



## Impact of internal mobility of employees on organisational effectiveness in commercial banks

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### Abstract

Ongoing technological, societal, and economic changes are accelerating the tendency for employees to switch and increasing the intensity with which firms compete over high caliber talent. Additionally, employees have become increasingly strategic in managing their careers by building human capital and developing relationships, which allows them to increase their inter organizational mobility and to capture a greater share of economic rents that they help to create. The present study is an attempt to analyze the impact posed by internal mobility on organizational effectiveness of commercial banks in Coimbatore city. The result showed there was a collision between the internal mobility and organizational effectiveness in the commercial banks.

**Keywords:** internal mobility, organizational effectiveness and commercial banks

### Introduction

Every organization and business wants to be successful and have desire to get constant progress. The current era is highly competitive and organizations regardless of size, technology and market focus are facing employee retention challenges. To overcome these restraints a strong and positive relationship and bonding should be created and maintained between employees and their organizations. Human resource or employees of any organization are the most central part so they need to be influenced and persuaded towards tasks fulfillment. For achieving prosperity, organizations design different strategies to compete with the competitors and for increasing the performance of the organizations. A very few organizations believe that the human personnel and employees of any organization are its main assets which can lead them to success or if not focused well, to decline. Unless and until, the employees of any organization are satisfied with it, are motivated for the tasks fulfillment and goals achievements and encouraged, none of the organization can progress or achieve success. The focus of this study is to enlighten that how an organization through its employees' internal mobility, can achieve success and effectiveness.

### Review of literature

Over the last two decades, a significant research literature has emerged about the inter organizational movement of personnel and its substantial individual-level, organizational, and societal impacts. Inquiry into this phenomenon has spanned diverse fields, including economics, human resource management (HRM), strategic management, and sociology. However, while each of these respective research streams has provided valuable insights into the antecedents and consequences of the inter organizational movements of talent; the result is a research literature on employee mobility that is highly fragmented and disorganized.

Despite its lack of coherence, literature on employee mobility is of particular interest to strategy and management scholars

because the inter organizational movement of personnel affects important organizational outcomes, such as innovation (e.g., Rao & Drazin, 2002; Song, Almeida, & Wu, 2003), learning (e.g., Rosenkopf & Almeida, 2003; Singh & Agrawal, 2011), capability acquisition and divestiture (e.g., Agarwal, Echambadi, Franco, & Sarkar, 2004), market entry (Boeker, 1997), relationship management (e.g., Broschak, 2004; Carnahan & Somaya, 2013; Somaya, Williamson, & Lorinkova, 2008), and even firm failure (e.g., Phillips, 2002; Wezel, Cattani, & Pennings, 2006). Building on Arrow's observation that the "mobility of personnel among firms provides a way of spreading information" (1962: 615), both scholars and industry practitioners alike have recognized that successfully navi-gating the market for human resources (HR) can be an important driver of firm competitive advantage (Barney, 1991; Cappelli, 2000; Gardner, 2002; Michaels, Handfield-Jones, & Axelrod, 2001).

### Objectives of the study

The following are the objectives of the study

- To examine the conceptual framework and components of employee mobility.
- To analyse the impact of employees' internal mobility on organizational outcomes in commercial banks

### Research Methodology

#### Sources of data

The objectives of the project are such that both primary and secondary data is required to achieve them, so both were used for the study.

#### Primary data

A structured questionnaire is being used to collect data for analysis from the employees of commercial banks in Coimbatore city.

#### Secondary Data

The secondary data used is based on available information

published in newspapers and industry journals, magazines and internet.

**Sampling Technique**

For the purpose of the study 100 employees from the commercial banks has been selected applying Simple Random Sampling method.

**Statistical tools to be used**

The following tools are to be applied for the study

- Simple Percentage analysis
- Regression Analysis

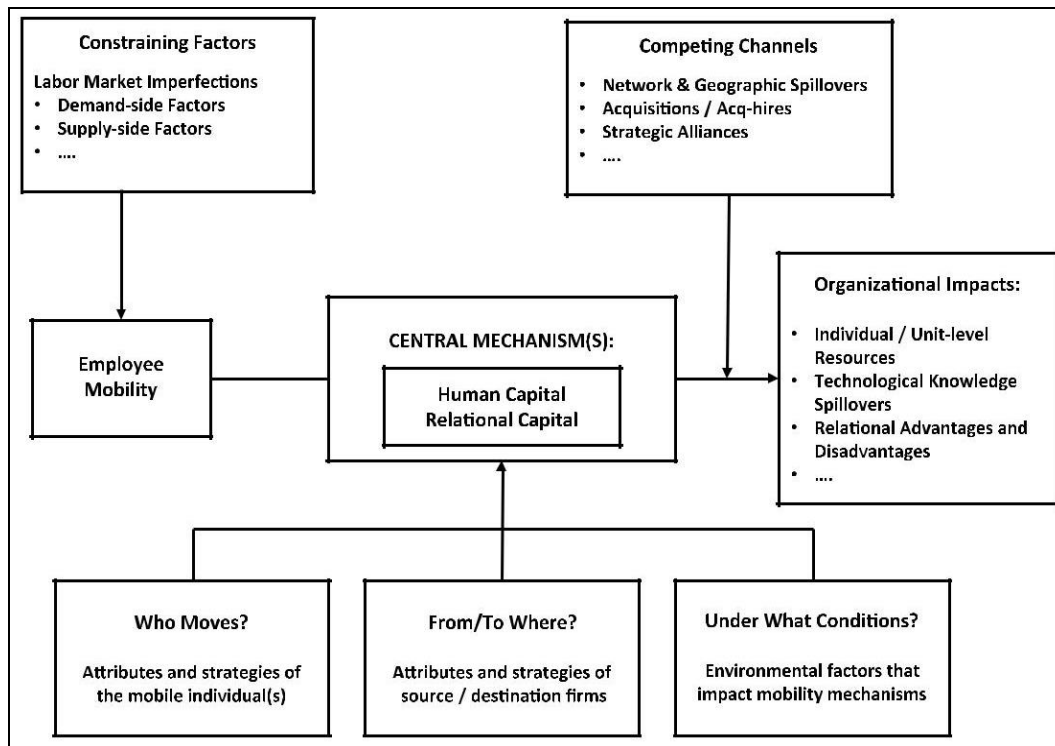
**Limitations of the study**

The following are the limitations of the study.

- This study is restricted only to employees of Information technology sector so the result may not be applicable to other areas.
- The finding of the study depends on the respondents' attitude.

**Employee mobility-concept**

Despite the importance and increasing salience of employee mobility for management theory and practice, the extant literature on the topic lacks a unifying conceptual structure. Research has typically adopted somewhat ad hoc theoretical lenses to study the organizational impacts of mobility, often reflecting the predilections of the researchers' home fields, with the result that valuable opportunities to examine alternative or complementary perspectives may be missed. Thus, the lack of a shared understanding among researchers can become a significant handicap in developing a cumulative, conceptually integrated body of research that builds systematically on prior evidence and theory and exposes unanswered questions about employee mobility that require additional study. Our goal in the current review is to address this lacuna by aggregating and organizing the literature on the *organizational impacts of employee mobility* into a coherent conceptual framework. We expect this review to provide management scholars with a comprehensive and theoretically informed view of this rapidly growing field of research, which we hope will also stimulate new and exciting avenues for future work.



**Fig 1:** Integrative conceptual framework of how employee mobility affects organizational outcomes

**Conceptual Framework of Employee Mobility**

We first focus on the “content” of what mobile employees convey or transfer when they move, which allows us, in turn, to understand how the movement of employees can have organization-level impacts. We propose, on the basis of the preponderance of extant research, that these knowledge and resource transfers can primarily (if not exclusively) be characterized as the human capital and relational (or social) capital residing in and transferred by mobile individuals, which are in turn the central mechanisms through which

employee mobility affects organizational outcomes.

The conceptual framework in Figure 1 provides an overall logic for when and why employee mobility may affect key organizational outcomes. First, in order for mobility to have organizational impacts, employees should have limited constraints on their mobility so that it is possible for a firm to attract one or more employees from other firms.1 Second, employees must bring with them the required human and/or relational capital required that enables firms to acquire the resources or capabilities that are likely to engender the desired

organizational outcomes. Third, the context conditions must be right—that is, the firm must be able to attract the right type of individual under the right organizational and environmental conditions, which leads to the effective transfer of human and/or relational capital and enactment of the types of benefits sought. And last but not least, mobility is valuable only when it is able to transfer resources (net of costs) more effectively than other channels that the firm can access.

### **The content of employee mobility: Human and relational capital**

#### **Human Capital**

Human capital comprises the various dimensions of knowledge, skills, and expertise held by individuals that are gained through education, training, and experiential learning (Becker, 1975; Coff, 2002; Hatch & Dyer, 2004). Systematic thinking about the different dimensions of human capital can be traced back to Becker's (1964) pioneering economic analysis of the differences between general human capital and firm-specific human capital (FSHC). General human capital, by definition, consists of knowledge and skills that are applicable to many firms, whereas FSHC is applicable only to a particular firm (e.g., Malos & Campion, 2000). As a result of the limited general applicability of FSHC, and the corresponding mobility barriers it creates, strategy scholars often consider FSHC as a necessary condition for sustaining competitive advantages from HR (Barney, 1991).

Over the last couple of decades, scholars have expanded on this typology of human capital and, in particular, classified general human capital into subcategories, such as managerial (or executive) human capital, industry-specific human capital, partner-specific human capital, and occupational or profession-specific human capital. Managerial human capital is shaped by individuals' education and career experience and allows those individuals to provide strategic direction, implement organization-wide routines and capabilities, and convey organizational values to, and motivation for, employees (Gioia & Thomas, 1996). Industry-specific human capital consists of an individual's repertoire of skills that are primarily applicable to other firms in the same industry (Castanias & Helfat, 1991, 2001). Employees with prior experience working with specific external partners, such as clients, suppliers, or alliance partners, may also develop human capital that is partner specific (Dyer & Singh, 1998; Mayer, Somaya, & Williamson, 2012), which is linked to their relational capital (see below). Finally, individuals may be members of an occupation or profession, such as law or accounting, and hold specialized knowledge and skills relevant to that profession but applicable to many firms, which is referred to as professional or occupation-specific human capital (Mayer *et al.*).

Human capital may also be differentiated in terms of overall quality or ability. Employees who are disproportionately productive relative to average performers in their field and typically hold superior education, skills, and experience are often referred to as "stars," who are in turn also often very mobile (Groysberg, Lee, & Nanda, 2008; Teece, 2003). Another important dimension of the content of human capital relates to mobile individuals' knowledge about specialized routines and processes (Dokko, Wilk, & Rothbard, 2009;

Wezel *et al.*, 2006), which can be particularly valuable for inter organizational learning and capability development. Similarly, individuals may hold tacit knowledge about specific technologies or inventions that is often very valuable to other firms (Herstad, Sandven, & Ebersberger, 2015; Palomeras & Melero, 2010). Last but not least, organizational imprinting may lead mobile individuals to have different cognitive maps or logics about environmental realities, behavioral norms, goals, and strategic priorities that may influence the recipient firm (Beckman, 2006; Stinchcombe, 1965).

#### **Relational Capital**

Relational capital of employees can be defined as "a set of resources rooted in relationships" (Nahapiet & Ghoshal, 1998: 243) that can generate economic advantages for firms (Adler & Kwon, 2002). A key distinction between human and relational capital is that while human capital is essentially held and controlled by the individual, relational capital is *shared between the individuals* connected by the relationship(s). Consequently, while an individual's human capital typically transfers with him or her to the destination firm (even if the destination firm is unable to access and create value from it), relational capital is not guaranteed to transfer with the individual and depends importantly on choices exercised by the alter with whom the relationship is shared (e.g., Rogan, 2014). Additionally, employee mobility can both disrupt (e.g., Broschak, 2004; Carnahan & Somaya, 2013) and *help create* (e.g., Somaya *et al.*, 2008) relational capital because the displacement of the individual from one role and organization to another fundamentally changes the set of potential relationships that he or she can engage in.

Another important distinction is that between internal and external relational capital (Adler & Kwon, 2002; Somaya *et al.*, 2008). Internal relational capital relates to relationships and networks within an organization that often develop naturally through close working relationships between employees and is typically important for the functioning and productivity of the organization (Dess & Shaw, 2001), as well as its long run competitive advantages (Nahapiet & Ghoshal, 1998). A special case of internal relational capital arises at the team level, which is developed through interdependence and socialization among team members and is often critical for the performance of the team and its members (Campbell, Saxton, & Banerjee, 2014; Groysberg *et al.*, 2008; Huckman & Pisano, 2006). External relational capital, on the other hand, relates to relational assets shared between individuals and external constituents, such as clients, alliance partners, and professional networks. While internal relational capital is typically developed by every employee within an organization, external relational capital is more likely to be held by employees with external facing roles—so-called exchange managers—and affects firm outcomes by fostering finer-grained knowledge sharing, stimulating organizational learning, and strengthening inter firm relationships (Broschak, 2004; Dyer & Singh, 1998; Somaya, *et al.*).

While we have highlighted several dimensions of human and relational capital here, the list is not meant to be exhaustive. Instead, it is our goal to illustrate a general approach—with many specific examples—that is valuable for understanding the organizational impacts of employee mobility. Secondly, it

is important to recognize that these attributes are not meant to occur in a mutually exclusive manner. For example, individuals who are considered stars are also often associated with high levels of general (typically occupational) human capital and with prominent positions in relational networks, all of which jointly enhances their mobility and value to recipient firms (Cappelli, 2000; Carnahan, Agarwal, & Campbell, 2012; Teece, 2003). Similarly, executives holding superior managerial human capital also typically hold deep levels of industry-specific expertise (Castanias & Helfat, 1991), which can limit the transferability of their skills. The joint occurrence of different types of human and relational capital in mobile employees creates significant challenges for distinguishing between alternative mechanisms by which mobility affects organizations, and many research opportunities remain in clarifying and understanding the interactions between these mechanisms. We summarize the key dimensions of human and relational capital that may be conveyed through employee mobility in Table 1.

### **Organizational impacts of employee mobility** **Transfers of individual and unit-level resources**

In some cases, the firm's goal in hiring a mobile employee is to simply acquire the ability to deliver performance that is presumed to be held by the individual, such as by a senior executive or star employee. Thus, the expectation is that these individuals will bring significant general human capital—often conceptualized as managerial or occupational in nature—such that they can become valuable contributors to their new organization (Campbell, Coff, & Kryscynski, 2012; Groysberg *et al.*, 2008; Teece 2003). However, research findings generally cast doubt on the ability of organizations to fully reap the expected performance benefits from these types of hires. A principal challenge appears to be that even the general human capital of these individuals does not deliver performance in a vacuum and relies critically on other aspects of their human and relational capital that may not transfer when they move. For example, they may hold significant levels of industry-specific human capital or FSHC (Castanias & Helfat, 1991; Huckman & Pisano, 2006), their performance may be substantially embedded in internal team-level relational capital (Campbell *et al.*, 2014; Groysberg & Lee, 2009), or their human capital may be complementary with resources and information that are accessed through internal and external relational capital that is disrupted (and not immediately replaced) when they move to a new organization (Groysberg *et al.*).

The transfers of routines and systems that underlie organizational capabilities have been shown to have competitive implications for both destination *and* source firms. While the destination firm learns new routines and develops capabilities through the mobile employee, the source firm is then likely to face stronger and more direct market competition from its rival. A study in the U.S. National Football League showed, for example, that by losing employees that transferred key routines to another team, the focal organization became less competitive against the acquiring one (Aime, Johnson, Ridge, & Hill, 2010). In several other studies, spanning the U.S. legal services industry (Campbell, Ganco, Franco, & Agarwal, 2012; Phillips, 2002)

and the Dutch auditing industry (Wezel *et al.*, 2006), these competitive effects were so strong as to increase the likelihood of dissolution of the source firm, and this result was found to be especially so when employees move together, to a close rival, or to found a new firm (which highlights the important contingent effects surrounding mobility that we review below).

### **Technological knowledge spillovers**

One of the most explored areas in employee mobility research relates to the spillover<sup>3</sup> of technological knowledge and its impacts on firms' innovation trajectories, which is often measured by using patent and patent citation data. This type of knowledge spillover generally relates to the technical and scientific details of technologies invented in the source firm, and mobile employees may be particularly effective in transmitting the tacit knowhow-related aspects of such knowledge (Almeida & Kogut, 1999; Hoisl, 2007; Lacetera, Cockburn, & Henderson, 2004; Maliranta, Mohren, & Rouvinen, 2009; Møen, 2007; Tzabbar, Aharonson, & Amburgey, 2013). Additionally, mobile scientists and engineers may carry with them key routines that can help recipient firms break from their path dependent technology trajectories (Song *et al.*, 2003; Tzabbar, 2009). Last but not least, such employees may also bring with them their structural relational capital—comprising external information networks within a technological field and ties to former colleagues at their previous firm—which helps to enhance the absorptive capacity (Cohen & Levinthal, 1990) of the destination firm and creates ongoing channels for learning and knowledge spillovers (Rosenkopf & Almeida, 2003; Rosenkopf & Nerkar, 2001; Singh, 2005). Drawing on these mechanisms, research in international business has shown that personnel flows from multinationals to domestic firms are associated with increased productivity (Balsvik, 2011; Görg & Strobl, 2005), and that knowledge flows (as measured by patent citation patterns) follow employee mobility between multinationals and domestic firms in both directions (Singh, 2007).

### **Relational advantages (and disadvantages)**

Mobile employees are often important agents in altering the external interorganizational relationships of both source and destination organizations. The backdrop for this research is provided by a number of studies on client-supplier relationships in the advertising and auditing industries, which have found that the dissolution of these market ties are increased by the departure (or even reassignment to other roles) of key exchange managers in supplier firms (Baker, Faulkner, & Fisher, 1998; Biong & Ulvnes, 2011; Broschak, 2004; Broschak & Block, 2014; Seabright, Levinthal, & Fichman, 1992). The underlying mechanism is intuitive; because the interorganizational relationships are mediated by the external relational capital shared between counterparts at the client firm and the supplier's exchange managers, their departure leads to a disruption of this relationship. This intuition is taken a step further by Somaya *et al.* (2008), who show that mobile individuals may actually "port" such client relationships to competing firms, in effect taking their external relational capital with them. Although all dimensions of

relational capital may play a role in such transfers of client relationships (Somaya *et al.*), recent research suggests that the trust and reciprocity built into the normative dimension may be most salient (Carna-han & Somaya, 2013). Other contexts in which such porting of relational capital is possible include relationships within technological communities (Dokko & Rosenkopf, 2010), as well as with alliance partners, government officials, and other external stakeholders, which are currently unexplored research opportunities.

**Analysis and Interpretation**

**Simple percentage analysis**

- Majority (55 %) of the respondents are in age group of 20 to 30 years.
- Majority (59 %) of the respondents are Male.
- Majority (65 %) of the respondents are employees for 5 to 6 years.
- Most (45 %) of the respondents are Undergraduates.
- Majority (59 %) of the respondents are Married.
- Most (52 %) of the respondents are belonged to income group of 5 lakhs and above per annum.
- Majority (62 %) of the respondents have awareness on internal mobility.
- Majority (60 %) of the respondents expressed favour over internal mobility.
- Majority (65 %) of the respondents have expressed internal mobility as an ordinary business process
- Majority (70 %) of the respondents agreed to work in the same organisation irrespective of frequent internal mobility.
- Most (40 %) of the respondents prefer to work 8 hrs time duration between the 10 am to 6am.
- Most (50 %) of the respondents favoured to raise their educational qualification while working.

**Regression Analysis**

**H<sub>01</sub>: Internal mobility of employees has no impact on the organizational effectiveness**

**Table 1**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EFF	-1.3108	5.8018	-0.2249	0.8235
DEP	-5.9101	1.5801	-3.7458	0.0007
ADV	6.8942	1.7964	3.8439	0.0005
CRM	-2.6273	1.3209	-1.9776	0.0464
GOOD	2.1426	6.7331	3.1740	0.0032
C	-5.8118	1.8011	-3.2308	0.0028
R-Squared	0.7173		Durbin-Watson stat	1.4747
Adjusted R-squared	0.6488			
F-statistic	10.4689		Prob(F-statistic)	0.0000

The above table deals with the impact of employees’ internal mobility on organizational effectiveness in commercial banks. It can be inferred from the table that Adjusted R-square value is 0.64. This indicates that 64 percent of the variations in the organizational effectiveness are explained by overall efficiency, deposits, loan and advances, customer relationship

management and goodwill in commercial banks. The F-statistic is significant at all levels indicating that the hypothesized relationship between the internal mobility and organizational effectiveness is validated. The value of Durbin-Watson statistic is 1.47 indicating that the model is not suffering from auto correlation problem.

**Conclusion**

Evidence from a variety of empirical contexts consistently shows a hiring bias in favor of insiders that intensifies at higher levels of the job hierarchy. Empirical evidence is less clear on the relative importance of the motivations for internal hiring that have been proposed in theoretical work. These motivations can be expected to differ by firm and job characteristics, so that the right strategy for a particular firm depends on its context and situation. Thus, the people charged with designing hiring strategies for their firm should be aware that there is considerable heterogeneity in hiring strategies by industry and job type. Nonetheless, some general principles can be suggested. The relative value of internal hiring is higher when firms rely heavily on promotions (as opposed to other policies such as incentive compensation) to motivate workers and when specialized knowledge and skills that apply mostly to the firm in question (and that are less valuable elsewhere) are crucial for productivity.

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