PERFORMANCE OF HUMAN RESOURCES IN NONPROFIT ORGANIZATIONS - WHAT REALLY COUNTS?

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ABSTRACT

Human resources are seen as an important asset for general associations, particularly for non-profit organizations. In the literature, it is possible to ascertain a set of factors influencing the performance of these resources, in general, in an organizational context. However, given the specificity of their missions, realizing that large management areas in this type of institutions influence their performance would significantly contribute. In practice, it was possible to implement assertive strategies to promote the performance of these employees. Thus, for the present study, and using a quantitative methodology, we started by analysing strategic management, financial management, governance and management of social services promoted by the Holy Houses of Mercy in Portugal. It was possible to ascertain that, among these areas, only financial management does not influence the performance of human resources in this type of institution. Recognizing the importance of the remaining areas, it was possible to present a set of indicators grouped into subdimensions, revealing important contributions to theory and practice.

It was possible to conclude that, in a context of significant economic and social instability, such as the one we are currently experiencing, NPOs that seek to improve their level of human resource management should pay special attention to aspects related to strategy, governance and management of the social services they promote, as this is where the key factors for this performance improvement are found.

Keywords: Human Resource Management, Nonprofit Organizations, Strategic Management, Financial management, Governance, Social services.

INTRODUCTION

Nonprofit Organizations (NPOS) are institutions whose mission is to promote economic and social well-being, operating for different purposes (charity, humanitarian, scientific and educational). They can be considered an essential part of all communities, providing benefits to all members. In a context of particular social and economic instability, “NPOs are increasingly...
challenged to provide social responses, according to their missions, since public and private sectors are unable to act as diligently as desired by society. In this context, studies that allow us to understand these organizations "performance and dynamics become relevant" (Oliveira et al., 2021, p. 15). However, for a long time, the NPOS did not attach great importance to the dimension of management in the pursuit of their mission and the values under which they are governed (Hudson, 2017). However, with the changing needs resulting from the dynamic context in which we have lived in recent years, these organizations began to realize the relevance of this dimension in their daily lives since it became necessary for them to develop activities that make them sustainable and stable (Coelho et al., 2016; Wellens & Jegers, 2014).

In this context, human resources and their effective management are increasingly important for the excellent performance of the NPOS. Despite the weight that the NPOS have in the economy, many procedures in terms of human resource management are unknown to most professionals in the sector, and there are few studies on the subject (Bernardino & Santos, 2019). Therefore, it is important to deepen the studies on the management of people in this type of organizations.

This research aims to increase knowledge about human resources management in NPOS, particularly in Holy Houses of Mercy, to understand which organizational factors can effectively contribute to their management. It is important to understand how variables such as strategic management, financial management, governance, and social services provided by these organizations influence how human resources are managed.

Considering our object of study, it should be noted that Holy Houses of Mercy are institutions that emerged in Portugal and Spain at the end of the 15th century, continuing to be relevant and to be present throughout the national territory, in the various decolonized countries of the old Portuguese Empire, and in other territories that were influenced by Portuguese emigration, still playing an important role in social assistance to citizens (Macias Ruano, Pires Manso, by Pablo Valenciano & Marruecos Rum, 2020).

**LITERATURE REVIEW**

The importance of human resource management in organizations has been studied over time. In recent years, the theme has taken on a strategic role in order to promote organizational effectiveness and ensure the growth and competitiveness of organizations, enabling the maintenance and/or development of their competitive advantages (Acosta-Prado et al., 2020). Since human resources are considered an important asset for organizations, they are particularly relevant for NPOS. These are typically labour-intensive organizations, where human resources play a determining role and are seen as a source of competitive advantage (Bernardino & Santos, 2019).

Some NPOS depend on the work of their workers, as well as on the services and commitment of the volunteers who collaborate with them, the talent and skills of these two types of employees being essential for the NPOS to be able to fulfil their mission (Gazzola & Amelio, 2015). Thus, and as in other organizations, also in the NPOS, the people who work in them are fundamental for achieving the proposed objectives. The strategic management of human resources, combined with motivation, leadership, and communication, is the basis for the effective use of human potential, becoming a source of success and efficiency in any organization (Kicová, 2020).
Therefore, the NPOS must develop effective management of human resources to equip themselves with an appropriate team of employees to fulfill their social mission and face society's challenges (Parente, 2010). Considering the various aspects of human resources and their heterogeneity within the NPOS, it is essential to analyze the subject carefully. It is important to understand what factors can contribute to the way they are managed.

Strategic and Financial Management, Governance and Social Services: Its Interactions With Human Resource Management in The NPOS

Several authors argue that organizations' strategies must be aligned with their human resources practices so that human resources are a source of competitive advantage (Boselie & Paauwe, 2005).

Meyer & Xin (2018) consider that multinational companies will only achieve their ambitious strategic objectives if they can attract, retain and develop highly qualified people to implement their strategies, considering that human resources are the key element to ensure that strategies are successful. For Boselie & Paauwe (2005), the objectives and the organizational strategy influence the human resources management practices, impacting organizational performance. If the relationship between strategic management and human resource management is vital in companies, it becomes central to NPOS since, in these organizations, human resources assume very particular characteristics (Kicová, 2020).

Liao & Huang (2016) state that understanding the vision and strategy will help NPOS improve its performance. Maintaining an excellent vision has a positive effect on the construction of the strategy and how they carry out their activity.

In this sense, these organizations must acquire, develop and maintain their human resources with the necessary skills to develop their organizational strategy (Bloom & Smith, 2010).

The study by Oliveira, et al., (2021, p. 13) demonstrates that “there is a powerful influence of the strategic formulations, the strategic choices, the implementation of strategies, the identification of externalities, the measurement of externalities and the disclosure of externalities on the performance of all HRM components”, Thus showing that strategic management influences the human resources policy of NPOS.

The financial sustainability of NPOS is a relatively recent research topic. For these organizations, this is a great challenge. It is necessary to adapt this sustainability to management models that do not forget the nature of promoting social well-being, which is fundamental for the region's sustainable development where each social organization is inserted (Santos & Soeiro De Carvalho, 2018). In order for these organizations to be sustainable, human resources must be qualified and have extensive knowledge in the management of funds and funded projects and the preparation of funding applications, leading us to consider that the type of financial management required in these organizations influence the way human resources are managed (Santos & Soeiro De Carvalho, 2018).

Some studies (Bryce, 2017; MRC Santos, Laureano & Machado, 2014) show that the performance of NPOS depends on the efficient management of its financial resources, with limitations in services provided by these organizations when they are in situations of financial fragility. The management of the people who are part of these organizations should also be affected in these situations.
Knowing that in the NPOS the human resources assume particular characteristics, it is considered that the financial resources must be combined in the best possible way so that there is no extreme dependence on external sources of funding and so that the management of the people who constitute these organizations is done effectively (Kicová, 2020).

Human resources are fundamental to corporate governance, and it is impossible to achieve corporate principles without the contributions of human capital. Thus, Oyewunmi, et al., (2017) argue that human resources management policies should be integrated into the organizations' corporate strategies and the governance principles adopted since the organizational objectives, and human resources management practices are mutually reinforcing.

The effectiveness of NPOS governance relates to organizational structures and the processes and tasks that allow the organization to function effectively (Cornforth, 2012; Zollo, Laudano, Boccardi & Ciappei, 2019). For Garcia (2016), the NPOS should invest in governance practices that allow them to guarantee sustainability and achieve their goals, managing to face the challenges they face in their daily lives.

Some authors (Bukhari, Jabeen & Jadoon, 2014; Cabral De Ávila & Bertero, 2016) consider that the NPOS should adopt governance practices adapted to characteristics of each organization, namely its mission, vision, principles and stakeholders. Oliveira, et al., (2021, p. 15) refer that “NPOs, which seek to improve their performance in terms of governance, should pay particular attention to the aspects that have an impact on their strategy and their human resources, so that neglecting these variables, as an important part of the management, would bring additional difficulties in fulfilling their social missions.”

Akinlade & Shalack (2017) consider that NPOSs that invest in human resources practices and align them with their mission, objectives, and governance principles can increase the motivation and maintenance of their volunteers. Also, Saltaji (2013) considers that corporate governance can be implemented in human resources through codes of ethics and social responsibility. Zollo, et al., (2019) consider that stakeholder participation in NPOS is influenced by governance practices and the ability that managers of these organizations have to make decisions according to the expectations and needs of these stakeholders (for example, people who collaborate in these organizations).

The type of social services provided by the NPOS requires that the people who constitute them have specific skills, knowledge, contacts and competencies, so that the management of the people of these organizations has to be adjusted to the context in which they operate (Akingbola, 2015; Bernardino & Santos, 2019). In this way, the activities of the organizations themselves will influence how the management of the people who constitute them is carried out.

**HYPOTHESES**

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<th>Hypothesis</th>
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<tr>
<td>H1</td>
<td>Strategy (STR) of non-profit organizations influences Human Resources Management (HRM).</td>
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<td>H2</td>
<td>The Financial Management (FIN) of non-profit organizations influences human resources management (HRM).</td>
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<td>H3</td>
<td>Governance Practices (GOV) of non-profit organizations influence human resources management (HRM).</td>
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<td>H4</td>
<td>Social Services Practices (SOC) influences Human Resources Management (HRM).</td>
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**METHODOLOGY**

In order to achieve the objective proposed in this article, an exploratory, quantitative research using a questionnaire survey instrument to understand and analyse the influence of
Social Responses (SOC), Governance Practices (GOV), Strategy (STR) and Financial Management (FIN) can influence the Human Resources Management (HRM) of Non-Profit Organizations. The instrument survey consisted of 45 items, distributed into five dimensions, corresponding 10 variables to Social Responses, 15 to Governance Practices, 6 to Strategy, 8 to Financial Management and 6 to Human Resources Management.

We analysed 242 Holy Houses of Mercy, which corresponds to 62.5% of the universe of 387 Holy Houses of Mercy currently in Portugal's operation.

The data were collected in person, between November 2018 and December 2019, through the application of questionnaires, within the scope of audits carried out through the program "Misericórdias - Gestão Sustentável" of the Union of Portuguese Mercies. For this purpose, managers, technicians and workers from these institutions were surveyed. The data were collected through a questionnaire survey and allowed an investigation of a quantitative nature by estimating a structural model using the SPSS/SEM-AMOS 27 data analysis technique.

RESULTS

To measure the reliability of the proposed measurement model, we use Cronbach's alpha ($\alpha$) indicators to demonstrate that the tests and scales that have been constructed or adopted are relevant to explain the research findings (Taber, 2018). The reliability of an item explains how well an indicator correlates with the others, that is, indicators that explain the same variable should correlate strongly among themselves, and the acceptable value should be greater than 0.7 (Chin, 1998; Hair Jr, Black, Babin, Anderson & Tatham, 2010). We calculated the Composite Reliability (CR) and Average Variance Extracted (AVE) to assess discriminant validity. The Composite Reliability (CR) explains the set of indicators correlates with the variable, being established acceptable values above or equal to 0.7 (Byrne, 2010). The AVE explains to what extent the indicators converge to their respective variables and not to others. It is a measure that differentiates the set of indicators concerning the others and must have a value equal to or greater than 0.5. It must value the indicators that differentiate it from the other variables with loadings below 0.5 (Leguina, 2015). Discriminant validity explains the degree to which variables are independent of each other and is calculated by comparing the value of the AVE's square root with the correlations between variables. It is expected that the value of the roots is greater than the correlations, attesting to the distinction between variables. It must be noted that the values of Composite Reliability (CR), Average Variance Extracted (AVE), and Cronbach's Alpha ($\alpha$) presented were obtained with all items of the survey because all had a factorial load above 0.5.

To obtain the results of each variable's independence, we calculate the discriminant variable to assess whether each construct is different from the others. The calculation is made from the AVE's square root, and it is expected that the values of this AVE root are more significant than the correlations between the variables below them.

The result of the end of the discriminant variance was as expected. All the values below the AVE were lower. Thus, it can be seen that the model under study is reliable and valid.

ANALYSIS AND DISCUSSION OF RESULTS

Analyzing the influence of the STR, FIN, GOV and SOC dimensions on HRM, we find that three of the four dimensions have a substantial impact on the HRM performance of the institutions under study. STR, GOV and SOC have a decisive influence on HRM performance,
which confirms H1, H3 and H4. On the other hand, it was possible to verify that there is not a sufficiently strong influence of FIN on the HRM performance.

In this way, we move, first of all, to the analysis of the confirmation of H1. In the present study, we advanced with the assumption that there would be an influence of STR on HRM. It was possible to verify that all the sub-dimensions that make up the STR (formulation of strategies, strategic choices, implementation of strategies, identification of externalities, measurement of externalities and disclosure of externalities) have statistical relevance to HRM’s performance.

This is equivalent to saying that for a good performance at the HRM level, NPOs must clearly define their current strengths and weaknesses, threats and opportunities, in an exercise corresponding to a SWOT analysis (Strengths, Opportunities, Weaknesses and Threats), presenting a proactive attitude about the use of forces to combat threats and to take advantage of opportunities to combat weaknesses.

Concerning strategic choices, the second sub-dimension of the STR under analysis, it was possible to identify another set of relevant indicators for this influence on the HRM of these institutions. These indicators focus on the regularity of analysis that the management of these institutions does on performance, intending to assess the effectiveness of the strategies, on the regularity of the analysis of the management of the needs and/or capacities of the agents involved and, on the ability, to define management’s actions, intending to improve its performance.

The third sub-dimension of STR with influence on HRM contemplates a set of indicators related to implementing strategic choices, previously formulated and chosen. This third sub-dimension includes a set of indicators that include the transparent programming of activities and accountability, the distribution of resources and the definition of priorities for employees.

The fourth sub-dimension that makes up the STR with influence on the HRM is identifying externalities on the part of the target institutions of the study. Within this sub-dimension, we can find indicators that go through the attention given to users so that they are heard in the process of developing the entity's mission, as key elements for the recognition of the creation of value, for the ability to identify sufficiently the externalities that the institution generates for the community, and for the entity's constant concern with the improvement of the critical processes that effectively create value for its beneficiaries (current and potential).

A fifth sub-dimension of STR with influence on HRM points to the measurement of externalities. For this, the institution must be able to check the degree of satisfaction of the agents with which it relates, namely, family members, other reference groups of users and employees of the entity, to carry out studies that allow it to quantify the value generated in the community (positive externalities), thus measuring the externalities it generates for the community.

Finally, the present study also found the last sub-dimension through which STR influences HRM and focuses on disclosing externalities. This is equivalent to saying that HRMs benefit from the capacity of institutions, at the level of their STR, to be able to perceive the value of the positive externalities that sponsors and/or potential funders can generate, of being aware of the importance that the community attaches to the value created by entities, the capacity of understanding that the institutions may have regarding the relevance that the community attributes to the fulfilment of its mission and, finally, the perception of the importance with which the disclosure of the action of these entities, with the community, is as a way of bringing added value to the community as a whole.
After analyzing the results that allow us to confirm H1, we focus our attention on the results related to H2 validation. We move forward with the assumption that there would be an influence of FIN on HRM. It was possible to verify that this relation does not exist. The five sub-dimensions of FIN under study (knowledge of costs and revenues; financial practices; effectiveness of financial instruments; budget and budget effectiveness) do not have statistical relevance in HRM's performance. Thus, we can say that H2 is not confirmed in the present study and that the financial aspects of the institutions under study do not influence HRM's good performance.

After analyzing the results that allow us to confirm H1 and reject H2, we focus our attention on the results related to the validation of H3. This third hypothesis points to the existence of a strong impact of GOV on HRM, which is confirmed through the prevalence of 8 subdimensions under study. It is essential to mention that a first sub-dimension of the GOV that influences the HRM's performance focuses on the understanding of the user's family reality, namely, on the capacity that these institutions have in understanding and anticipating the users' needs, in the assessment they added value and the importance that its mission and activities cause in the users' lives.

The second sub-dimension of the GOV considered for the same purpose, focuses on the internal practices of these institutions, aimed at their employees, namely, at the level of existence a formal system for monitoring the behaviour of their employees and strategies to encourage ethical behaviour and transparent with the agents with whom they relate. Indicators of these internal practices are also the existence of selection methods and evaluation based on the competencies required for the exercise of functions.

This is followed by the sub-dimension regarding GOV practices towards the community, reflecting on HRM's performance. This sub-dimension is composed of indicators that make it possible to ascertain. The entity has ways to stimulate the sustainable social development of the community in which it operates and is concerned with promoting transparent economic and financial reporting processes.

Another sub-dimension of GOV that, in the same sense, affects the performance of HRM focuses on the intervention processes of these institutions. This sub-dimension corresponds to the institution's relations with the various external agents and whether transparent principles guide these relations. Also relevant are the initiatives that the institution promotes and aims to promote equal opportunities, promote social responsibility, and implement auditing practices by external bodies.

Ideas until its implementation are contemplating a set of indicators that point towards the sub-dimension quality and innovation. This is another area relevant to the performance of HRM, which was possible to identify in the present study.

Another determining dimension for the performance of HRM is the existence of documentary support that guides the relationship between the management of the institutions and the valences or social services that are made available to users. For this purpose, indicators were found that focus on implementing procedure and action manuals on critical processes, concerning the valences that are implemented, or if they do not exist, if they are in the process of preparation.

The last two sub-dimensions of GOV that influence HRM's performance focus on communication with the community and the instruments and practices considered for that purpose. Thus, for communication with the community, it is important to understand whether the entity promotes an “open door” to the community, whether the entity is well accepted in the
community in which it operates, whether the entity organizes events open to the community (seminars, lectures, exhibitions, etc.), and whether the entity is proactive in participating in events held by other organizations in the community.

Since all these indicators, grouped by subdimensions, proved to be significant for the performance of the GOV, it is possible to confirm H3 in the present study.

Finally, the research model defined for the present study was based on the fourth area of influence (SOC) on HRM performance. This is equivalent to saying that the social services provided by the institutions under study can influence the performance of the HRM, which was evidenced by the investigation of nine SOC sub-sections with a substantial impact on the HRM. These findings allow us to confirm H4.

Analyzing the installations and equipment in the first place, it is possible to perceive the indicators that influence HRM performance based on the existence of a good state of conservation of the installations, cleaning and tidiness, and the existence of good accessibility and functionality of the installations. These indicators reveal a strong relationship with the performance of HRM for each valence studied.

After placing the attention on the specificities of the administrative management of human resources related to these institutions' valences or social services, it is possible to perceive three other sub-dimensions of the SOC that substantially impact the performance of HRM. These subdimensions, which include indicators such as whether the technical and non-technical staff of the valence/social response, is sufficient for the full development of the mission, whether there is a “professional” process for hiring technical and non-technical staff.

The last three subdimensions of SOC with a strong influence on the performance of HRM, are those that refer us to the relationships with the target audience of the valences or social services provided by these institutions.

In summary, the present study results reinforce the contributions of previous studies within the scope of the NPOs, except the relationship between FIN and HRM, which is not verified in the present study. This corresponds to saying that H1, H3 and H4 are confirmed. H2 is not confirmed.

CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH

In the current context of social and economic instability, where the consequences of the pandemic crisis COVID-19 lead us to organizational scenarios characterized by unpredictability, non-profit associations are increasingly challenged to provide social responses, according to their missions, once that the public and private sectors do not seek to act with the diligence desired by society. In this context, the performance of human resources in these associations is increasingly determinant and, in this sense, the present study aimed to ascertain how different perspectives of the management of associations, such as strategic management, financial management, governance and management of the social services of the institutions under study, can affect human resources.

Thus, a set of indicators grouped by subdimensions does not characterize each of the dimensions under analysis with the influence on human resources and determinants. Among the dimensions under study, only the financial aspects do not directly influence human resources' performance. Strategy, governance and social services have a decisive influence on the performance of formulated human resources. In terms of human resources, they should pay special attention to the dimensions of their strategic management, how they exercise their
governance, and the management they make of social services, since neglecting these variables would bring additional difficulties to managing their human resources.

This study focuses on a type of NPO, so the traditional limitations of this type of study apply, such as the possibility of generalizing the results to other types of associations or sectors of activity. It is important to emphasize the need and provide complementary studies that could confirm some of the main activities this study conducted. The determination of the influence of the variables under study on human resources in these associations does not invalidate that there are no other dimensions of management that may also be relevant.

The more in-depth this study, the closer to the scientific community there is to point out a performance matrix to be implemented, in practice, by these non-profit organizations. The collection, treatment and analysis of data occurred in a context before and during the pandemic COVID-19 crisis. Suppose this fact serves as a motivation to propel this study, without at the same time. In that case, it presents itself as a limitation since the organizational reality that can be verified in the final crisis can be radically different.

Finally, this type of study must be extended to other associations in the nonprofit sector, such as cooperatives, mutual societies, charities and local development.

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