

# Influences on the Architecture of Human Resource Management in Nonprofit Organizations

## An Analytical Framework

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Human resource management (HRM) plays an important role in providing better management for nonprofit organizations (NPOs). Yet little is known about what influences their human resource practices. After discussing how the strategic and human-resource-based theoretical approaches are appropriate for analyzing HRM in NPOs, the authors explore the current nonprofit literature to identify the specific characteristics of strategic orientations and human resources in NPOs. As a result, the authors propose an analytical framework that is differentiated into four HRM types. This framework enables a better understanding of the relationship between the specific characteristics of NPOs and the architecture of HRM.

**Keywords:** *human resource management; strategy; motivation; nonprofit organizations*

The need for research about managing human resources in the nonprofit sector is often substantiated by the growing body of evidence that nonprofit organizations (NPOs) must become more effective in facing their uncertain, changing environments as well as the internal changes in their organizational conditions (Barragato, 2002; Herman & Renz, 2004). Not only do NPOs have to react to more competition and deregulation, but there is also an increase in the demand for the provision of services, which is compounded by less governmental and private financial support (Cunningham, 2001; Lynn, 2003; Priller & Zimmer, 2006). At the same time, to receive the revenues essential for conducting their work, NPOs need to

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enhance their legitimacy in the eyes of various external stakeholders, such as donors, government, clients, and members. These aforementioned examples underscore arguments that NPOs are facing demands to become more effective and efficient by adopting better managerial practices (Chetkovich & Frumkin, 2003; Kellock Hay, Beattie, Livingstone, & Munro, 2001; Parry, Kelliher, Mills, & Tyson, 2005). Human resource management (HRM) plays an important role in developing and providing better management, as employees have to be recruited, knowledge about management practices has to be procured and implemented in management routines, and change management has to be supported.

Most of the aforementioned changes directly affect the expenditure of labor within NPOs. The shifts in relationships between NPOs, markets, and institutions and also the changing relationships between NPOs and their clients affect the existing values, allocation of tasks, evaluation of performance, and collaboration between executives and employees. Confronting the need for HRM with the fact that the literature regarding HRM in NPOs often deals mainly with the effects of HRM (e.g., Cunningham, 2001; Deckop & Cirka, 2000), it is revealed that little is known about where these HR practices come from, how they develop, and which circumstances shape the architecture of HRM in NPOs. Turning the focus to the influences on HRM entails a shift in the perception of HRM in NPOs. Whereas emphasizing the effects of HR practices has led to widespread assumptions that “best practices” exist that can be applied in a universalistic way (Pfeffer, 1998), focusing on the influences on HRM enables us to understand the construction of the architecture of HRM as a result of the orientation of NPOs. We argue that identifying the influences that shape HRM in NPOs can provide a better understanding of the possibilities to develop or change HRM in NPOs.

In this article, we assume that specific characteristics of NPOs influence the architecture of HRM. After reviewing the strategic and human resource (HR)-based theoretical approaches to HRM, we first discuss how these approaches are appropriate for analyzing the architecture of HRM in NPOs. Second, stemming from the theoretical background of the strategic and HR-based approaches, we explore the nonprofit literature to identify the specific characteristics of the strategic orientations and human resources of NPOs. As a result, we propose an analytical framework that can be differentiated into four HRM types. This framework provides a basis for discussing these HRM types in light of the current empirical findings on HRM in the nonprofit literature. Furthermore, this framework enables a better understanding of the relationship between the specific characteristics of NPOs and the architecture of HRM.

## **Theoretical Approaches to HRM**

Several theories examine the relationship between the external and internal factors that influence the architecture of HRM. In the following, we outline two main theoretical perspectives, the strategic and HR-based approaches, to better understand how HRM is shaped in NPOs.

## Strategic Approach

The strategic HRM approach deals with the question of whether the strategic goals of the organization can have a direct impact on HR strategy and HR practices. It investigates the processes involved in aligning the strategic orientation of an organization with the architecture of HRM. Regardless of whether the strategy of an organization addresses profit concerns or nonprofit goals, there is a central assumption that the organization's strategic orientation is a main influence on the architecture of HRM. Conceptual foundations of this perspective focus on the dynamics of the environment (e.g., stable or volatile), situational factors, external and internal stakeholders, and the like, which can affect the strategic orientation of an organization.

Within the strategic perspective, a vertical approach assumes that the effectiveness of HRM can only be measured in terms of how well it supports the goals of the organization. Therefore, it is argued that HR practices have to be focused on the core elements of the strategy (Tichy, Fombrun, & Devanna, 1984). This perspective examines the degree to which the architecture of HRM depends on this strategic orientation and how the organization's HR practices fit with its strategy. Empirical evidence shows that within various branches this vertical "fit" is comparable but has to be customized to local circumstances (Wright, Snell, & Dyer, 2005). Indeed, HR practices result from the values, mission, and strategic goals of the organization. Thus, external threats and opportunities have to be considered as well as internal strengths and capabilities (Wright & Snell, 1998). Furthermore, specific emphasis has been given to stakeholder interests and situational factors (Beer, Spector, Lawrence, Mills, & Walton, 1984), as the effects of HR practices are not only related to strategy but also have consequences for individual and societal well-being.

In the horizontal approach, the underlying assumption is that organizations can bundle HR practices that will lead to specific HR goals that, in turn, support the strategy of an organization. This approach investigates how HR practices fit with and support each other to achieve organizational goals. Take, for example, research by Guest (1997), who demonstrated that the combination of single status, reward, job security, and internal promotion fit synergistically with the enhancement of employee motivation. Managers have different assumptions as to which practices will lead to specific organizational goals. A "fit" is identified when organizations define their goals and use a synergistic bundle of HR practices. Therefore, the strategic approach assumes that every organization has its own unique HRM architecture. Different contexts and specific goals lead to different usage, application, and effects of HR practices.

## HR-Based Approach

In facing their changing environments, organizations have to examine whether their resources are adequate and properly used (Barney, 1991). As a consequence, organizations have to distinguish between resources to be procured and those to be

developed and improved (Dierickx & Cool, 1989). The resource-based view states that investments into valuable and rare resources enhance the effectiveness and efficiency of the processes and outcomes of an organization (Barney, 1991; Wernerfelt, 1984). The underlying assumption is that continuous investments into these resources increase the possibility to specify core competencies, which enable better outcomes according to the needs of clients or lead to competitive advantages within the organizational field (Barney & Hesterly, 2005).

Available resources, either owned or controlled by an organization, have to be combined with capabilities. These capabilities can be thought of as intermediate goods generated by the organization to provide enhanced performance as well as strategic flexibility (Amit & Schoemaker, 1993). From this point of view, the architecture of HRM stems from identifying HR behavior relevant for the success of the organization and transferring these resources into strategic options that are supported by HR practices.

Shifting these theoretical foundations to human resources, this perspective ties HR practices to the characteristics of the HR base. Employees are interpreted as valuable resources that contribute to the success of the organization. As such, employees are an investment and not a cost category. It is argued that the valuable and rare characteristics of human resources (e.g., skills and motivation) have to be continuously developed by specific HR practices closely linked to the anticipated core competency (De Saà-Pèrez & Garcia-Falcòn, 2002). Gratton (1999), for example, suggests linking extant HR practices to future HR practices to ensure that the development of employees' skills meets the demands of the changing environment.

In contrast to the strategic approach, the emphasis in the HR-based approach is on the value and development of human resources. Both of these perspectives offer an appropriate foundation for analyzing the architecture of HRM in NPOs. Therefore, we examine the literature on the specific characteristics of the strategic orientations and human resources in NPOs.

## **Specific Characteristics of Strategic Orientations in NPOs**

Research reveals that the specific characteristics of strategic orientations in NPOs are shaped by the importance of values and of diverse external and internal stakeholders.

### **The Importance of Values-Driven Orientations**

NPOs differ according to their embedded values, missions, identities, social goals, outcomes, and ideological characteristics. The special values that are embedded in a nonprofit's historically developed mission are claimed to be important for sustaining a competitive advantage (Frumkin & Andre-Clark, 2000) and for the effective provision of services (Jeavons, 1992). Given the for-profit sector's emphasis on organizational efficiency, Frumkin and Andre-Clark (2000) argue that human service nonprofits will

maintain a sustainable competitive advantage by emphasizing their value-driven side to strategy rather than by pushing for greater operational efficiency. According to Frumkin and Andre-Clark, nonprofits cannot compete with private organizations in terms of efficiency because, in part, of their limited financial and human resources. Indeed, the task of remaining competitive is alluded to as being demanding, given the inherent tension between mission and margin (Chetkovich & Frumkin, 2003). The values-driven orientation of an NPO is perhaps best captured by what Jeavons (1992) terms as its *value-expressive character*. Jeavons makes the case that for an NPO to be effective in providing services and in communicating the values motivating their service, it must honor the human, social, and professional values in the way that it operates. For example, neglecting concern for the welfare of employees and volunteers is argued to have ramifications for the reputation of the organization, fundraising efforts, and the recruitment of future professional staff, thus jeopardizing the promotion of certain social, moral, or spiritual values. Not only are the beliefs about organizational values and mission important, but their persistence throughout generations embeds them in the organization's strategies throughout the course of time (Stone, Bigelow, & Crittenden, 1999).

Stemming from these embedded values, NPOs are often characterized by strong collective identities. Research using the concept of organizational identity shows that not only do identities differ, affecting nonprofit strategy, structure, and practices accordingly (Young, 2001), but also that multiple identities within a NPO often contradict each other (Jäger & Mitterlechner, 2004).

From the strategic perspective, studies focus on the different outcome or value an NPO produces, conceived of as the achievement of social goals and donor satisfaction of contributing to the cause (Moore, 2000, 2003). In addition, such research also emphasizes the unique sources of revenues of NPOs, namely charitable contributions of money, time, and material. Moore (2003), for example, rejects the direct transferal of a for-profit strategic management model to nonprofits given the model's continued emphasis on financial measures of performance, as nonprofits seek to achieve social purposes rather than sustained profitability.

Along these same lines, the ideological characteristics of NPOs have also found resonance in the nonprofit management literature. Organization founders who are ideologues are proposed to concentrate more in the nonprofit sector, being more motivated by ideas on how to provide a particular service rather than being motivated by profit (Rose-Ackerman, 1996). As these ideologues are likely to employ managers and workers who have this same vision, the services provided are believed to continue to reflect these values.

## **The Importance of External Stakeholders**

The nonprofit literature views diverse key stakeholders as critical for interpreting the mission and making decisions in the strategic management process in NPOs

(Hoffman, Dugman, & Crittenden, 1991; Speckbacher, 2003; Stone & Brush, 1996). NPOs are accountable to a variety of constituencies with heterogeneous goals and needs, with key stakeholders being those constituencies who make large investments to fulfill the organization's mission, such as financial donors, service recipients, or volunteers (Speckbacher, 2003). Given their heterogeneous goals, these constituencies are viewed as often conflicting. With different interests trying to define organizational values, vague and difficult-to-measure goals emerge for the organization to secure the support of these diverse groups (Stone et al., 1999; Stone & Brush, 1996). Because of the permeability of boundaries in NPOs, different external groups try to impose their values and compete for the dominance of their values in the organization. Research has indicated, for example, that stakeholder groups such as funders may jar with the dominant values in the NPO (Cunningham, 2001; Stone et al., 1999). Indeed, it has been argued that NPOs are more susceptible to conflict around interpretations of their organizational missions, especially between the board and staff (Hall, 1990).

Nonprofits are conceived of as fragile coalitions among diverse interests, with differences in values, background, and training, all struggling for consensus (Hall, 1990). To balance the conflicting demands and goals of these external stakeholders, Moore (2000) creates an alternative dual strategy model with respect to how nonprofits are confronted with managing upstream in terms of donors and downstream in terms of clients and services. Although for-profit organizations may also consider a variety of the aforementioned stakeholders in their management processes, the difference is that NPOs must involve these constituencies to operate.

## **The Importance of Internal Stakeholders**

Empirical studies dealing with the relationship between employees and the organization indicate the importance of the mission for the internal stakeholders of the NPO. For example, Brown and Yoshioka's (2003) research confirms a positive relationship between mission attachment and employee satisfaction and expressed intentions to stay. A study by Ban, Drahnak-Faller, and Towers (2003) shows that the mission of the organization was cited by an overwhelming majority (77%) of the interviewed employees as one of the main draws to working in the organization. Furthermore, studies using the concept of highly fitted personnel underscore the importance of a fit between the internal stakeholders and the organization. For example, research by Vigoda and Cohen (2003) reveals that both person-organization fit and met expectations are positively related to job satisfaction and organizational commitment of nonprofit employees.

Moreover, not only are internal stakeholders characterized by different goals, priorities, and values (Hatten, 1982; Minkoff & Powell, 2006), but the professional staff may also exhibit conflicting needs, as their strong commitment to their profession may jar with organizational goals (Newman & Wallender, 1978). For example, Hatten (1982) argues that as the managerial responsibilities are shared among board members, professional administrators, and the technical professional staff, this can

render problems regarding job responsibilities and result in tension between these various management groups given their different priorities and views of their own roles. Professional staff alone exhibit conflicting needs for status, growth, independence, and financial gain.

## **Specific Characteristics of Human Resources in NPOs**

A review of the second strand of research on the specific characteristics of human resources reveals a strong emphasis on the unique attributes of employees in the nonprofit sector in terms of their motivation. Not only does the seminal theoretical research on NPOs assume that nonprofits attract intrinsically motivated managers (Hansmann, 1980; Rose-Ackerman, 1996), but also empirical studies on nonprofit compensation suggest that workers are willing to exchange extrinsic rewards for commitment to the cause (Handy & Katz, 1998). Intrinsically motivated behaviors can be understood as “those behaviors that are motivated by the underlying need for competence and self-determination” (Deci & Ryan, 1980, p. 42). According to Deci (1995), intrinsic motivation “is associated with richer experience, better conceptual understanding, greater creativity, and improved problem solving, relative to external controls” (p. 51). As seen in the following paragraph, research demonstrates that within NPOs, employees display intrinsically motivated behaviors.

### **Different Needs and Motivation**

Empirical evidence suggests that nonprofit employees not only have different needs than for-profit workers because of differences in personality characteristics, values, motives, and occupational values (Rawls, Ullrich, & Nelson, 1975) but they also have a stronger nonmonetary orientation, as they are more likely to receive nonmonetary rewards from their work than for-profit employees (Borzaga & Depedri, 2005; Borzaga & Tortia, 2006; Light, 2002; Mirvis & Hackett, 1983). These unique attributes are substantiated by studies showing the different reward preferences of nonprofit employees and their reasons for working in the organization, which suggest a nonmonetary commitment (Mirvis, 1992; Onyx & Maclean, 1996; Wittmer, 1991).

Recent empirical studies supply continual evidence, both directly and indirectly, of a stronger nonmonetary orientation among nonprofit workers, especially when compared to employees in the public and for-profit sectors (Benz, 2005; Borzaga & Depedri, 2005; Borzaga & Tortia, 2006; Light, 2002). According to a study that examined recruitment issues in nonprofit social care organizations, having rewarding work, autonomy, and responsibility were cited as important job aspects by managers and employees (Nickson, Warhurst, Dutton, & Hurrell, 2008). Furthermore, data provided by Almond and Kendall (2000) on the U.K. workforce reveals that nonprofit workers are much more likely to work unpaid overtime in comparison to

the private and public sectors, indicating that their levels of employee commitment are higher. Empirical evidence thus seems to suggest that nonprofit employees have a stronger nonmonetary orientation, have different needs from for-profit sector employees, and are characterized by a high level of commitment.

In addition, articles reviewing research on motivation in nonprofits point out that nonprofit employees are not primarily motivated by financial rewards (Alvarado, 1996; Theuvsen, 2004), indicating that the conditions of nonprofit environments and employees' preference structures do not coincide with the motivational determinants of pay for performance systems. Empirical evidence of overjustification and crowding-out effects (cf., Frey & Jegen, 2001) is provided by Deckop and Cirka (2000) in their quantitative study of the effects of a merit pay program on intrinsic motivation at a nonprofit religiously affiliated college. Using data collected at two time periods, their research reveals a crowding-out of intrinsic motivation for the employees who had a high intrinsic motivation before the merit pay program and who experienced an increase in control by pay. Deckop and Cirka liken the merit pay plan to a double-edged sword in that it may both decrease intrinsic motivation and be unable to sustain increases in extrinsic motivation, culminating in less motivation than before the program was initiated.

### **Nonprofit Wage Differential**

Although these assumptions of different needs and motivation of nonprofit employees are reflected in studies dealing with compensation, there is an ongoing debate about the contradictory empirical results surrounding the topic of the nonprofit wage differential. Whereas some research indicates that wages in NPOs are equal to or even exceed those in for-profit organizations when comparing the data for many of the industries in which both nonprofit and for-profit organizations operate actively (Leete, 2001; Salamon & Dewees, 2002), the bulk of the studies confirm the prevalence of higher for-profit wages than nonprofit wages in specific industries, although there is still little consensus as to the source of this wage differential (Handy & Katz, 1998; Preston, 1989; Preyra & Pink, 2001; Roomkin & Weisbrod, 1999; Ruhm & Borkoski, 2003).

One possible explanation lies in the donative labor hypothesis—that is, that low pay in the nonprofit sector results from employees accepting a reduced wage given the different nature of the good or service being produced. This theory is supported by Preston's (1989) empirical research, yet her results do not satisfactorily rule out the possibility that the differential could be due to a selectivity bias of less productive workers. Related to this explanation is the assumption that nonprofits try to reduce problems of internal trust by a process of self-selection, by attracting committed individuals via lower wages, as research by Handy and Katz (1998) suggests. In this manner, lower wages function as a screening device to attract intrinsically motivated managers in markets with asymmetric information (Hansmann, 1980).

A second main explanation for the wage differential is due to the differing characteristics of NPOs, workers, or jobs (Leete, 2001, 2006; Ruhm & Borkoski, 2003).

Accordingly, nonprofit jobs may be located in more low-pay industries, as this is where socially desirable activities are performed, with the toleration of lower wages reflecting the specific goods and services provided rather than the nonprofit status (Ruhm & Borkoski, 2003). Leete's (2001) research indicates that there is no single economy-wide wage differential, as suggested by Preston's (1989) findings, as the differences are eliminated when controlling for industry and occupational categorizations. Instead, she finds that the donative labor hypothesis holds true only for white-collar workers. Proceeding from the assumption that nonprofits require more intrinsically motivated employees and that wage equity is central to maintaining this intrinsic motivation, Leete's (2000, 2001) results reveal that the wages of nonprofit employees are indeed less dispersed than in the for-profit sector. Leete concludes that the wages, just like the motivational requirements of NPOs, are most differentiated from those of the for-profit organization at the managerial and white-collar level.

To review thus far, the nonprofit literature demonstrates that NPOs' strategic orientations are driven by the importance of unique values, missions, and outcomes as well as by the diverse and often conflicting needs, expectations, and goals of external and internal stakeholders. The employees appear to have different needs, motivations, and reward preferences in the nonprofit sector that culminate in a stronger nonmonetary motivational foundation. These assumptions are partially reflected by the wage differential in the nonprofit sector. It is important to further analyze the relationship between the strategic orientations and the human resources of NPOs and the architecture of HRM.

### **An Analytical Framework of HRM in NPOs**

A major conclusion from the theoretical foundations is that differences in the strategic orientations and human resources of organizations lead to different strategies and practices of managing people. Applying this theoretical foundation to NPOs, we identified a values-driven strategic orientation and found evidence with regard to a strong motivational foundation.

To gain deeper insight into the architecture of HRM in NPOs, we now develop an analytical framework that combines the theoretical foundations, following the methodology used by Gratton and Truss (2003) and Lepak and Snell (1999). Our first assumption emphasizes that the architecture of HRM in NPOs varies according to the organization's strategic orientation and HR base. With regard to the strategic orientation, the architecture of HRM is explicitly shaped by the values, mission, and goals of the NPO. This entails HR practices being chosen and applied to support the values and vision of the NPO. According to the HR base, the architecture of HRM is influenced by the different needs and motivations of employees in the nonprofit sector. HR practices are chosen and applied with regard to these specific motivational foundations.

Our second assumption is that NPOs are characterized by a variety of values, missions, and goals as well as differences in the HR base. As a result, the focus on the architecture of HRM may differ. At one extreme, the focus on the architecture of HRM can be high if there is a strong connection between values and the architecture of HRM. At the other extreme, the focus can be low if there is no connection or no consistent connection between mission and values and the architecture of HRM. Similarly, we assume that an HR-based HRM architecture supports the needs of the employees on a continuum ranging from low focus with single and isolated HR practices to a high emphasis with consistent and coherent practices.

Having differentiated into two dimensions with a high and low focus on the architecture of HRM, our third assumption deals with the question of whether these dimensions are mutually exclusive or interrelated. If the architecture of HRM were mutually exclusive, it would align either solely with the strategic orientation or the HR base. In reality, however, organizations apply a broad variety of HR practices for different reasons. Every organization has a minimum in terms of values, mission, and goals (why the organization has been founded) and a minimum HR base foundation (why the organization finds employees or supporters). The degree of each dimension can vary, and we assume that the combination of the two dimensions, each having a low and high focus, leads to four HRM types. Figure 1 displays these HRM types, which we have termed as *administrative*, *motivational*, *strategic*, and *values-driven HRM*.

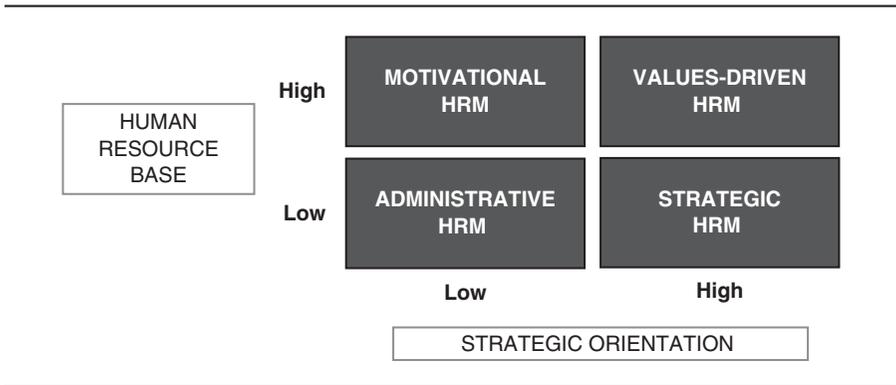
This analytical framework stems from the theoretical approaches to HRM, on one hand, and from the specific characteristics of the strategic orientations and human resources in NPOs, on the other hand. The framework provides the means to explore whether these four types can be identified and analyzed and whether these types are mutually exclusive or interrelated. The next section examines the evidence in the extant literature on HRM in NPOs with regard to each of the HRM types and identifies salient areas for further empirical research.

## **Administrative HRM**

Administrative HRM emerges when there is a low focus on both the strategic orientation and HR base. It is characterized as administrative because these NPOs have no or only weak future perspectives and are not able or willing to invest into the potential of their employees. Numerous studies suggest that HR functions are not professionalized in the nonprofit sector.

Research has demonstrated that administrative HRM is well established in NPOs and there are well-known HR routines (Ban et al., 2003; Parry et al., 2005). For example, a study of small and mid-sized nonprofits in the human service and community development fields (Ban et al., 2003) exhibits that HR techniques in this field are limited, reflecting resources constraints and a lack of professionalization and formal management training.

**Figure 1**  
**An Analytical Framework of Human Resource Management in Nonprofit Organizations**



Administrative-oriented HR practices are often merely imitated from the for-profit or public sector without a synergistic relationship to the existing HR practices or the organizational strategy (Parry et al., 2005). For example, studies of the relationship between strategy and HRM reveal that public service nonprofits are not aligning changes in strategy with changes in their HRM functions of recruitment, compensation, and labor relations (Akingbola, 2006).

Furthermore, studies indicate that HR practices are partially professionalized with regard to pressure from funders in diverse NPOs (Akingbola, 2004; Cunningham, 2001), with research demonstrating that the influence of funding priorities on HR practices can affect negatively on employee behavior, as evidence suggests that there is dissatisfaction, resistance, and discontent among staff (Cunningham, 2001). Motivating employees on short-term contracts poses difficulties for the organization, resulting in low employee morale (Akingbola, 2004). In sum, it appears that organizations characterized by administrative HRM fail to consider the motivational foundation of their HR base as well as their strategic orientation.

The nonprofit literature, however, does not yet provide in-depth empirical findings about the current routines used in administrative HRM. Where do these routines come from? Are they historically developed or imitated from other NPOs or from the public or for-profit sectors? Furthermore, why are HR practices seen as less important? What are the barriers to enhancing the professionalism of HRM?

### **Motivational HRM**

Motivational HRM exhibits a low focus on the strategic orientation and a high emphasis on the HR base. It is termed *motivational* as numerous studies show that

the employees appear to have different needs and motivations in the nonprofit sector, indicating a stronger nonmonetary orientation and commitment (Borzaga & Depedri, 2005; Borzaga & Tortia, 2006; Light, 2002; Mirvis, 1992; Onyx & Maclean, 1996; Wittmer, 1991). Research suggests, for example, that nonprofit workers in the social welfare and educational services sector have the highest satisfaction with their decision-making autonomy, variety and creativity of work, professional growth, and recognition, especially among employees in social cooperatives (Borzaga & Tortia, 2006).

Furthermore, empirical research attests to the power of the mission in attracting and motivating nonprofit staff in a youth and recreation services organization (Brown & Yoshioka, 2003) and in retaining staff in nonprofit human services agencies (Kim & Lee, 2007). Indeed, empirical research suggests that employees are attracted when organizational goals align with their own values (Nickson et al., 2008; Vigoda & Cohen, 2003). Findings from nonprofit day care providers reveal the importance of highly fitted personnel as being positively related to job satisfaction and organizational commitment of nonprofit employees (Vigoda & Cohen, 2003). In motivational HRM, HR practices strategically aim at strengthening both mission attachment and the fit between these unique nonprofit employees and the characteristics of their organization (Pynes, 1997).

These highly motivated workers are one of the main strengths in NPOs and are therefore an important starting point for developing strategies. Research in the nonprofit literature, however, is lacking on how HR practices are shaped by this high emphasis on the HR base. Furthermore, how does this focus on motivation hinder or enable the development of strategies?

## **Strategic HRM**

Strategic HRM is characterized by a low focus on the HR base and a high emphasis on the strategic orientation. The term *strategic HRM* captures the essence of how the strengths of these NPOs lie in their strategic goals derived from their mission and values, as emphasized in the literature review.

Empirical research reveals that these NPOs are mostly responding to market-related demands such as funding pressures and constraints, which can have a detrimental effect on the motivation, satisfaction, and commitment of the employees (Alatrasta & Arrowsmith, 2004; Cunningham, 2005; Mirvis, 1992; Schnitzer & Leutner, 1997). To deal with changing funding requirements and demands for professionalization, coping strategies in community-based and faith-based organizations include reducing staff and increasing workloads, followed by increasing their reliance on volunteers (Alexander, Nank, & Stivers, 1999). A study of a care services organization provides evidence that increasing pressures to provide more care, the greater emphasis on effectiveness and value for money, as well as increased performance monitoring have detrimental effects on the work orientations and commitments of the employees (Cunningham, 2005).

The design of HRM has to consider diverse and partly contradictory demands stemming from multiple stakeholders and their heterogeneous interests. Yet most of the literature indicates that these NPOs prefer to adopt for-profit models of strategic management (Stone & Crittenden, 1993; Theuvsen, 2004). In line with Moore (2003), however, the direct transfer of for-profit strategic management models to nonprofits ignores the fact that these financial measures of performance do not take the social goals of NPOs and their employees into account. For example, research shows that managers in a nonprofit religiously affiliated college ignored the motivational background and individual goals of their HR base by implementing pay for performance plans without considering the potential negative effects on intrinsic motivation (Deckop & Cirka, 2000).

Future research still needs to consider how the strong emphasis on the strategic orientation may have negative effects on employee motivation. Moreover, what are the implications of implementing strategy on the HR base within strategic HRM?

### **Values-Driven HRM**

Values-driven HRM has a high focus on both the strategic orientation and HR base. This type of HRM is termed *values driven* as the literature suggests that not only are strategies in these NPOs predominantly driven by the mission, but the unique strengths of the human resources are also drawn on and managed in accordance with these values and organizational goals.

On one hand, values-driven HRM enables strategy development through highly motivated employees and strategy implementation from a clear strategic orientation. Drawing on the unique strengths and capacities of their employees, nonprofits can develop a clear and convincing strategy that capitalizes on their distinctive values to compete with for-profit providers (Frumkin & Andre-Clark, 2000). In values-driven HRM, NPOs invest in developing their employees' skills and retain a focus on their human resources in strategic decision-making processes as a means to accomplish their mission and goals.

On the other hand, the design of HRM considers the mission and the values-laden strategic orientation as well as diverse stakeholder demands. Honoring these values in the way a nonprofit operates can have a positive impact on the reputation of the organization, fundraising efforts, and the recruitment of future professional staff (Jeavons, 1992). Stemming from the values-driven orientation, existing organizational strategies form the basis for the HR strategy. For example, values-driven HRM draws on the power of mission to attract and motivate employees, acknowledges the role of staff synergy in selecting new staff, designs motivation and retention systems in light of the motivational foundation of the HR base, and finally retains and develops employees while managing layoffs in humane ways (Watson & Abzug, 2005).

There are numerous studies that focus on the inadequate state of HRM in NPOs, but to our knowledge, there is a lack of empirical studies about NPOs with a high emphasis on both of the dimensions. Detailed descriptions and examples of NPOs exhibiting values-driven HRM are lacking.

## Conclusion

In light of the fact that NPOs are forced to adapt their HR practices to the changing environment, we began our discussion of the influences on the architecture of HRM in NPOs by reviewing the theoretical foundations of HRM. After combining the theoretical approaches with the empirical findings from the literature regarding the specific characteristics of NPOs, we came to the conclusion that NPOs encompass a values-laden strategic orientation and a motivational foundation with regard to their employees.

As a result, we developed an analytical framework of HRM in NPOs from which we can derive several future research implications. Empirical research is necessary to reveal whether these four types are mutually exclusive or emerge more as mixed forms. Therefore, future research could engage in empirically testing the relationship between the specific characteristics of NPOs and HRM types and examining how these characteristics influence the architecture of HRM. Such research will provide greater clarity with regard to the extent of the dimensions, making the present differentiation into a low versus high focus more precise. Additional research would contribute to the discussion about what influences HRM in NPOs and help to overcome the narrow debate about whether NPOs should merely adopt HR practices from the for-profit sector. It would also provide insight into how the variety of the nonprofit sector in terms of encompassing organizations differing in size, age, function, mission, tradition, cultural, and sub-sector norms, as well as social and environmental context, has implications for designing HRM (Watson & Abzug, 2005). Differences, for example, in the size and functions of the nonprofits might influence the HRM types that emerge as well.

Although we have explored how to analyze the HRM architecture of an NPO, several limitations remain. This article is only a first cut into complicated relationships. Further research is necessary to specify and better understand the architecture of HRM in NPOs as well as to identify the HR practices associated with the four HRM types.

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