	.0031	0.70	0.30	53	79	1119.5	0.0473	.0064	0.68	0.32
Jan ‘22	Mar ‘22	100	355	2711.5	0.0369	.0036	0.68	0.33	99	113	970.5	0.1020	.0097	0.65	0.35
Apr ‘22	Jun ‘22	93	363	2252.5	0.0413	.0042	0.65	0.35	68	113	758.5	0.0897	.0104	0.58	0.42
Jul ‘22	Sep ‘22	72	412	1772.0	0.0406	.0047	0.62	0.38	66	116	576.0	0.1146	.0133	0.53	0.47
Oct ‘22	Dec ‘22	53	428	1280.0	0.0414	.0056	0.60	0.40	36	84	410.0	0.0878	.0140	0.47	0.53
Jan ‘23	Mar ‘23	34	367	829.5	0.0410	.0069	0.57	0.43	37	115	274.5	0.1348	.0206	0.43	0.57
Apr ‘23	Jun ‘23	20	421	401.5	0.0498	.0109	0.55	0.45	24	102	129.0	0.1860	.0343	0.37	0.63

Note. Conditional probability of failure refers to the likelihood of a manager voluntarily leaving the organization within each specified hire date interval, reflecting the evolving turnover risk over time. Higher values indicate a greater probability of voluntary turnover among all managers hired during the specified interval.

Table 3

Logistic Regression Model Testing the Moderating Effect of Job Market Strength on the Relationship Between Hiring Source and Turnover Risk (Study 1)

Variable	*B*	*SE*	*p*	*odds ratio [CI]*	*B*	*SE*	*p*	*odds ratio [CI]*
Intercept	−2.65	.05	<.001		−2.58	.06	<.001	
Job market strength[a]	0.60	.07	<.001	1.82 [1.60, 2.07]	0.46	.08	<.001	1.58 [1.33, 1.88]
External hire	1.23	.07	<.001	3.44 [3.02, 3.92]	1.00	.11	<.001	2.72 [2.19, 3.38]
External hire × Job market strength					0.38	.14	.006	1.46 [1.11, 1.92]

[a]Job market strength was coded 1 for managers hired during the strong job market of the Great Resignation (April 1, 2021 - August 31, 2023) and 0 for those hired in the relatively weaker market before (January 1, 2018 - March 31, 2021).

Table 4

Means, Standard Deviations, and Intercorrelations of Key Study Variables (Study 2)

Variable	*M*	*SD*	1	2	3	4	5	6	7
1. Hiring source condition[a]	0.48	0.50							
2. Perceived threat	4.63	1.55	.26**						
3. Perceived support	4.91	1.23	−.31**	−.40**					
4. Turnover intentions	3.15	1.61	.13*	.25**	−.42**				
5. Turnover decision	0.38	0.49	.16**	.23**	−.26**	.58**			
6. Age	42.51	13.52	.09	−.04	.10	−.15*	−.18**		
7. Male	0.50	0.50	.06	.06	.03	−.06	.03	.19**	
8. Race – White	0.71	0.45	−.05	−.05	.08	−.17**	−.04	.30**	.04
9. Race – Black	0.12	0.32	−.02	−.02	.00	.03	−.02	−.08	.07
10. Race – Hispanic	0.09	0.29	.11	.06	−.10	.12*	.08	−.25**	.00
11. Race – Asian	0.06	0.23	−.02	.06	−.02	.07	.00	−.12*	−.12*
12. Race – Other	0.02	0.16	−.01	−.02	−.01	.11	.01	−.08	−.07

Note. $N = 284$
$*p < .05$, $**p < .01$
[a] The hiring source condition variable was coded 0 for participants in the internally sourced condition and 1 for participants in the externally sourced condition.

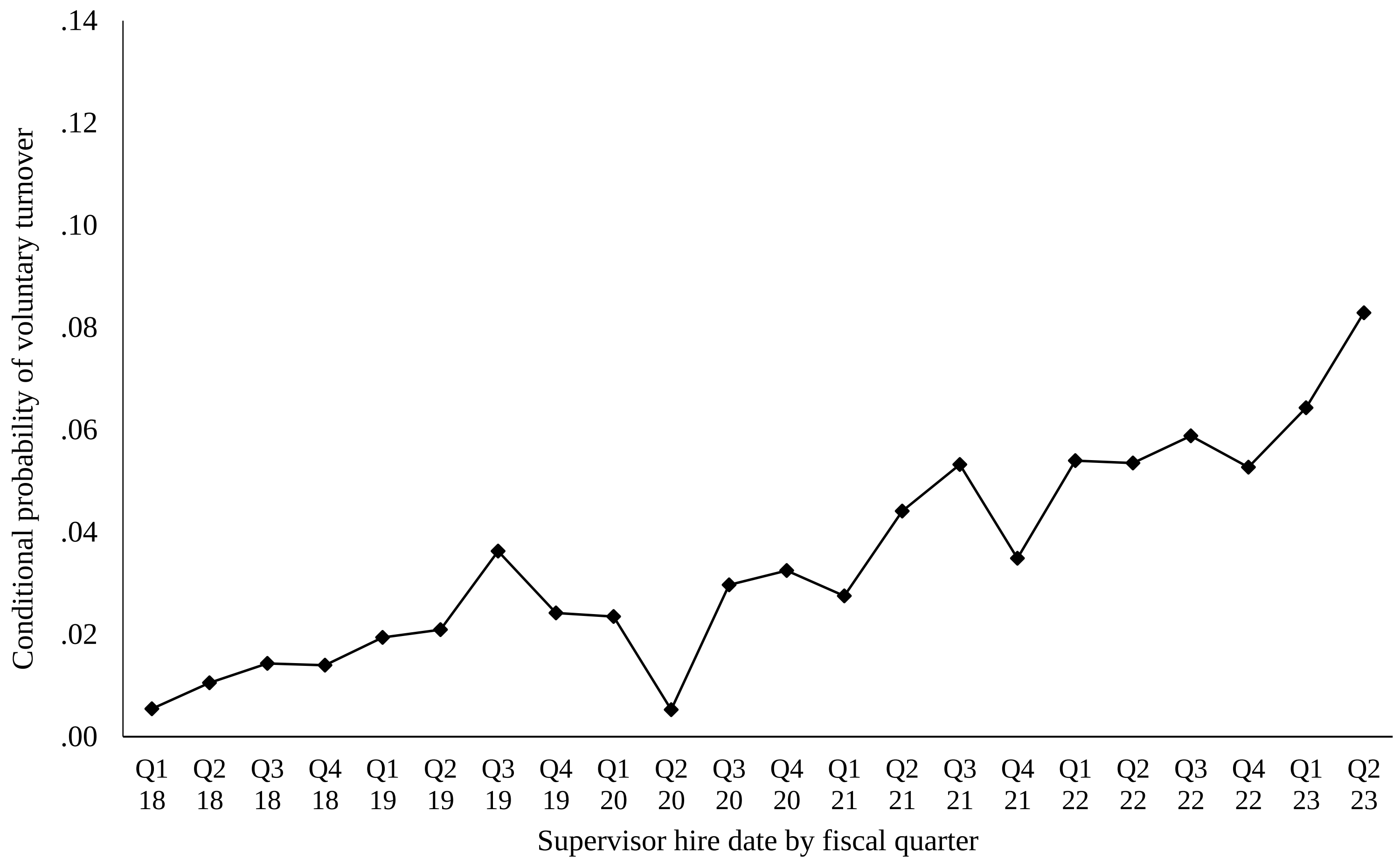

Figure 1. Voluntary turnover risk by manager hire date within the study sample. Higher values on the Y-axis indicate a greater probability of voluntary turnover during the specified interval. (Study 1)

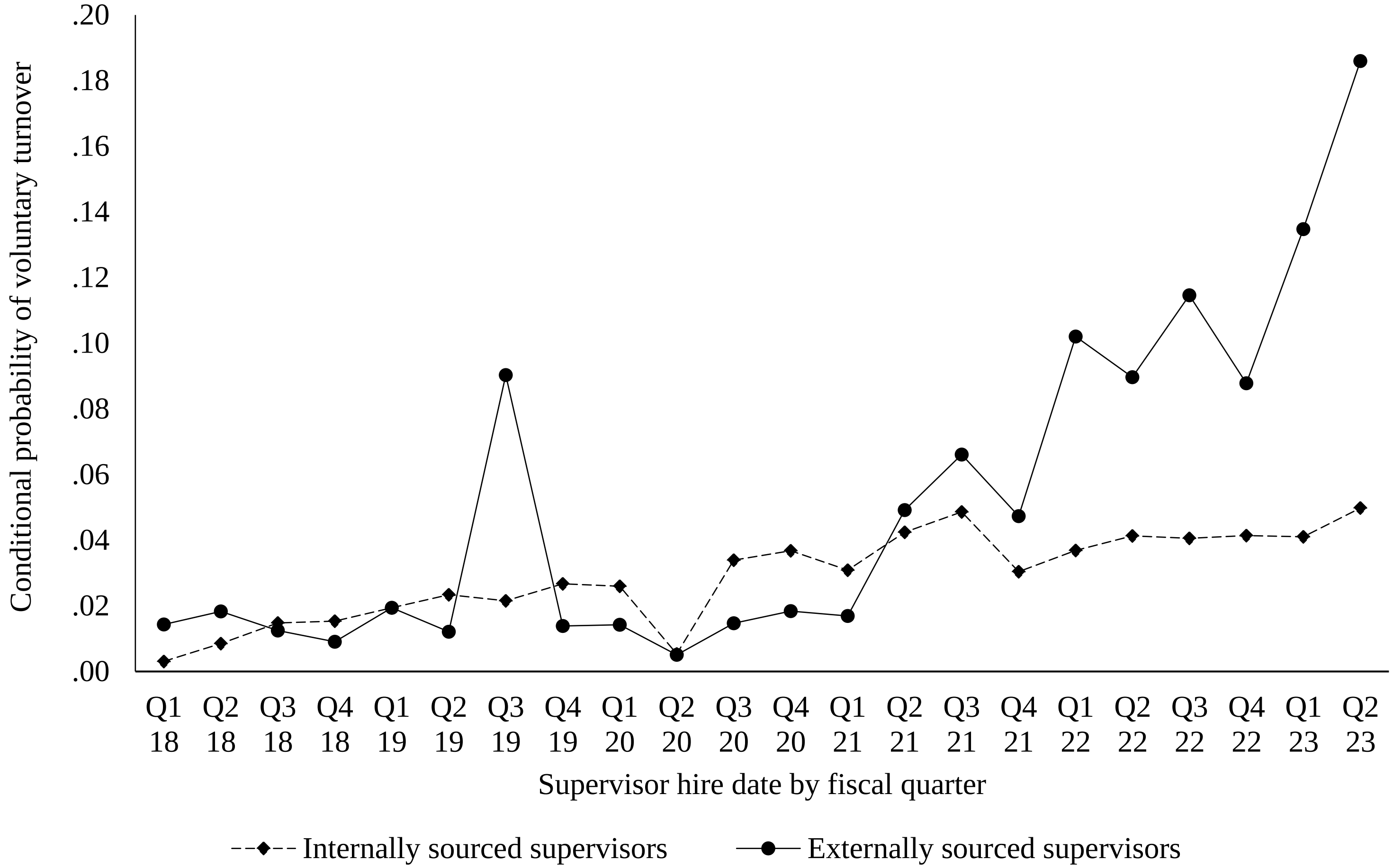

Figure 2. Conditional risk of voluntary turnover among internally sourced vs. externally sourced managers by hire date. Higher values on the Y-axis indicate a greater probability of voluntary turnover during the specified interval. (Study 1)

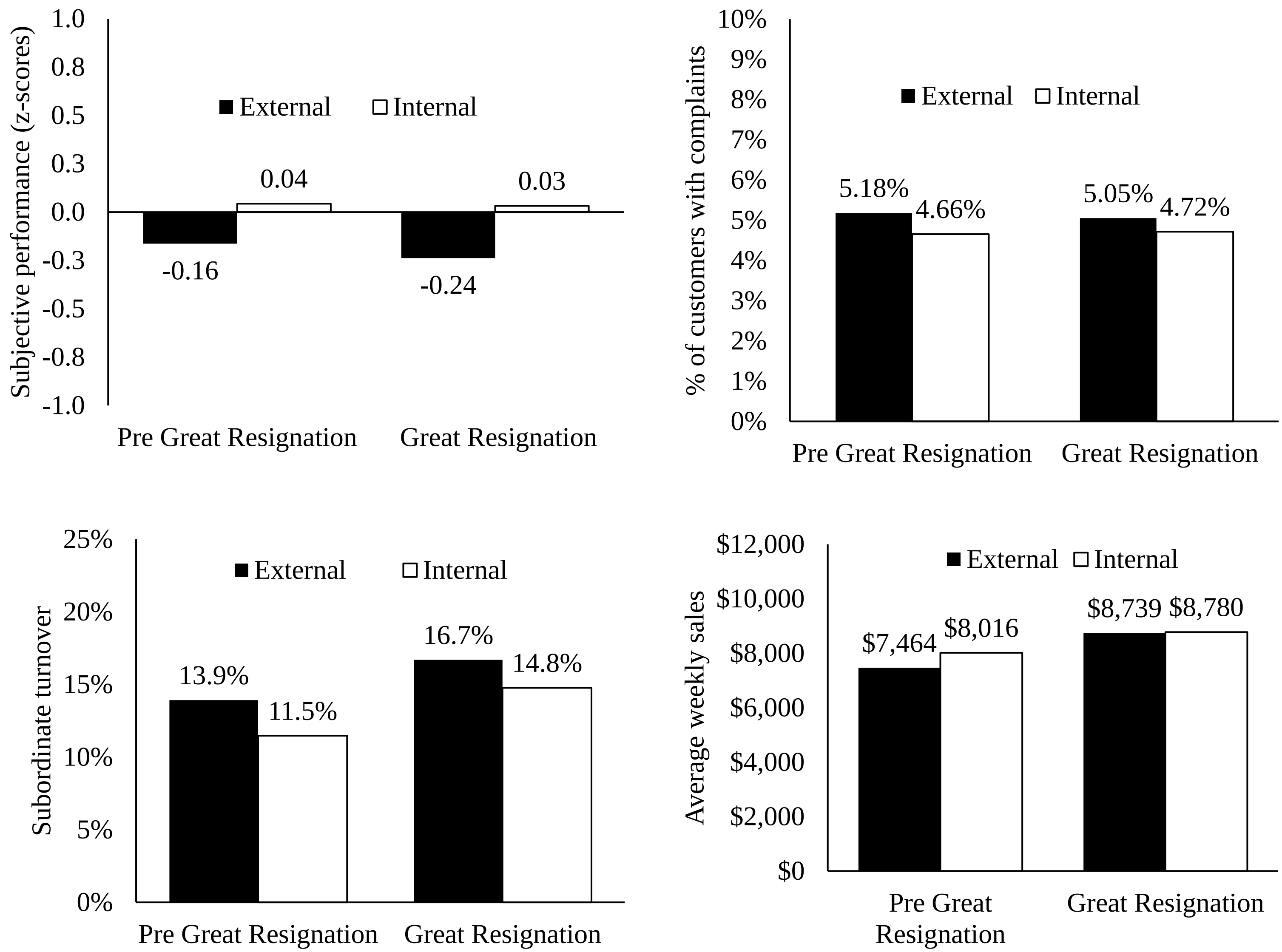

Figure 3. Relationship between hiring source and manager performance metrics before versus during the Great Resignation.