

STRATEGIC HUMAN RESOURCE MANAGEMENT APPROACHES FOR NPOs

Fathiah Nuraina Amaran @ Amran^{1*}, Nurul Hidayana Mohd Noor², & Aida Abdullah³

^{1, 2, 3} Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA
(UiTM), Malaysia

*E-mail: Fathiahnuraina98@gmail.com

1. INTRODUCTION

Non-profit organizations (NPOs) are a part of the non-profit sector, which is neither a business nor a government (Carroll, 2018). Its mission is to serve the public interest on the matters such as humanitarian, educational, scientific, cultural, or religious (Carroll, 2018). Ciucescu (2009) insisted NPOs as the voluntary parties established by citizens acting in their own free will to attain shared civic, economic, social, and cultural rights without generating a profit (Arapovic, Jahic, Halilbegovic, & Celebic, 2019). It has grown rapidly in number, size, and impact across the world where more the 10 million NPOs are established (Mohd Noor, 2017). On the other hand, strategic human resource management can be defined as the process of linking the human resource function with the organization's strategic objectives to improve its performance (Walk, Schinnenburg, & Handy, 2014). Strategic human resource management reflects the organization's resource-based perspective, which highlights the value of internal resources in gaining competitive advantages (Walk, Schinnenburg, & Handy, 2014). The competitive advantages can only be gained if the organisation has both human capital and human process aspects which collectively aligned (Walk, Schinnenburg, & Handy, 2014). The pressure for rationalisation has grown in NPOs as well so that employees are increasingly seen as a valuable resource and strategic human resource management as a critical instrument for organisational success (Eckardstein & Brandl, 2004).

However, there are some weaknesses in the implementation of strategic human resource management among the NPOs. The lack of resources within NPOs such as competent human capital (Hasnan, Mohamad, Kamarudin, & Zainal Abidin, 2012). Individuals who are interested in doing charities but do not possess any qualifications and skills might harm the NPOs in some ways especially in terms of management. Plus, the employee's career development is also found to be weak which results in several problems such as recruitment, assignment, lay off, human resources development, and administration (Bromideh, 2011). Next, the lack of information on the employees' perceptions (Walk, Schinnenburg, & Handy, 2014). They know little about how the employees perceive and how to evaluate human resource practices within the organization. The action of imitating the management system applied by the competitive for-profit sector organizations to adapt to the market changes also appeared to be one of the weaknesses (Walk, Schinnenburg, & Handy, 2014). Therefore, the researcher believes that the improvement on the implementation of strategic human resource management should be focused among the NPOs by referring to the approaches; administrative, strategic, motivational, and valued based. This study aims to investigate the influence of strategic human resource management that consists of four key approaches (i.e., administrative, strategic, motivational, and value-based) that will affect the effectiveness of Malaysian NPOs.

Addressing the significant roles of strategic human resource management, the previous studies are lack in defining the importance of strategic human resource management among the NPOs. The strategic human resource management model studied is also not fully comprehensive and suitable to be implemented among the Malaysian NPOs. There is also a question on how and through what process can NPOs effectively implement strategic human resource management in their operations whilst maintaining their traditional organisational values. Cunningham (1999) mentioned that before the 1980s Human Resource Management was not considered important within the non-profit sector and this might also be the reason why there is a lack of research.

2. DIFFERENT APPROACHES OF STRATEGIC HUMAN RESOURCE MANAGEMENT

2.1 Administrative

Administrative activities can be defined as the activities of cooperating groups to achieve common goals, and it is a function that is performed by every sector (Abah, 2017). The act of administering employees matters, which includes responsibilities performed by service people, line managers, and chief executives as part of the human resource management operation (Binczycki, 2012). The term "administrative issue" indicates a lack of professionalism in human resource management and a lack of long-term thinking among employees (Walk, Schinnenburg, & Handy, 2014). Human resource tends to overlook employees' potential, which has a poor impact on their motivation (Walk, Schinnenburg, & Handy, 2014). Furthermore, they are easily influenced by external financiers who influence human resource policies, resulting in employee dissatisfaction (Walk, Schinnenburg, & Handy, 2014). Instead of only focusing on external financiers, they must also consider the well-being of their staff. Hence, the effectiveness of NPOs can be secured and maintained through administrative approaches for strategic human resource management.

2.2 Strategic

Strategic human resource indicates the response of the organization towards the market-related demands and needs such as funding pressure and constraints (Walk, Schinnenburg, & Handy, 2014). Human resources apply the for-profit sector's strategic management strategies to meet the organization's objectives. For example, employee reduction, workload increment, and a greater focus on effectiveness (Walk, Schinnenburg, & Handy, 2014). It demonstrates that their employees' professional growth is strategic, and that dependable employee may be addressed as assets toward the organization's goals (Walk, Schinnenburg, & Handy, 2014). Employee motivation and commitment, on the other hand, maybe harmed because their demands are likely to be disregarded due to a lack of focus on the foundation of human resource management (Walk, Schinnenburg, & Handy, 2014). There are seven basic strategic human resource management principles, according to Delery and Doty (1996): 1) internal career opportunity 2) formal training methods, 3) performance evaluations, 4) profit sharing, 5) job security, 6) communication mechanisms, and 7) job definition (Guo, Brown, Ashcraft, & Yoshioka, 2011). To conclude, the researcher argues that strategic human resource management can successfully lead to the effectiveness of NPOs.

2.3 Motivational

Employee motivation is critical to achieving the organization's objectives. It establishes strategic objectives to achieve high performance when it is required (Rusu & Avasilcai, 2013). According to Maslow's Need Hierarchy Theory, all humans have five basic categories of needs that can be organized hierarchically from the most basic (physiological and safety needs) to the most advanced (social, esteem, and self-actualization needs) (Rusu & Avasilcai, 2013). The physiological and safety needs can be related to the motivation needed by the employees. The needs are fulfilled from the bottom to the top, and one set of needs should be met before the engagement of the following set of high-level needs (Rusu & Avasilcai, 2013). The employees have high intrinsic motivation when they like and desire to spend a lot of time and energy working (Rusu & Avasilcai, 2013). According to Herzberg's Theory, intrinsic and extrinsic are motivational factors towards the employees which can affect their job motivation, satisfaction, and performance (Rusu & Avasilcai, 2013). When it comes to workplace motivation, studies say that employees can motivate themselves by looking for and doing work that meets their needs and helps them achieve their objectives, but they can also be driven by management through methods such as salary, promotion, and praise (Rusu & Avasilcai, 2013). The commitment-focused strategy, in which employees are viewed as important assets to the firm, was highlighted by motivation (Walk, Schinnenburg, & Handy, 2014). In terms of human resource management, it's important to concentrate on the human resource training process, as this is where the path to the intended objectives is laid out (Rusu & Avasilcai, 2013). The organization continually invests in its employees by providing benefits such as flexible work schedules and family-friendly practices (Walk, Schinnenburg, & Handy, 2014).

2.4 Value-based

This method focuses on both human resources and strategic planning (Walk, Schinnenburg, & Handy, 2014). Value-based management focuses on combining the workforce with the organization's values and goals to create a distinctive strength for the organization (Walk, Schinnenburg, & Handy, 2014). The investments in human resources are focused on employee recruitment, development, and retention (Walk, Schinnenburg, & Handy, 2014). Employees are viewed as important assets to the company, making them feel more appreciated. As a result, their motivation and dedication to attaining the organization's objectives can be enhanced. Furthermore, HR systems create complex social relationships embedded in the organisation's culture (Tuan, 2015). As a result, a value-based HR approach that facilitates bonding mechanisms can bond employees to one another as well as to the organizational identity, moving employees away from the economic exchange and toward social exchange deeds such as corporate social responsibility (CSR) (Tuan, 2015). With strong bonds among employees, it demonstrates high levels of emotional intelligence (EI) (Tuan, 2015).

3. DISCUSSION

Following the significant effects of NPOs in fulfilling the needs and wants among the citizens, strategic human resource management plays a vital role to ensure the main objectives are achieved and the intended operations are effectively conducted. Since there are various elements to the effectiveness concept, NPO effectiveness measurement should be comparative and multi-dimensional (Taysir & Taysir, 2012). The expectations of diverse stakeholders should also be considered when evaluating the performance of NPOs (Taysir & Taysir, 2012).

Furthermore, the measurement must be able to represent the social construct of the NPO's effectiveness notion (Taysir & Taysir, 2012). The impact, activity, and capacity of NPOs can all be evaluated to determine their effectiveness too (Taysir & Taysir, 2012). NPOs that recruit and develop outstanding leaders to lead employee and volunteer efforts are more likely to stay effective in the long run and survive economic downturns (Freeborough & Patterson, 2015).

Human resources management (HRM), often considered primarily an administrative activity, is increasingly regarded as a critical contributor to company performance (Guo, Brown, Ashcraft, & Yoshioka, 2011). Human service NPOs provide labor-intensive services and, as such, employees are significant in determining organizational success (Walk, Schinnenburg, & Handy, 2014). Thus, in the delivery of their services, NPOs specializing in human services rely heavily on the quality, motivation, and contentment of their personnel (Walk, Schinnenburg, & Handy, 2014). HRM measures, according to the Strategic Human Resource Management Theory, improve employee performance. HR planning, staffing, training, career plans, performance assessments, compensation, and other activities are among the measures (Uysal, 2014). Supply, stock, logistics, marketing, production, accounting, finance, and other business operations are all examples of business processes. These business departments have employees who handle operations. Business departments, such as marketing, accounting, and logistics, are established through these processes in corporations. In SHRM theory, it is assumed that individual performance increases the performance of those business departments, and it is expected that the performance of business departments increases firm performance (Uysal, 2014).

As the coronavirus spreads and numerous attempts to slow it have an impact on communities across the country, the role of NPOs has become even more significant in the current pandemic (Laura, Mattiuzzi, & Shrimali, 2020). However, the ability of NPOs to assist their communities is being constrained by present conditions (Laura, Mattiuzzi, & Shrimali, 2020). The same scenario exists in Malaysia, where NPOs are fighting to stay survive without financial support, resulting in a ripple effect (Ahmad, 2020). Ahmad A, 2020 adds, some organizations are even preparing for the worse, fearing that they will be forced to shut down. Meanwhile, as priorities shift, this pandemic brings new challenges for human resources (HR). 87 % of HR executives agreed HR plays a key role in the COVID-19 response (KPMG, 2021). The year 2020 laid the foundation for a massive increase in remote work, greatly increasing the visibility and value of HR to the organisation, and the workforce is likely to shift radically over the next two years (KPMG, 2021). As it drives the entire organisation towards the core goals, strategic human resource management has a significant impact on ensuring that all of the NPO's objectives are met (Walk, Schinnenburg, & Handy, 2014).

4. CONCLUSION

In conclusion, strategic human resource management is very crucial for NPOs as it helps to align their human capital towards the main objectives. Human capitals are surely one of the cores for NPOs operations. Performance management should not be viewed as an isolated system, but rather as an integral part of the overall human resource management process. The pressure for rationalisation has grown in NPOs as well so that employees are increasingly seen as a valuable resource and strategic human resource management as a critical instrument for organisational success. The researcher believes that the administrative, strategic, motivational, and value-based practices contribute strength respectively to the strategic human resource management for NPOs.

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