

Intersections and Innovations

Change for Canada's Voluntary and Nonprofit Sector



The Muttart Foundation



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Acknowledgements

For far too long, Canada has lacked a comprehensive resource examining Canada's charitable sector. That has now ended.

The Muttart Foundation has spent many years focusing on building the capacity of charities in this country. The publication of this collection is another contribution to that effort. By understanding more about itself, the sector can continue to develop and find new ways to serve Canadians and those in need outside our nation.

The authors of these essays bring different perspectives on the role and inner workings of Canada's charities. Collectively, they bring an unprecedented insight into the work of organizations whose diversity is exceeded only by their desire to serve.

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The work of all of these individuals has come together in this resource which we dedicate to all of those in, or interested in, Canada's charitable sector.

Malcolm Burrows, President

Bob Wyatt, Executive Director



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Part II Navigating a Changing Environment

Governance and the
Regulatory Environment

The Funding Environment

The People Environment:
Leaders, Employees,
and Volunteers



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Part II Navigating a Changing Environment

The People Environment: Leaders, Employees, and Volunteers

Chapter 17

Human Resource Management in the Canadian Nonprofit Sector



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Nonprofits are complex and dynamic organizations. Their essential characteristic is defined largely by the need to evolve and adapt. Nonprofits evolve in response to emergent problems and issues in the society, and they must adapt to actualize their missions and values. People are perhaps the most critical ingredient in managing the complexity of these organizations and fostering their ability to adapt to change; how a nonprofit organization manages these human resources is fundamental to its ability, or inability, to achieve its mission and values. It is also important for nonprofits to create meaning in the social-exchange relationship with employees. Moreover, significant shifts in the nonprofit sector – including changes in funding, community connections, and professionalization – over the past three decades has heightened the need to focus on the management of human resources. For example, as the sector seeks to address impending succession challenges, related to the retirements of highly experienced employees, and implement strategies to attract millennials, who desire meaningful work, the importance of human resources management (HRM) is critical to nonprofit organizations.

This chapter examines HRM in nonprofit organizations, with an emphasis on strategic human resources management (SHRM) – that is, aligning HR practices with strategy by attracting, recruiting, and retaining employees to achieve the goals of organizations. It explores what is different about HRM in Canadian nonprofit organizations and the need to address and manage the unique drivers in order to develop and implement SHRM. We also highlight options for HR support in the typical small nonprofit, and the HR challenges – such as retention, leadership succession, rewards, and HR competencies – that will need to be addressed in the SHRM of a nonprofit. We begin with an overview of HRM and its roles in a nonprofit, then consider drivers that necessitate SHRM in organizations and the impact of strategic direction on HRM in nonprofits.



Human Resources Management: An Overview

The management of human resources has been remodelled significantly over the years to meet the emergent needs of nonprofits. This shift in concepts and practice was driven initially by long-standing debate and confusion over the definite role of HRM and was further influenced by the pace of change in the sector and changing theories and application of strategic management. Although HRM has progressed from the days of performing purely administrative personnel functions, practitioners and academics continue to emphasize the need for HRM to transform to better meet the needs of organizations and keep pace with modern workplaces (Cawsey & Templer, 1998).

In contemporary terms, HRM is the systematic management of people with an overall objective of supporting the goals of the organization. It is a continuous process. Thus, HRM has been defined as the process of managing human talent to achieve an organization's objectives (Belcourt et al., 2017). HRM encompasses a broad range of specific practices, policies, and overarching philosophies pertaining to the management of human resources in organizations (Jackson & Schuler, 1995). HRM practices include functions such as recruitment, training, compensation, and performance management. The policies guide and direct the practices, while the philosophies underline the values and principles that inform both the practices and the policies. According to Jackson and Schuler (1995), the practices, policies, and philosophies ideally combine to form a *system* that attracts, develops, motivates, and retains employees and ensures the effective functioning of the organization and its members. The HRM system enables an organization to effectively deploy its workforce, which in nonprofits includes employees and volunteers. The link to organizational goals reinforces the importance of HRM in the *strategy* of the organization and underlies the concept of strategic human resources management.

Strategy and Nonprofit Strategy

Strategy entails critical actions that are deployed to achieve certain goals related to how the organization would deliver value to “customers” and gain competitive advantage (Grant, 2012). It is the process of taking an organization from its present position to a desired organizational effectiveness state; that is, moving from point A to point B in terms of its stated objectives. With strategy, the leadership of the organization is attempting to answer fundamental questions such as a) Where are we now as an organization? b) Where are we taking the organization? c) Are our products/services what our customers/clients need or want? d) How do we achieve our strategic goals? and e) How do we implement our strategy? (Burack & Mathys, 1996).

For nonprofits, strategy is as an integrated set of actions and processes that are developed and implemented to enable the organization to use its resources to deliver value to users and stakeholders, adapt to change, and gain competitive advantage (Akingbola, 2013). Essentially, strategy indicates that the nonprofit is working to achieve the goals that are important to stakeholders. The example of Warden Woods Community Centre in Toronto is illustrative.



Figure 1: Nonprofit Strategy Is Important to Stakeholders

Spotlight: Warden Woods

Warden Woods Community Centre, a nonprofit with a mission to build caring, compassionate, just, and interdependent communities in southwest Scarborough, stated that its strategy is to leverage three components of its organizational goals: deepen community engagement, improve organizational viability and relevance, and strengthen advocacy, collaboration, and strategic networking.

Strategic Human Resources Management in Nonprofits

Although it is long overdue, SHRM is slowly emerging as a major management issue in nonprofit organizations. Similar to the for-profit and public sectors, nonprofits understand the importance of strategic management in shaping organizational performance. Nonprofit managers recognize the need to provide quality service to clients and the community and to meet the expectations of their stakeholders. They are intimately aware that many of their clients and users of their services are marginalized and vulnerable members of the community. Managers also know that a good relationship with funders is important to achieving the mission of their organization. And they understand the links between the diverse and relevant components of the organization and how a strategic approach is important to engage employees, volunteers, and the community and to manage cost simultaneously. To support the mission, meet the performance expectations of stakeholders, and address challenges (see Figure 2), it is imperative that a nonprofit's activities are aligned with the implementation of its strategy. Arguably, more than in the for-profit and public sectors, what is most critical in the development and implementation of strategy for nonprofits – what will integrate the components of a nonprofit and help to facilitate its mission – is the management of human resources. This is the foundation of strategic human resources management in nonprofit organizations.

Figure 2: Employee Turnover

Employees Leaving Nonprofit Organizations

While there are no statistics about why nonprofit employees in Canada leave the organizations they work for, in my seven years working as a consultant with nonprofits across the country, I have begun to notice a disturbing trend whereby employees, especially younger ones, walk away from their jobs in frustration, despite being highly committed to the organization's cause and having the skills to do the job.

Basically, the human and social capital characteristics of nonprofits include the skills, knowledge, behaviour, and social networks of employees and volunteers. The link between SHRM and nonprofit HRM (NHRM) is how *nonprofits manage these human and social capital characteristics and the HRM systems deployed to facilitate the mission and strategic goals of the organization* (Akingbola, 2013). This means a nonprofit's effectiveness is dependent upon the extent to which it can integrate its core characteristics (the mission and values), the unique



context (employees, volunteers, and stakeholders), and external factors (including government policy, community needs, and funding) in the development of HRM practices. It is particularly important to highlight six characteristics that play a major role in defining the uniqueness of NHRM and the drivers that influence such practices.

Characteristics of Nonprofit HRM

There are many factors at play in shaping HRM in nonprofits. Not all factors are equal, however. Some are distinctive drivers of NHRM strategies and practices, and more importantly, some define the essential characteristics of NHRM, those that make it unique. These essential factors are 1) mission and values, 2) labour that is intensive, 3) attraction and motivation, 4) nonmonetary compensation, 5) competencies, and 6) decision-making.

Mission and Values

The mission is what nonprofit organizations are all about (Quarter, 1992). The causes and the people that a nonprofit serves through its mission are the foundation of strategy. Similarly, the values of a nonprofit emphasize the overarching principles and beliefs that guide organizational activities and management decisions. In nonprofits, mission and values are not merely statements: they define the organization and the nature of interactions with stakeholders, including employees and volunteers. The centrality of mission and values means that they drive and are embedded in the HRM systems. Each nonprofit must carefully deploy its human capital to achieve the mission of the organization, and employees are expected to deliver on performance and demonstrate skills and behaviours that facilitate the mission and the organization's strategic goals.

Labour That Is Intensive

The social goods and services that nonprofits provide are labour intensive, and their human resources are the core asset (Akingbola, 2006; Light, 2003). Nonprofits cannot simply replace their employees and volunteers by investing in technology or automating their processes, even though technology plays an increasingly important role. The reality for many nonprofits is that their people are the only or primary organizational resource. Hence, the ability of a nonprofit to perform and generate value for stakeholders depends significantly on the knowledge, skills, and behaviour of its employees and volunteers. Nonprofit managers must pay particular attention to the HR practices that will help the organization to attract, recruit, retain, and develop the human resources, not only with suitable competencies but also with commitment to the mission and values of the organization. Basically, employees and volunteers must have a high degree of person-organization fit, and the HR practices must be designed and implemented to reinforce this objective.

Attraction and Motivation

Employees are attracted to and often choose to work for nonprofits because they identify with the mission and values of the organization (Brown & Yoshioka, 2003). They tend to perceive their work as not just employment, but as an opportunity to serve the public good, contribute to worthy causes, and actualize their individual values. The inherent moral attachment plays



an important role in the motivation of employees. This characteristic emphasizes that the HRM goal of attracting and motivating employees who are committed to the nonprofit's mission is less of a challenge than the need to sustain motivation (Kim, 2005). As a result, HRM needs to develop and implement practices that leverage the social-exchange relationship – the voluntary, reciprocal sense of obligation and behaviours that enhance motivation and connection between the employees and the organization (Gould-Williams & Davies, 2005). In particular, millennials look to organizations to provide meaningful, altruistic, and competitive compensation to attract and motivate them (Deloitte, 2015; Johnson & Ng, 2015).

Nonmonetary Compensation and Reward

The attraction and motivation factor is also related to the question of compensation in nonprofit organizations. Research suggests that nonmonetary, intrinsic rewards are particularly important for nonprofit employees (Handy & Katz, 1998; Jobome, 2006; Leete, 2000). In general, nonprofits are not able to compete with for-profit and public sector organizations in terms of monetary compensation; pensions have also been lacking and the contract-based work is often precarious (see Chapter 18 by Uppal and Febria and Chapter 19 by Thériault & Vaillancourt). Consequently, nonprofits tend to offer a total compensation package that includes more generous benefits such as paid leave, vacation, and family leave than for-profit organizations (Pitt-Catsoupes, Swanberg, Bond, & Galinsky, 2004). To develop HR practices, nonprofit managers must understand the importance of nonmonetary compensation and rewards as key characteristics of NHRM.

Competencies

Nonprofits require some competencies that are unique to the sector. In addition to basic management competencies such as budgeting and planning, employees and managers must manage volunteers and collaborate and navigate relationships with advocacy groups and funders (Akingbola, 2006; O'Neill & Young, 1988). Nonprofit employees and managers thus require a mix of knowledge, skills, and attitudes that includes three broad categories: job-specific competencies (e.g. planning and financial), environment-specific competencies (e.g. fundraising, program management, advocacy), and mission and values orientation (Akingbola, 2013). Training needs to meet these operational imperatives that require diverse competencies (McMullen & Schellenberg, 2003b; Parry et al., 2005); the knowledge, skills, and attitudes acquired through training can further foster the link between employees' aspirations and the organizational mission (Pynes, 2004).

Decision-Making

Nonprofit organizations are built on the premise of collective and participatory practices. Nonprofits thus tend to embrace employee involvement in decision-making, since such participation is consistent with their mission and values. And employees expect to have more opportunities to be involved in decision-making, through teams and committees, than their counterparts in for-profit business organizations (Kalleberg et al., 2006). Failure to practise some form of employee participation and incorporate this into NHRM could lead to disgruntlement. A positive consequence is that nonprofits often have inherently high-performance work practices that are part of the characteristics of the organization. Effective HRM draws on the strengths of both participation and high-performance practices.



Together, the characteristics of nonprofit organizations are the distinctive building blocks of NHRM, which will provide the foundation for the development of SHRM. The characteristics also highlight that the need for SHRM is heightened in nonprofits and is important in enhancing the ability of nonprofits to attract, recruit, develop, deploy, motivate, and retain human resources.

Figure 3: Challenges

Leadership Challenges in Nonprofit Organizations

1. Managers are passionate about the cause but may lack the skill sets required to effectively manage, engage, and guide employees for optimum performance.
 2. Unrealistic expectations about what the senior leader of a nonprofit is meant to do.
 3. The challenge of juggling the dual roles of both management and leadership, especially in small and mid-sized nonprofits.
 4. Insufficient resources and lack of any particular management training, especially when it comes to engaging, motivating, and managing employees.
-

Drivers of Nonprofit HRM

Environmental Factors

The characteristics of NHRM that we discussed above always work in tandem with factors in the external environment to shape the nature of SHRM that is deployed in the sector, and they are the sources of the opportunities and threats that underlie HR practices. This means that nonprofit practitioners must carefully analyze what is going on in the external environment of the organization. The rapid pace of change – including changes in emergent community needs, program delivery, competition with nonprofit and for-profit organizations, revenue mixes, and accountability requirements – are all relevant factors in the environment that influence SHRM. We focus on four external factors that emphasize why nonprofit organizations must deploy the tools of SHRM to achieve their goals.

Economic

The economy offers an opportunity and poses a constant threat to nonprofit organizations, as it plays a direct role in the level of donations and funding available. An economic boom could mean a spike in donations and funding from foundations and governments, while a downturn would seriously shrink funding opportunities and donations. Unfortunately, an economic downturn is also the time in which nonprofits are likely to experience an upsurge in demand for services. Thus, HR practices must balance the need to attract and retain the talent required to provide and sustain services with the challenges of funding cuts and decreased donations.



Political

Many of the services provided and causes advanced by Canadian nonprofits, such as poverty reduction, education, environmental protection, and social justice, are inherently political issues. Moreover, economic swings are often accompanied by political undercurrents and changes in public policy, which then have direct implications for the HR practices of nonprofit organizations, as noted in Figure 4.

Figure 4: Public Policy

Impacts of Public Policy on Nonprofit HRM

A change in public policy could create a need for a nonprofit to develop a new service that the public policy has made a priority and a corresponding change in HRM to align it with the needs of the new service. Recruitment may need to emphasize that new employees have the competencies required to provide the new services, while training must ensure that any performance gaps in the competencies of current employees are addressed.

Sociocultural

A major social-environment factor affecting nonprofits is the aging population, which has both negative and positive consequences for NHRM. On one hand, the demographic change has increased the demand for services that serve older baby boomers, such as meals-on-wheels and adult day services, possibly requiring different skills or more volunteers. On the other hand, due to the extension of boomers' working careers and abrogation of retirement age, the pool of talent available to nonprofits has expanded. It means that nonprofit organizations have an opportunity to leverage the talent and vast experience of the boomers but must also develop and implement HR practices, specifically in benefits and compensation, to help to motivate and retain them.

As noted in Figure 5, Indigenous communities are growing in many parts of the country, particularly in urban centres, giving rise to new Indigenous-led nonprofits that are developing distinctive, culturally grounded HR practices.



Figure 5: Indigenous-Led Charities, Unique HR Challenges

Spotlight: Wabano Centre for Aboriginal Health

Ottawa's Wabano Centre for Aboriginal Health provides a wide range of medical clinics, social services and support, and youth programs for Ottawa's 40,000-plus Indigenous people. The centre takes a unique approach to care by incorporating the teachings, culture, and traditions of Indigenous people into all of its programs and services.

Established in 1998, the organization has, over the last few years, experienced significant growth in revenues and in the number of programs that it offers. This is in part because the Report of the Truth and Reconciliation Commission in 2015 raised awareness about the effects of colonialization and the impacts of the residential school system, leading to some changes in policies and programming by the federal government and the Government of Ontario. More resources flowed to community-based, Indigenous-led organizations like Wabano, which has a demonstrated track record of providing holistic, culture-based, trauma-informed care.

Growth in revenues and increasing demand for services have seen the number of employees go from 80 in 2017 to 116 in 2019. One HR director oversees the recruitment, selection, and hiring process, working closely with other department managers to identify the best fit for their needs.

As an Indigenous-led organization, Wabano gives preference to applicants of First Nations, Inuit, and Métis ancestry. It looks to hire people with the requisite competencies for each position, but in addition, it seeks out those with lived experience and a "demonstrated knowledge, sensitivity, and awareness of the history, culture, and unique needs of urban Indigenous people." This adds another layer of complexity to their recruitment and selection processes. Because the labour market is competitive in the region, with the federal government and other agencies also looking to hire people of Indigenous descent, Wabano has a mix of Indigenous and non-Indigenous employees with varying degrees of knowledge about and sensitivity to Indigenous history and culture. Their onboarding process includes educating all new employees about their unique model of care and the importance of integrating culture, in all its dimensions, into all of their programs and services. Managers are also tasked with actively supporting their employees in their journeys to build knowledge about Indigenous history, cultural practices, and teachings, be it through independent study or through training sessions provided to their teams. The organization also strives to avoid silos and to integrate their services and programs across the various departments, which requires an active focus on coordination by the management team. All of this adds up to more duties and responsibilities for the HR director and the department managers, without the benefit of supplementary resources to support Indigenous cultural awareness, training, and education for their employees.



Technological

As in other sectors, technology is an important external-environment factor in nonprofits, playing an important role in increased accountability and efficiency. Beyond efficiency, technology can enhance the effectiveness of HR practices, including the benefits that are valued by employees. And the widespread use of social media offers an opportunity to build networks that connect employees, volunteers, and stakeholders.

These external drivers – economic, political, sociocultural, and technological – are critical in the development and implementation of HRM practices in nonprofits, especially those with unique challenges (see Figure 5). The intricate interaction between the external-environment drivers and HRM requires that nonprofit practitioners monitor the constant change that influences how the organization deploys its human resources and position HR practices to be aligned with the direction of the external environment.

Nonprofit Drivers of HRM

A number of sector-specific environment factors also influence the effectiveness of NHRM. These include government, competition, funding, accountability, and community needs (Akingbola, 2013).

Government and Competition

The government can be a major challenge for many nonprofits. As a partner in the provision of social goods, the government is the number one source of revenue for many nonprofit organizations (Scott, 2003: Chapter 2). Thus, the HR practices developed in nonprofits must reflect the contingencies of the relationship with the government. For example, nonprofits must often use temporary contract staffing practices due to the short-term nature of government funding. Similarly, increased competition for funding, with other nonprofits as well as for-profits, is now the norm in the sector (Castaneda, Garen, & Thornton, 2008). Competition also extends to the ability of nonprofits to attract and retain from the limited pool of people who have the competencies they require, buy into their mission, and are willing to work under what are often uncertain, short-term contracts.

Funding

Many Canadian nonprofits are in a perpetual state of funding crisis. Funders, both public and private, have transitioned to a contract funding model with specific scope and short-term focus (Smith & Lipsky, 1993). The implication for nonprofits is that the funding crisis is played out in the short-term emphasis of their HR practices. The recruitment, training, and compensation practices that are implemented for the funding available in a current fiscal year could be discarded within a year or two based on the requirement of the funder (Akingbola, 2004; Boris et al., 2010; Foster & Meinhard, 2002).



Accountability

Funding bodies, particularly governments, are emphasizing rigorous accountability practices to demonstrate results and value-for-money. Although accountability is important to ensure the effectiveness of services, most nonprofits simply do not have the financial and human resources to meet the often-stringent requirements. Questions about the validity and reliability of accountability measures are also a challenge. What to measure, how to measure, and how to report the indicators of service outcomes are routinely in flux (see Chapter 33 by Ruff) and are a significant source of job dissatisfaction (Howe & McDonald, 2001).

Changing Needs of the Community

Nonprofit organizations are constantly adapting to the emergent needs of the community. From economic disparity to social justice and health issues, nonprofits often fill the gaps where the government cannot meet the needs and businesses do not see a profitable venture. The emerging needs of the community shape the pace of change and the adaptive strategy of nonprofit organizations, including HRM. How nonprofits foster change-readiness depends significantly on their HR. As demands evolve, organizations must build a culture of change management and be strategic in their HRM practices to be able to continuously adapt to change.

In scanning the environment and analyzing these factors, nonprofit practitioners are better able to position and deploy HRM to drive the performance and mission of the organization.



NHRM Strategy and Its Implications

Over the past three decades, research has enabled us to learn more about NHRM. It has shown that larger nonprofit organizations, those affiliated with a national organization, younger, and educational nonprofits are more likely to link strategy to their HR practices (Guo et al., 2011). Research has also found that nonprofit organizations conform with the rule-like norms of the sector to gain social legitimacy from stakeholders, especially from funders, accreditation agencies, and the local community (Hager & Galaskiewicz, 2000). This process is manifested in the HR management through the adoption of practices that have been deployed by other nonprofits and are commonly accepted as “good practice” (Kalleberg et al., 2006).

To provide concrete examples, Table 1 highlights the implications of strategic decisions for NHRM practices. The context of each organization would factor in to how the implications play out in the organization.

Table 1: Implications of Strategic Direction for NHRM

Strategy – A focus on:	HR Implications – An emphasis on:
Differentiating our service based on quality	Training, internal career path, recruitment at entry level, and performance management
Innovation in our services	Recruitment of top talent at all levels, cross training, teams, incentive compensation
Partnership to grow our services	Teamwork, recruitment based on industry knowledge, employee involvement
Extending our services to new regions/states	Performance management, internal career path, project-based teams
Client needs where services are weak	Training, project-based teams, incentive compensation
Cost-cutting and delivering more value to clients	Training, performance management, HR analytics
Entrepreneurial activities to support our nonprofit services	Recruitment, teams, incentive compensation
Technology to change how we provide services	HR analytics, training

Differentiation Strategy

A nonprofit that focuses on a strategy to gain competitive advantage by emphasizing quality of service must deploy a strong training strategy to actualize its goals. Employees must be equipped with the knowledge, skills, and ability to foster the best practices and continuous improvement that are key to quality service. Also important is a performance management system that provides an enabling process, tools, and structure to link employee performance to



organizational outcomes. The recruitment and selection of new employees must focus on the talents required to enhance and sustain the focus on quality.

Innovation Strategy

This strategy requires the nonprofit organization to be ahead of the pack in the development of new programs and services. The recruitment and development of top talent must be core components of the NHRM strategy. Employees must possess top-notch skills, including the ability to work within an innovative team structure designed to identify emergent community needs, address system issues in services, and develop new services in an efficient way. Compensation strategy must be designed to reward and recognize the intrinsic motivation of employees. However, some level of extrinsic reward should be included in the compensation strategy to incentivize the employees.

Partnership as Growth Strategy

It is not uncommon for nonprofit organizations to collaborate with other nonprofits to survive. However, many nonprofit organizations use partnership as the key component of a growth strategy. For these nonprofits, HRM must emphasize teamwork in recruitment, training, and compensation. HR practices that enable employee involvement are crucial to leverage employees' knowledge of the sector and the local community. New employees are recruited based on their experience and knowledge of the industry, among other factors.

Extending Services as Growth Strategy

Nonprofit organizations sometimes seek and add new geographic areas to their scope of operations. This could be an integral part of the growth strategy or an opportunity facilitated by the availability of new funding. Regardless of the factors that underlie the addition of new regions, when a nonprofit expands services to new geographic areas as a growth strategy, the NHRM must support the strategy with performance management to enhance the effectiveness of the new locations. Also, the selection must include the opportunity to create career paths for employees. Project-based teams are used to enhance employees' learning and performance.

Identifying Where Services Are Weak as Growth Strategy

Similar to extending services, some nonprofits grow by scanning the environment to identify services that are inadequate for clients and then improving those services. NHRM must provide employees with the necessary training and skills to provide the new services. An incentive compensation plan is also important to foster employees' intrinsic motivation to further the mission and values of the organization. Project-based teams are also important.

Cost-Cutting as Strategy

The need for efficiency is common in nonprofit organizations, irrespective of size and scope. The funding regime means that nonprofit organizations are more likely to be cutting costs to adapt to the needs of funders than developing long-term strategic plans. At the same time, they must continue to find ways to deliver value to clients. By necessity, many nonprofit organizations deploy cost-cutting as a competitive strategy. Thus they need NHRM to provide training that



equips employees with adaptive knowledge and skills that are vital in an environment in which efficiency is crucial. They need cross training to fit into different jobs based on the needs of the organization. HRM analytics is particularly important to provide information for decision-making and feedback on performance.

Entrepreneurial Activities as Strategy

Nonprofit organizations develop and implement entrepreneurial programs and projects primarily to support their social goods and services. For many nonprofit organizations, entrepreneurship is the core of their competitive strategy. They engage in entrepreneurial ventures to generate revenue, which is reinvested to serve the mission. Nonprofit organizations also engage in entrepreneurship to grow in scope and size. For all of these objectives, NHRM must help to recruit employees who possess entrepreneurial skills and experience. Also, some form of incentive compensation, including intrinsic incentive, is important to drive the entrepreneurial spirit. A consistent team approach should be emphasized as an NHRM philosophy.

Technology to Change Service Delivery

This is more a way of improving service delivery than a strategy. Because of the social goods and services that nonprofit organizations provide, it is not likely that technology will replace their services soon. NHRM is integral in the process of using technology to enhance service delivery. NHRM must provide the training relevant for the use of technology, including skills to better support clients with technology. HRM analytics will help the organization to collect and integrate outcome and employee metrics.

The challenges in the unique environment of nonprofit organizations drive the strategic decisions practitioners deploy to facilitate the mission. Therefore, it is critical to align NHRM with the strategic decisions to ensure the achievement of the goals and facilitate the effectiveness of the organization. A strategy that is not aligned with NHRM is a non-starter and a recipe for failure, with some of the common mistakes of nonprofit managers indicated in Figure 6.

Figure 6: Common Mistakes

Common NHRM Mistakes Managers Make in Nonprofits

1. Failure to communicate where the organization is headed and what it wants to accomplish.
 2. Lack of clarity about roles and responsibilities.
 3. Inability to provide clear direction.
 4. Failure to provide regular feedback on performance.
 5. Failure to react to workplace problems and issues in a timely manner.
 6. A tendency to treat employees equally but not equitably.
-



NHRM Support

NHRM continues to be a major challenge for many nonprofit organizations. This is due in part to the small size and limited resources of most nonprofit organizations in Canada (McMullen & Schellenberg, 2002). This is particularly apparent in the inability of many nonprofit organizations to access HRM expertise, tools, and technology. Hence it is not uncommon for nonprofits to have to address HRM legal issues without paying attention to the content and process of HRM. The following are some of the options available for small nonprofit organizations that cannot afford HR staff to access HRM support.

Shared HR Staff/Department

Two or more nonprofit organizations can collaborate to share the services of an HR professional or department. Shared services are already common among small nonprofit organizations for administrative and operational support (Dart, Akingbola, & Allen, 2019). Extending such collaboration to HRM will enable the partners to not only share the expertise and services of the HR professional, but also to exchange ideas on best practices and policies. Shared HR services can be a cost-effective way of accessing HR support for small nonprofit organizations.

HR Consultant

Many nonprofit organizations use the services of external HR consultants on a flexible, as-needed basis. These consultants can provide valuable input to guide major HR initiatives, including planning and evaluation of processes. However, depending on an external consultant for basic HR support risks it becoming more of a project rather than a core component of the organization's operations. Also, external HR consultants may not be attuned to internal politics, which can affect the implementation of the organization's HR practices.

Volunteer Board Members

Many nonprofit organizations look to their boards of directors to meet their needs for HR support. As part of this process, the organization specifically targets and recruits volunteers with professional backgrounds in HRM. The organization will then ensure that HRM issues are discussed regularly at board meetings in order to manage the day-to-day aspects. One downside to this option is the elevation of operational issues to governance, which could potentially distort the focus of the board (see Chapter 8 by Charters). In addition, basic HRM issues are put on hold until the board, or the board's HR committee, meets.

Trained Managers

There are different angles in this option. Nonprofit organizations can support a manager or managers in gaining HRM competency through part-time courses and training. The managers are then assigned to provide HR support, typically as a secondary role in addition to their primary position. Alternatively, the organization can provide basic HRM training for a select group of managers who will then be required to provide HRM support in the organization. The managers will operate as a team, collaborate on HRM projects, and continuously update their knowledge of HRM. One experiment for enhancing HR capacity, the Muttart Foundation Cluster Project, is described in Figure 7.



Figure 7: The Muttart Example

The Muttart HR Cluster Project: A Model to Draw Upon?

Most small and mid-sized charities don't have the resources to hire in-house dedicated HR experts. The executive director takes on most, if not all, of the related responsibilities of recruiting, hiring, onboarding, directing, training, and evaluating all employees, without the benefit of HR tools, training, or knowledge. As a result, they often don't take a systematic, structured approach to hiring, managing, and retaining their talent. When HR issues or problems arise, the response can be ad hoc, slow, inequitable, or just plain wrong from a legal perspective.

Between 2002 and 2006, the Muttart Foundation led an innovative project that provided human resources advisory, consulting, and support services to two groups of social service charities in Calgary and Edmonton. Each of the clusters had access to the services of a full-time HR professional to help them address their specific HR issues and challenges. But unlike in a pure shared-services model, the executive directors in each cluster were expected to meet on a regular basis with the specialist to share information, build collaborations, and learn from each other's experiences to build collective capacity in addressing HR matters and moving toward a more strategic approach to HR management over time.

The subsequent evaluation of the initiative indicated that the project had a positive impact on all members: "As a result of the HR consultants' expertise, and to a lesser extent the cluster meetings, the agencies have undergone a varying degree of change. The most significant include having a new connection or working relationship with agencies of similar needs; improved internal processes and staff skills, particularly in communication, hiring, performance management and documentation; greater confidence and trust between staff and management; improved confidence in the executive director; the downward shifting of decisions; and a surer understanding of what is needed to move the agency forward or in another direction. Some agencies have seen a reduction in staff turnover."

The environment in which charities work has changed significantly since this initiative ended. Unemployment is low, competition for talent is fierce, and the workplace must acknowledge and respond to the demands and needs of different generations of workers. Executive directors all too often work in isolation from one another. There is benefit in building relationships of trust to support one another in addressing similar HR issues and getting professional support in building a more strategic, systematic approach to deploying the talent within their organizations.



Conclusion

What does the future hold for NHRM? More specifically, how will nonprofits be able to align the requisite HRM practices with strategy to achieve their missions in the face of continuously emergent challenges in the sector? This question encapsulates the recurrent theme throughout this chapter: that HRM is unique in nonprofit organizations. Thus, the lingering challenges of how nonprofit organizations attract, motivate, and retain talent and align their human resources with their missions and values as effective practices and processes are unique. It is therefore important for both research and the practice of NHRM to reflect the characteristics of the organizations, their employees, and the drivers in the external environment that shape their activities. For practitioners, the starting point is to understand the fundamentals of NHRM but also be attuned to the changing demands of the environment. A key task, then, is to adopt (and adapt) a strategy that aligns practice, resources, and mission and implement relevant HR practices to deliver on this strategy. In all, the intent of this chapter is to offer a synoptic overview of what is different about NHRM and how to address the challenges with relevant HR practices while incorporating the unique characteristics, challenges, missions, and strategic objectives of nonprofit organizations.



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