



Journal of Organizational Effectiveness: People and Performance

Reimagining overqualified human resources to promote organizational effectiveness and competitive advantage

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Article information:

To cite this document:

David M. Sikora Katina W. Thompson Zachary A. Russell Gerald R. Ferris , (2016), "Reimagining overqualified human resources to promote organizational effectiveness and competitive advantage", Journal of Organizational Effectiveness: People and Performance, Vol. 3 Iss 1 pp. 23 - 42

Permanent link to this document:

<http://dx.doi.org/10.1108/JOEPP-03-2015-0012>

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Reimagining overqualified human resources to promote organizational effectiveness and competitive advantage

Reimagining
overqualified
human
resources

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Abstract

Purpose – Many organizations hold the traditional view that due to the potential of higher job dissatisfaction and employee turnover rates, hiring overqualified job candidates is risky. The purpose of this paper is to take an alternative perspective, using Human Capital and Resource-based theories to propose that hiring overqualified job candidates adds to a firm's human capital depth. This additional human capital depth, in turn, enables firms to improve near term organizational effectiveness, and ultimately, build long-term competitive advantage. However, the ability of the firm to sustain this competitive advantage is dependent upon the retention of the overqualified human capital. The authors propose that job and career development opportunities made available to the overqualified will increase commitment and reduce turnover intentions, resulting in a long-term competitive advantage. Thus, the conceptual framework makes reference to deployment of the overqualified as an under used source of human capital. Finally, the implications of the proposed conceptualization and directions for future research are discussed.

Design/methodology/approach – This paper reviews theory and proposes a conceptual framework for reimagining overqualified human resources.

Findings – There are powerful benefits to hiring overqualified job candidates, but by not hiring overqualified job candidates, organizations are missing out on a large, easily available, and potentially lower cost source of highly skilled human capital.

Practical implications – The authors propose that job and career development opportunities made available to the overqualified will increase commitment and reduce turnover intentions, resulting in a long-term competitive advantage. Thus, the conceptual framework makes reference to deployment of the overqualified as an under used source of human capital.

Originality/value – This paper uses Human Capital and Resource-Based theory to propose a conceptual framework which makes four key contributions. First, the authors propose that hiring overqualified job candidates increases an organization's human capital depth. Next, this increased human capital leads to near term improvements in employee performance and organizational effectiveness. In turn, firms using career development exercises such as job crafting, mentoring, and/or informal leadership to retain overqualified human capital are more likely to convert near term organizational effectiveness into long-term competitive advantage. Finally, the authors offer a conceptual framework that bridges the overqualification and strategic human resources management literatures.

Keywords Selection, Retention, HR strategy, Organization effectiveness, Human capital

Paper type Conceptual paper



Introduction

All organizations compete through the quality of their people. This realization contributed to the emergence and development of the strategic human resources management (SHRM) perspective. A firm's employees are responsible for the organizations' results. Employees develop and implement the firm's strategies, processes, products and services, and ultimately determine its success level. Because employees, in the form of human capital, determine organizational success, it follows that firms with the deepest and best-developed human capital pools also are likely to be the most successful (Crook *et al.*, 2011; Skaggs and Youndt, 2004; Takeuchi *et al.*, 2007).

The recent economic downturn highlights the jobs-skills issue within the labor force, where many job candidates are highly skilled and yet not easily placed in jobs requiring high-level skills (Livingstone, 2010; Maynard, 2011). As a result, more and more job candidates are considering positions for which they are viewed as being overqualified. As a result, the potential underemployment of these highly qualified job candidates is an increasingly important issue to individuals, organizations, and society.

Underemployment and overqualification

Underemployment is defined as inadequate employment based on several dimensions that include education and experience level, wage, job status, and job field requirements (Feldman, 1996). Although underemployment was highlighted by the economic crisis in the aftermath of the Great Recession of 2007, underemployment has been a veiled economic issue since 1915, after the initial United States Bureau of Labor Statistics (BLS) inquiry and its first appearance in academic research (Brissenden, 1923; Evans, 1915). According to the BLS employment situation summary, in January 2015, approximately 6.8 million people in the USA experienced job status underemployment by being employed part-time for economic reasons (US Department of Labor, Bureau of Labor Statistics, 2015a). Given the broader definition of underemployment, this figure underestimates the magnitude of the issue.

In addition to its underlying dimensions, underemployment is a phenomenon that can be either objective or subjective in nature. Where subjective underemployment is determined by the degree of underutilization that the employee perceives, objective underemployment can be assessed without input from the employee. As noted by Maltarich *et al.* (2010), the degree of objective underemployment may be determined in an impartial and unbiased manner by an independent observer.

Given underemployment's complexity, many researchers often examine the phenomenon by investigating a subset of the dimensions as opposed to the entire construct domain. For instance, overqualification is a subset of underemployment that only encompasses the education and experience dimensions. Khan and Morrow (1991) defined overqualification as instances in which employees possess education, experience, knowledge, skills, and abilities (KSAs) in excess of that which is required by their current jobs.

Evaluating overqualification (i.e. education and experience underemployment only) is appropriate when the issue is considered from the organization's perspective, particularly in the employee selection process. When organizations are identifying potentially overqualified job candidates, the education, and experience dimensions may be evaluated objectively using the organization's job requirements and the candidate's resume. In this context, the job's required education and experience levels and the candidate's resume may be compared, with the organizations acting as independent

observers as described by Maltarich *et al.* (2010). Thus, while recognizing the importance of assessing underemployment and all of its dimensions, the scope of this paper, whose focus is on the development of human capital in organizations, is overqualification (i.e., education and experience dimensions).

Focussed on overqualification, this paper uses Human Capital and Resource-based theory to propose a conceptual framework which makes four key contributions to the existing overqualification and SHRM literatures. First, we propose that hiring overqualified job candidates increases an organization's human capital depth. Next, this increased human capital leads to near term improvements in employee performance and organizational effectiveness. In turn, firms using career development exercises such as job crafting, mentoring, and/or informal leadership to retain overqualified human capital are more likely to convert near term organizational effectiveness into long-term competitive advantage. Finally, we offer a conceptual framework that bridges the overqualification and SHRM literatures.

In line with these contributions, we propose that bypassing overqualified job candidates deprives organizations of a potentially large, highly skilled, and easily available source of human capital, and ultimately hurts their ability to build competitive advantage. As a result, firms believing that they are guarding their best interests when taking the traditional hiring approach that screens out overqualified job candidates actually are reducing their ability to build their human capital pool and their long-term competitive advantage. By making the same human capital resource allocations as their competitors, firms are choosing a strategy that produces no advantage (Greer and Ireland, 1992; Henn, 1985; Ohmae, 1988). Accordingly, firms wishing to build competitive advantage need to find the best available human capital, including job candidates they may consider to be overqualified, thus making more effective use of this otherwise under used human resource.

Theoretical foundations and proposed conceptual framework

Overqualified job applicants: a human capital framework

When making hiring decisions, each firm makes a series of decisions regarding the types of job candidates it considers for employment. Each organization decides which candidates are initially screened in or out for job interviews, and then, which candidates are offered jobs. A key part of these decisions involves an assessment of the candidates' KSAs. Ideally, each job candidate at least meets the open position's minimum job requirements. Typically, candidates not meeting the open job's KSA requirements are screened out of the hiring process. Similarly, in many organizations, candidates deemed to exceed the open job's KSA requirements also are eliminated from hiring consideration (Kulkarni *et al.*, 2015). These hiring decisions can have greater human capital, organizational effectiveness, and competitive advantage implications beyond filling the open job. Accordingly, we propose a conceptual framework focussing on the deployment of overqualified job applicants as a source of under used human capital, which, if employed effectively, can lead to improved employee performance, better organizational effectiveness, and ultimately, greater competitive advantage. Our proposed framework is presented in Figure 1.

Human Capital Theory holds that a firm's capabilities and productivity lie in the firm-specific skills and abilities of its employees (Becker, 1964; Strober, 1990). In this view, a higher level of accumulated employee KSAs in a firm will lead to higher firm human capital levels. In turn, higher human capital levels are proposed to result in more effective employees. This likely leads to better employee and firm performance.

In a similar fashion, the resource-based view (RBV) proposes that employees (i.e., human capital) are a potential source of long-term competitive advantage to a firm (Barney, 1991; Wernerfelt, 1984). When employees' KSAs are rare, unique, and cannot easily be duplicated by another firm, it provides a potential source of competitive advantage to the firm (Barney, 1991). For example, although competitors can duplicate many organizational resources (e.g., technology, financial capital, and/or geographic location), because an organization's human capital (i.e., the accumulation of its employees' intellectual and relational capital) can be rare, unique, and not easily imitated, it can become a source of competitive advantage potentially sustainable over time.

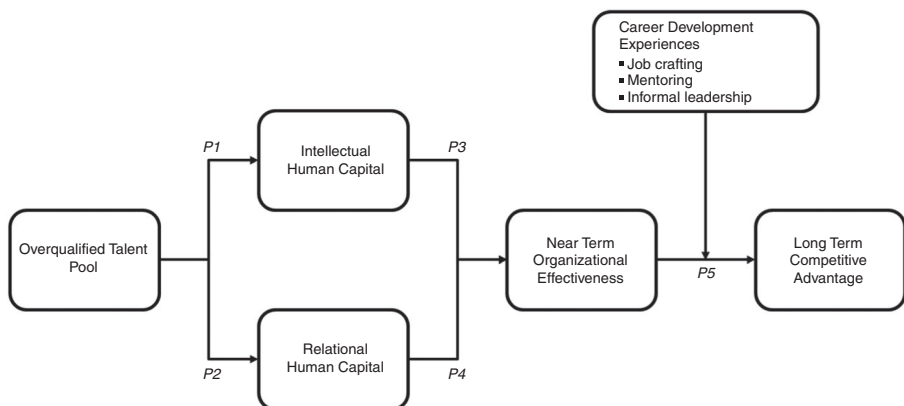
Together, these theories suggest that overqualified job candidates (i.e., those with highly developed KSAs) provide firms with the opportunity to build their human capital depth. Higher human capital levels help firms provide more innovative products and services, better quality, and improved customer service. In the near term, these business improvements likely lead to increased organizational effectiveness. Overtime, this consistently greater organizational effectiveness can potentially provide a long-term competitive advantage. However, maintaining a competitive advantage is reliant on the firm's ability to retain the increased human capital.

In our suggested framework, career development opportunities offered by firms will likely moderate the relationship between near term organizational effectiveness and long-term competitive advantage. Thus, we propose that employees at firms offering these development opportunities will remain with the firm (i.e., demonstrate reduced turnover), displaying increased motivation and commitment, and providing a long-term competitive advantage. The overqualified at firms not offering these opportunities will likely seek employment elsewhere, thus eliminating the potential of improving organizational effectiveness and building a long-term competitive advantage.

Theoretical development

Human Capital Theory. Human Capital Theory (Becker, 1964; Flamholtz and Lacey, 1981) proposes that a firm's productivity lies in the firm-specific skills and abilities of its employees (Becker, 1964; Kwon and Rupp, 2013; Strober, 1990). In this view, an organization's human capital is composed of the sum of its individual employees' KSAs. It includes both employees' factual and explicit KSAs, along with their often difficult to articulate, tacit KSAs (Polanyi, 1966). In turn, these KSAs are associated

Figure 1. Conceptual framework: overqualified human capital, organizational effectiveness, career development and competitive advantage



with important individual-level outcomes such as job performance and employee turnover (Wright and Boswell, 2002).

Although not owned by them, human capital also is valuable to firms (Wright *et al.*, 2001). As a result, organizations seek to protect themselves from employee turnover, and the resulting transfer of their human capital investments to other firms (Kwon and Rupp, 2013). The accumulation of human capital incurs cost. As a result, there is an incentive to retain good employees who show positive returns on the firm's human capital investment (Dess and Shaw, 2001). In Human Capital Theory, employee turnover reduces an organization's human capital, represents a potential investment loss, and ultimately has a negative firm performance impact. Numerous studies have demonstrated the negative relationship between employee turnover and firm performance (Batt, 2002; Huselid, 1995; Macky and Boxall, 2008; Richard and Johnson, 2001). Because high performers represent greater human capital than average or poor performers, Shaw *et al.* (2005) proposed that their turnover more severely reduced a firm's overall human capital level. Accordingly, this increased human capital loss has a more negative organizational effectiveness impact.

Finally, Human Capital Theory suggests that if human capital is not equally distributed (i.e., because some firms can acquire the talent they need, while others cannot), then human capital ultimately can become a source of sustained competitive advantage (Snell *et al.*, 1996). Lepak and Snell (2002) argued that human capital is valuable to firms because it contributes to a firm's competitive advantage by improving efficiency and effectiveness, helps explore new business opportunities, and/or counteracts competitive threats. Numerous other scholars similarly have viewed human capital as one of the most important resources that can contribute to sustained competitive advantage (Coff, 1997, 1999; Mahoney and Pandian, 1992; Mills, 1986; Quinn, 1992; Wright *et al.*, 1994). Consequently, although selecting and retaining overqualified human resources may seem unconventional, in the human capital view, doing so can provide a strong positive influence on a firm's overall human capital level and, by extension, improve its organizational effectiveness.

RBV theory. Penrose (1959) revealed the importance of the allocation, use, and diversification of organizational resources to firms' relative competitive position. The RBV of the firm suggests that organizations could gain a long-term competitive advantage in areas where they possessed resources that are deemed valuable, inimitable, rare, and non-transferable (Barney, 1991). Grouping them as physical capital, organizational capital, or human capital, Barney defined a firm's resources as any assets, processes, information, or firm characteristics that may be harnessed to devise and to implement organizational strategies. Importantly, achieving long-term competitive advantage requires a proper match of internal resources and capabilities for exploiting environmental opportunities in order to prove lucrative for forward-thinking, progressive organizations.

A competitive advantage must be heterogeneous across organizations and include value creating strategies and/or processes. In this view, firms with superior resources model the notion of Ricardian rents (Peteraf, 1993). The Ricardian argument suggests that firms possessing resources that are in limited supply have the ability to decrease their costs and to sustain the advantage over time when those resources cannot be expanded or easily transferred. Labor supply, which is bound by the population growth, is an inherently limited resource. As a result, organizations that devise strategies to better exploit this limited resource rightly align with the Ricardian argument. Thus, firms that

broaden their applicant pool to include overqualified applicants, increase their likelihood of building their organizational human capital, which ultimately can lead to a long-term competitive advantage.

Proposition development

Overqualification and human capital

Overqualification involves a mismatch between an employee's skill, experience, and education level and the requirements of a job (Allen and van der Velden, 2001; Badillo-Amador and Vila, 2013). By definition, overqualified employees possess additional intellectual and experiential capital that other employees do not possess. We argue, that by hiring overqualified individuals, organizations can increase their human capital. This is because overqualified employees, through their additional education and experiences, likely have not only gained additional intellectual abilities and know-how, but their experiences likely have embedded them in more extensive and influential social networks (Burt, 1997).

Burud and Tumolo (2004, p. 11) defined human capital as the "application of intellectual capital (knowledge, skills, and talent) plus relational capital (connections and relationships with customers, peers, vendors, and external associates) in the pursuit of an organization's goals." Both intellectual capital and relational capital are forms of capital found within the individual employees of the firm, and both provide the firm with additional resources. We argue that overqualified employees hold greater levels of both human capital forms, and in turn, are then better able to contribute to development of human capital at the organizational level.

Intellectual capital. Youndt *et al.* (2004, p. 337) broadly defined intellectual capital as the "sum of all knowledge an organization is able to leverage in the process of conducting business to gain competitive advantage." Given the application of Human Capital Theory and the RBV of the firm, the ability to obtain, deploy, and leverage intellectual capital effectively is an important antecedent of gaining a sustainable competitive advantage. Morris and Snell (2011) and Youndt *et al.* (2004) acknowledged the interrelatedness of human capital, intellectual capital, and organizational capital. Although the three types of capital are interrelated, researchers also maintain that organizations can implement specific strategies, such as selective hiring, as a means of independently affecting a particular human capital type (Youndt *et al.*, 2004). A goal of organizations that target overqualified individuals should be to identify human capital characteristics that complement organizational goals and facilitate knowledge integration within the firm, thereby demonstrating a positive impact on the firm's overall intellectual capital.

The additional education and experience of overqualified applicants is similar to Morris and Snell's (2011) study of multinational enterprise employees, where they argued that knowledge creation is derived from exposure to different environments and experiences. In their view, increasing the organization's human capital depth by targeting overqualified applicants positively affects intellectual capital through increased market knowledge, product knowledge, and training capability in instances where those applicants also possess desirable and transferrable skills.

Relational capital. Overqualified applicants also may increase firm relational capital by integrating their existing social networks with those of the firm. Relational capital is comprised of knowledge that is derived through social networks and relationships across individual, group, and organization levels (Burt, 1997; Youndt *et al.*, 2004).

Increasing a firm's relational capital is a necessity because it is the mechanism by which organizational learning occurs (Hall, 1992; Kogut and Zander, 1996). Burt (1997) outlined the relationship between human capital and relational capital by suggesting that human capital is the catalyst for effectively positioning individuals within their social networks. Thus, it is essential that organizations adopt hiring and employee development strategies that support information sharing and knowledge integration among their employees. These strategies help ensure the development of increased relational capital, and ultimately, overall human capital within an organization. Similarly, we also suggest that carefully recruiting and selecting overqualified applicants whose skills and goals align with the firm produces a positive performance result as discussed by Ployhart and Moliterno (2011). Thus, organizations that strategically adopt HRM practices to select the most qualified applicant, even when that applicant is overqualified, likely will increase their organizational human capital depth through increased intellectual and relational capital:

- P1. Hiring overqualified applicants is positively associated with increased intellectual capital.
- P2. Hiring overqualified applicants is positively associated with increased relational capital.

Human capital, performance improvement, and near term organizational effectiveness. Lopez-Cabrales *et al.* (2006) argued that when two firms compete in the same industry, and use similar technology, the organization with the greater human capital is likely to improve performance, and in turn, build an advantage. The authors proposed that greater intellectual capabilities from within a firm's human capital help organizations more quickly identify and solve quality problems, and learn faster to reduce unit costs and improve customer satisfaction. These employee performance improvements then result in increased organizational effectiveness. They further suggested that this capability takes time to develop, and is strongly linked to the quality of an organization's recruitment, training, team-building, and compensation practices.

Skaggs and Youndt (2004) suggested that human capital plays a particularly important role in the organizational effectiveness of service organizations. They argued that when customers require highly variable service levels, an organization's human capital quality is vital to strong performance relative to firms with lower human capital quality. In their view, when employees possess high skill, knowledge, and expertise levels (i.e., intellectual capital), organizations will better satisfy their customer's needs, leading to improved employee performance and greater organizational effectiveness. This view is consistent with Human Capital Theory, which proposes that highly skilled employees can better cope with task uncertainty, including varying customer demands (Becker, 1964).

Effective use of relational capital also is beneficial to individuals and organizations (Burt, 1997). Youndt *et al.* (2004) found that organizations with high-relational capital profiles have higher investments in HRM and information technology initiatives, which result in better performance and effectiveness. Other researchers argued that relational capital is gained by effectively leveraging firm-specific resources (Ployhart *et al.*, 2006) that are rarely rewarded externally, thereby decreasing voluntary turnover which has been associated with increased performance (Dess and Shaw, 2001).

Peng and Luo (2000) demonstrated evidence of the micro-macro link between relational capital and firm performance, and the boundary conditions under which successful integrations occur. We offer a similar notion that the micro-macro association holds within the context of organizations and overqualification. In this view, social networks of overqualified employees represent a resource firms can leverage for improved performance and organizational effectiveness. These networks provide an advantage over other firms that is not easily replicable, as individual social networks, and the resources accessible through them, are tied to the individual overqualified employees.

Wright and colleagues (1994) suggested that highly skilled and highly motivated participants in the human capital pool also may be highly productive, thereby allowing organizations to create a more talented labor force. Organizations may obtain this type of human capital pool by targeting overqualified applicants who possess desirable, transferable education and KSAs by categorizing these attributes as core or peripheral assets as suggested by Lepak and Snell (1999). Overqualified applicants also may allow organizations to increase the prevalence of general, and perhaps firm-specific, skills within the human capital pool.

Although the explanatory power of human capital theory for overqualification is not without controversy, researchers agree that education, experience, and skill level are related to productivity (Livingstone, 2010; Rumberger, 1987), noting that high levels of education and KSAs may increase employees' adaptability and ability to obtain and to understand information. Research also has suggested that an organization's human capital pool shares a direct relationship with its labor costs and productivity (Lepak and Snell, 1999).

Crook *et al.*'s (2011) meta-analysis provided empirical evidence of a strong positive relationship between human capital, organizational effectiveness, and firm performance. They found that increasing human capital by one standard deviation increases firm performance (i.e., return on assets) by 0.21 of a standard deviation. These results are supported by additional studies showing a strong and positive relationship between human capital investments and firm-level performance measures (e.g. Becker and Huselid, 2006; Bowen and Ostroff, 2004; Gong *et al.*, 2009; Huselid, 1995).

In sum, theory and research demonstrate a strong relationship between both intellectual capital and relational capital, organizational effectiveness, and firm performance. Firms that recruit overqualified employees likely will reap the benefits of the additional intellectual and relational capital those employees possess. The additional resources provided by overqualified employees help improve near term organizational effectiveness which often results in higher firm performance and success:

- P3. Increased intellectual capital is positively related to near term organizational effectiveness.
- P4. Increased relational capital is positively related to near term organizational effectiveness.

The moderating effect of career development experiences. Despite the evidence demonstrating the positive effect of increased human capital, human resource departments often shy away from hiring overqualified employees (Kulkarni *et al.*, 2015). Speculation and some research (e.g. Maynard and Parfyonova, 2013) suggest

that overqualified employees might be more prone to leave, which leads many firms to remove overqualified applicants from further consideration. We propose that rather than bypass overqualified employees, firms should instead seek to hire these individuals, and offer career developmental experiences to use their additional KSAs, increase their motivation, satisfaction, and attachment, and entice them to remain with the organization.

We propose that organizations allowing these employees to use their excess skills will be rewarded with both increased job performance and greater employee commitment. Because many overqualified previously may have held more senior positions, or possess the skills necessary to succeed in more senior positions, allowing them to engage in job crafting and role-expansion, and take on mentoring and/or informal leadership roles, represent logical options for career development experiences that benefit both the organization and the individual overqualified employees.

Job crafting. Job crafting is defined as the “physical and cognitive changes individuals make in the task or relational boundaries of their work” (Wrzesniewski and Dutton, 2001, p. 179). This definition suggests that employees can use proactive career development experiences to alter aspects of their jobs. Overqualified individuals likely have the experience and KSAs to job craft in ways that benefit both themselves (i.e., decreasing the level of incongruence between excess qualifications and job requirements) and the organization (i.e., improving near-term and long-term organizational effectiveness). As a result, firms allowing the overqualified to fully use their additional skills will reap the most benefit.

For example, job crafting allows overqualified employees to take on new roles, additional responsibilities, expand social networks, and/or perceptually separate desirable and undesirable job tasks (Berg *et al.*, 2010a, b). These positive individual outcomes, in turn, result in positive organizational outcomes such as increased motivation and job performance (Grant, 2007). Providing opportunities for the overqualified to job craft and expand roles and responsibilities can increase person-job fit perceptions (Wrzesniewski and Dutton, 2001). Further, Leana *et al.* (2009) found job crafting often results in greater job attachment, and reduced turnover, addressing one of the primary concerns firms have with hiring the overqualified. Thus, job crafting encourages behaviors that promote employee performance improvements which, in turn, foster the transformation of near-term organizational effectiveness to long-term competitive advantage.

When given the opportunity to job craft, the overqualified likely seek opportunities to use and showcase their additional experiences and abilities. By taking on more visible and influential roles, the overqualified can provide both direct benefits to the organization as well as inspire and motivate colleagues. Expanded roles and responsibilities as mentors and informal leaders similarly provide the overqualified with opportunities to demonstrate their additional KSAs and provide guidance and support to others within the organization.

Mentoring. Mentoring is a relationship in which a senior employee (i.e. the mentor) provides guidance, knowledge, and career support to a protégé with the goal of improving the protégé’s performance and future career prospects (Thomas and Kram, 1988). When an organization hires overqualified individuals, they gain access to individuals with the experience and abilities of more senior employees. Because of their additional experience and abilities, the overqualified are able to mentor coworkers in junior-level, same-level, or even more senior-level positions. This ability potentially adds

to the organization's competitive advantage as overqualified employees not only contribute directly, but also are able to mentor others and potentially increase the contributions of multiple protégés.

Mentoring provides several positive outcomes for the mentor. Eby and Lockwood (2005) found mentors not only improve managerial skills and develop positive relationships, but they realize personal enjoyment and a sense of accomplishment from watching their protégés succeed and advance. The authors also found that the reciprocal relationship between mentor and protégé also provides mentors with new perspectives and information that can further improve the overqualified mentors' skillsets. Thus, it is reasonable to suggest that these positive outcomes result in increased job satisfaction for the mentor. Positive relationships, a sense of accomplishment, and personal development are mentoring benefits that likely result in increased overqualified employee job satisfaction.

Increased job satisfaction for overqualified employees is important to both the individual and the organization. Existing literature (e.g. Tett and Meyer, 1993) suggests that job satisfaction has a strong negative relationship with turnover intentions. As organizations offer their overqualified employees experiences to use their additional skills and experience to mentor colleagues, they are likely to see a reduction in turnover, effectively addressing a primary fear organizations have with employing the overqualified. Moreover, decreasing turnover intentions allows organizations to retain overqualified human resources and to leverage the positive outcomes of their mentoring activities in ways that facilitate the development of long-term competitive advantage.

Informal leadership. Informal leadership is leader behavior by individuals who are not in positions of formal authority, but still have the ability to influence others due to respect for their abilities and credibility (Peters and O'Connor, 2001). Overqualified employees possess skills and experience that allow them to garner respect from colleagues, enabling them to direct the actions of followers. Because of their past experiences and knowledge, that less qualified employees do not possess, the overqualified many times can demonstrate greater influence than can official leaders on organizational outcomes (Chan and Chan, 2005). As the overqualified are able to use their knowledge and skills to influence organizational outcomes, they are likely to experience increased job satisfaction.

Spillane and Kim (2012) found informal leaders who are able to influence organizational direction through participation in important decision-making are more likely to feel a sense of ownership. This ownership is related to job satisfaction and often leads to greater organizational commitment (Devos *et al.*, 2014). Both job satisfaction and organizational commitment have strong negative relationships with turnover intentions (Tett and Meyer, 1993). Providing an opportunity for the overqualified to use their past experience and skills through informal leadership results in increased job satisfaction and a reduction in turnover, sustaining the performance improvements gained by hiring the overqualified.

By offering career development experiences (i.e., job crafting, mentoring, and informal leadership roles) to the overqualified, organizations can reduce turnover and retain the intellectual and relational capital resources the overqualified provide (Russell *et al.*, in press). When the overqualified are able to mentor and take on informal leadership roles, they often will experience increased job satisfaction and organizational commitment. These positive feelings toward the organization will, in

turn, reduce the turnover that hiring managers often fear when hiring the overqualified. Because the overqualified are retained, their excess education, skills, and experience remain within the organization, sustaining the competitive advantage provided by the increased human capital. Formally stated:

- P5.* Career development experiences moderate the relationship between near term organizational effectiveness and long-term firm competitive advantage. Firms offering these experiences will retain the increased human capital and resulting organizational effectiveness improvements needed to build long-term competitive advantage. Firms not offering these career development experiences will realize a weaker relationship between organizational effectiveness and long-term competitive advantage.

Discussion

Attracting, developing, and retaining high-quality human capital is critical for organizations aiming to improve near term organizational effectiveness and long-term competitive advantage. Although firms use many processes and techniques to improve their human capital capabilities, many organizations overlook, or sometimes even actively discourage, the hiring of overqualified individuals (Erdogan *et al.*, 2011). By routinely disqualifying overqualified job candidates, organizations lose a key resource that could improve their human capital depth and organizational effectiveness, and provide them a long-term competitive advantage. Further, by neglecting to offer opportunities for career development and progression, organizations are more likely to experience turnover of the overqualified employees they do recruit. This paper intended to address this important issue, and as a result, there are a number of implications for further discussion.

Contributions and implications

This paper proposed that hiring overqualified job candidates increases an organization's human capital depth. Our conceptual framework makes reference to deployment of the overqualified as an under used source of human capital. This framework also provides better insight into the factors potentially influencing the hiring of overqualified job candidates, the depth of an organization's human capital, and the resulting organizational effectiveness and competitive advantage outcomes. As a result, this framework points to the importance of objectively assessing the KSAs of all job candidates, including those who traditionally might be considered as overqualified. The "best" hiring practices have limited performance impact if organizations regularly eliminate job candidates solely because they are considered to be overqualified for the immediate job opening. As suggested by this framework, this traditional hiring approach likely restricts the development of an organization's KSAs and human capital depth.

Next, we proposed that greater human capital leads to near term improvements in employee performance and organizational effectiveness. As human capital depth increases, intellectual capital and relational capital also should grow. Together, these improved capabilities likely lead to better employee performance, greater near term organizational effectiveness, and ultimately, a competitive advantage over other firms. However, competitive advantage only can be achieved if the overqualified employees are retained. Accordingly, our conceptual model also suggested that firms using career development exercises such as job crafting, mentoring, and/or informal leadership to

retain overqualified human capital are more likely to convert near term organizational effectiveness into long-term competitive advantage.

Next, we offered a conceptual framework that bridges the overqualification and SHRM literatures. Our proposed framework contributes to theory by extending support for Human Capital and Resource-Based theories, traditionally used in the SHRM literature, to the overall overqualification domain. Existing theories that have been applied to overqualification research mostly have adopted an individual perspective with very little research that addresses the organizational component (Maynard *et al.*, 2009). Using the human capital and RBV frameworks offers a unique opportunity to explain the manner by which organizations may capitalize on the overqualification issue in a way that aids individual employees while also providing organizational effectiveness benefits.

Finally, organizations that proactively seek and consider overqualified applicants also help address an area of immediate social concern – the growing number of underemployed individuals. Thompson and colleagues (Thompson *et al.*, 2013) proposed that recent employment discrimination against the long-term underemployed (i.e., individuals unemployed for more than one year) may exacerbate underemployment by forcing overqualified applicants to settle for jobs in which they are underemployed as a means to avoid this type of discrimination. By broadening recruitment and selection criteria to include overqualified job candidates, organizations can have a larger impact on resolving this economic issue as well as building toward their own competitive advantage.

Directions for future research

Besides the possible outcomes described in this paper's proposed conceptual framework, there are additional organization-level concepts that should be explored in more depth. These include a deeper consideration of organizational culture and climate. For example, are certain organizational cultures more likely to hire overqualified job candidates? Perhaps cultures that highly value employee participation, innovation, and/or risk-taking are more likely to value the high-level KSAs offered by overqualified candidates, and the potential for such employees to expand their job duties and responsibilities through job crafting, mentoring, and informal leadership opportunities. Conversely, more traditional organizational cultures that value employee conformity, adherence to corporate rules, processes, and procedures may more actively discourage the consideration of overqualified candidates.

Expanding upon culture and climate's impact on the hiring of overqualified candidates, scholars also could consider the impact of organizational decision-making styles on the hiring of overqualified job candidates. Does a decentralized decision-making style lead to more active consideration of overqualified candidates? In comparison, more centralized decision-making styles, with fewer opportunities for exercising independent judgment, might inhibit the hiring of overqualified candidates.

Beyond the organization-level issues we described, there also are individual-level overqualification issues related to this framework. Feldman and Leana (2000) found that some overqualified employees who were underemployed after being downsized or laid off from previous organizations embraced this status as they opted for jobs with smaller organizations that offered less job stress, greater social support, and increased job stability. Other authors revealed that overqualified employees who felt empowered in their jobs experienced more job satisfaction, higher intentions to remain, and less voluntary turnover (Erdogan and Bauer, 2009). This suggests that overqualified

individuals are willing to make sacrifices and to respond positively to organizational initiatives involving job modification and development. Future work in this area should consider other ways in which organizations can highlight their commitment to the overqualified within their workforce. Scholars also should study whether such initiatives foster greater organizational commitment and organizational trust among underemployed individuals.

Together, a deeper assessment of these issues helps further develop a more comprehensive overqualified human capital conceptual framework. This framework should reflect wide-ranging viewpoints on the factors impacting the hiring of overqualified job candidates, the building of human capital depth, and the impact on organizational effectiveness and competitive advantage outcomes. Accordingly, this more complete conceptual framework will help address many of the overqualification issues described by Thompson *et al.* (2013).

Practical implications

Our proposed framework provides a number of key insights for HR practitioners. By better understanding the linkages between increased human capital depth, improved employee performance, organizational effectiveness, and competitive advantage, HR managers should be able to more effectively design their organization's hiring practices. For example, if the relationships proposed in our framework are accurate, then HR departments looking to increase firm performance should examine their organization's policies toward the hiring of overqualified job candidates. Hiring managers' beliefs that overqualified candidates are not good hires because they may be less motivated and prone to greater turnover (Maynard *et al.*, 2009) are not always accurate (e.g., Maltarich *et al.*, 2010). By changing these beliefs and developing policies aimed at hiring the most qualified job candidate, organizations can acquire a greater human capital resource base. Although attracting the overqualified might appear to be a daunting task, the BLS reports that in 2014 there were 273,000 college graduates employed at minimum wage, with 41,000 of those workers possessing a master's degree or greater. This staggering figure suggests that there are many overqualified workers looking for better opportunities and likely applying for jobs for which they may appear to be overqualified, yet desperately desire.

Next, implementing this paper's proposed conceptual framework should help organizations better leverage overqualified employees' talents to improve employee development and mentoring efforts. This could be particularly important for the youngest generations of today's workers. Studies show that Millennials and Gen Xers are more motivated by extrinsic rewards than are Baby Boomers (e.g. Twenge *et al.*, 2010). Career development and mentoring opportunities likely will help fulfill these workers' need for extrinsic (i.e. status) reward and lead to greater organizational commitment and, in turn, reduced turnover.

Farsighted organizations always are looking to grow their business and gain an advantage in advance of the next business turnaround. Hiring overqualified candidates allows firms to better prepare for the next business upturn and for future expansion opportunities. For example, overqualified job candidates can bring intellectual capital in the form of new market and/or product knowledge, along with the relational capital needed to access critical business networks. Together this valuable human capital can help firms grow sales.

Possessing a number of overqualified employees on staff also helps organizations build organizational bench strength, and to address potential senior management succession gaps. Overqualified employees provide the human capital depth necessary to develop large leadership talent pools. For organizations interested in building their bench strength and succession depth, weak business markets provide the opportunity to invest in this leadership development. Weak markets mean organizations can relatively easily add top talent that normally might not be available to their firm. Making this early leadership investment also provides organizations with vital time advantages that allow them to more quickly respond to new opportunities in improving markets.

Hiring overqualified job candidates helps HR departments more effectively respond to numerous human resource challenges. For example, a deep “bench” of overqualified employees helps firms quickly and confidently replace poor performers. Additionally, despite the current tight job market, the BLS shows average voluntary employee turnover rates remaining at approximately 22 percent annually (US Department of Labor, Bureau of Labor Statistics, 2015c). The human capital depth gained from having overqualified employees helps organizations proactively address this ongoing employee turnover.

There also are strategic benefits to hiring overqualified job candidates. Greer (1984) and Greer and Ireland (1992) proposed a countercyclical hiring strategy. This strategy involved hiring talent during weak business cycles so that an organization could quickly reap the benefits of that talent when business improved. In this view, hiring during weak business cycles means there is less competition for talented job candidates. As a result, similar to the hiring of overqualified job candidates, countercyclical hiring means that firms can access a larger and more easily available talent pool, at a lower compensation cost, than is available when hiring during improved business cycles. This human capital stockpiling strategy also benefits organizations by keeping top talent away from their competition. Additionally, Greer and Ireland found countercyclical hiring was positively related to financial performance.

Organizations that hold more traditional staffing views argue that hiring overqualified candidates likely leads to increased employee turnover, increased job dissatisfaction, and lower job performance. However, research shows this view is sometimes mistaken. In a study assessing the performance of retail sales associates, researchers found that overqualified individuals performed better than other employees (Erdogan and Bauer, 2009). The researchers found that the overqualified employees were both rated higher by their managers, and produced higher objective sales performance. Although this research also showed that overqualified sales associates occasionally exhibited higher job dissatisfaction and voluntary turnover levels, the researchers noted that both of these issues were significantly improved by allowing these employees to make more job-related decisions.

Similarly, another study that examined the business impact of hiring overqualified candidates found that providing these employees with challenging job assignments demonstrated a strong positive impact on business results. This research demonstrated that overqualified employees who were responsible for leading others, making decisions, and being held accountable for their work outcomes, provided greater job effort, performed better, and facilitated higher organizational outcomes (Luksyte *et al.*, 2011). As a result, the researchers believed that if done right, hiring, and retaining overqualified individuals over time could lead to an important competitive advantage.

Conclusion

Simply put, organizations with the best human capital depth likely perform significantly better than firms with weak human capital. Building human capital depth provides benefits at all organization levels. Crook *et al.* (2011, p. 451) argued that as global knowledge-based economies grow, the acquisition and development of outstanding human capital appears essential to improved firm performance. They contended that “to improve performance, firms not only should attract, invest in, and develop human capital but should also retain experienced managers and employees, because doing so pays off handsomely.”

By not hiring overqualified job candidates, organizations are missing out on a large, easily available, and potentially lower cost source of highly skilled human capital. By thinking beyond the traditional wisdom regarding the hiring of overqualified candidates, organizations can access a resource capable of building their human capital depth, increasing their intellectual and relational capital, improving their organizational effectiveness, and ultimately, building long-term competitive advantage.

As a result of the advantages available to organizations hiring overqualified individuals, firms should reconsider overqualification in a conscious and deliberate manner. Although there are some risks to hiring overqualified job candidates, there also are powerful benefits. The overqualified should not be categorized as a group of undesirables who should be avoided and who have no place in organizations. Indeed, they represent a potentially valuable, but often under used, resource base for organizations.

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