APPLYING A STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT FRAMEWORK TO INTERNATIONAL NON-GOVERNMENTAL ORGANISATIONS

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Abstract

Our research explores the organisational context of international non-governmental organisations (INGOs), an increasingly important sector that has been largely overlooked by management scholars. We focus on strategic international human resource management (SIHRM), as a particularly important area of management for INGOs. The central purpose of this paper is to propose a framework of strategic international HRM for INGOs and offer a series of propositions specific to INGOs. By doing this implications for future theoretical and empirical development emerge.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.
The rise of NGOs suggests that management scholars and practitioners must reevaluate the relevance of existing models, theories and frameworks of strategic management, public policy, and business-government relations in light of the growing influence of NGOs.” (Doh and Teegen 2003:xix)

Strategic international human resource management (SIHRM) has emerged as a mature subset of strategic human resource management in theory and practice (Caligiuri 1999). SIHRM is defined as “human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises” (Schuler, Dowling and De Cieri 1993:422). To strengthen the relevance of SIHRM it is important to consider the applicability of a SIHRM framework to sectors outside the corporate sector. Since the 1970s there has been a significant growth in the multinational non-profit organisations commonly known as international non-governmental organisations (INGOs) (Anheier and Cunningham 1994; Lindenberg 1999; Teegen 2003). INGOs are defined as “nonprofit associations focused on social change via political influence, or to those providing social and humanitarian services in highly politicized cross-national contexts” (Doh and ‘Teegen 2003:xi). Anheier and Cunningham’s (1994) review of the internationalisation of the nonprofit sector demonstrates an increase of about 122% in the number of international nonprofit organisations between 1977 and 1992. Further, between 1981 and 1989, the amounts of funds NGOs were channelling, went from $2 billion to more than $4 billion (Anheier and Cunningham, 1994). Lyons, Hocking, Hems and Salamon (1999) measured the size of the Australian nonprofit sector, finding it to be a $19 billion industry which employed around 403 000 full time equivalent employees at that time (an extra 177 148 if volunteers are included). Further, development nonprofits make up around 10.8% of nonprofit employment in Australia, a significant proportion of the sector.

In this paper, we consider the applicability of an influential SIHRM framework to an increasingly important sector, that of INGOs. The central purpose of this paper is to adapt and develop the (De Cieri and Dowling 1999) SIHRM framework, to reflect the special case of INGOs. By doing so, we seek to address several gaps in the literature. First, the organisational context of INGOs is explored, an increasingly important sector that has been largely overlooked by management scholars. Second, the focus is on SIHRM, as a particularly important area of management for INGOs. Third, by extending SIHRM into INGOs, we develop the discipline to incorporate a greater range of multinational enterprise forms. Fourth, research on SIHRM in INGOs may well provide valuable lessons for MNCs. We present a series of research propositions to explore the characteristics peculiar to SIHRM in INGOs. Theoretical implications of our analysis are also suggested.

Management has become a key concern for INGOs (Ramia 2003; Salm 1999). Indeed the question has moved beyond asking whether management issues are of importance in the non-profit context, towards asking in what way (if at all) the ‘non-profit’ nature of INGOs impacts on the applicability of management approaches (Paton and Cornforth 1992; Sheehan 2003). Campbell (1987:24) argues “… that the NGO is a very different type of organisation to the commercial or governmental type, and hence that new and specific management models are required for NGOs.” While the importance of understanding management for INGOs has been highlighted, it has been suggested that there is a need for further understanding (Ramia, 2003). There is recognition of the importance of a strategic approach to managing people in INGOs (Cunningham 2000; Kellock Hay, Beattie, Livingstone and Munro 2001) yet management research in this area appears to lag behind the emerging SIHRM practices in INGOs. In the increasingly competitive environment in which INGOs operate there are lessons for the corporate sector. As Offenheiser, Holcombe and Hopkins (1999:127) state in their case study, Oxfam America’s “participation in Oxfam International demands that we devote human and financial resources to support this participation”. Consequently, we propose that it is useful and indeed necessary to apply the concept of SIHRM to...
INGOs. We argue that INGOs are ‘special case’ of multinational enterprise (MNE) in which SIHRM can contribute to success.

DEVELOPING A FRAMEWORK FOR SIHRM IN INGOS

An influential framework for SIHRM has been developed and refined by De Cieri and colleagues¹ (Schuler, Dowling and De Cieri, 1993, De Cieri and Dowling, 1999). The SIHRM framework was developed for MNEs; thus incorporating INGOS, but as far as we are aware has only been tested in a for-profit context. To recognise this we use the term MNC to refer to for-profit multinationals. Drawing upon the De Cieri and Dowling (1999) framework and the INGO literature, a framework of SIHRM for INGOS is proposed (see Figure 1). While the original factors outlined by De Cieri and Dowling (1999) have been retained, we build upon this framework by adding several factors to reflect the INGO context². Added items are in bold type, an additional dashed arrow is between concerns and goals and external factors, and the concerns and goals box has been moved between the external and internal factors and the SIHRM box to reflect the importance of concerns and goals in shaping the organisation. Closer consideration of these changes follows.

![Figure 1. A Proposed Framework of Strategic International HRM for International Non-Governmental Organizations (INGOs)

¹ We note that De Cieri and Dowling (1999) re-labelled this ‘strategic HRM for MNEs’. However, we retain the more widely-used nomenclature: SIHRM.
² Dowling (2003) replaced the previous terms ‘exogenous' and endogenous’ with the simpler ‘external’ and ‘internal’, respectively.
External Factors

De Cieri and Dowling (1999) highlight three exogenous or external factors that influence SIHRM: industry characteristics, country/regional characteristics and inter-organisational alliances. While specific country/regional characteristics may differ between MNCs and INGOs, (e.g. different laws may apply) this factor would seem to be no different from the way these specific characteristics differ across MNCs. While country/regional characteristics should be the same for both, INGOs are more likely to operate in higher risk locations because of the nature of their work. Similarly, industry characteristics need to be understood for both MNCs and INGOs. For example, the SIHRM of an INGO operating in the advocacy industry may differ from one in micro-credit. This difference is not unlike that of the way in which SIHRM of an MNC operating in the mining industry might differ from an MNC operating in business consulting. Finally, both MNCs and INGOs have international partners who influence their SIHRM demonstrating the impact of inter-organisational networks. Indeed, INGOs have developed and used inter-organisational networks to great effect. For example, through the Australian Council for Overseas Aid (ACFOA now ACFID) network a code of conduct has been developed which sets out standards on how INGOs are managed (see ACFID website for more information http://www.acfid.asn.au/code/code.htm). Consequently, in our framework, we retain the three external factors highlighted by De Cieri and Dowling (1999). Thus it is proposed that:

Proposition 1a: The strength and nature of influence of the external factors of industry characteristics, country/regional characteristics and inter-organisational alliances on SIHRM in INGOs will be organisation, not sector specific.

Based on extant literature on INGOs, we propose an additional two external factors which will impact on SIHRM in INGOs; funding sources and international pressure groups (Anheier and Cunningham 1994; Ditcher 1999; Salm 1999). An MNC receives the funding to operate from the sales of its goods or services. Funding sources for INGOs tend to be more complex, including sources such as private donations, or government project funding (Salm, 1999). Increasingly some funding sources require reporting, which impacts on the INGOs management as some activities are 'sanctioned' by funding from that source while others are not (Davidson and Raynard 2001). For example, private donors are providing funds to help the disadvantaged overseas and expect that as close to 100% of that funding as possible will be used in that way. However, to provide the best service to the disadvantaged highly skilled staff are required. In order to meet the expectations of private donors INGOs must keep their costs down and therefore cannot afford to pay high salaries, which in turn limits their ability to attract and retain highly skilled staff. By balancing funds from different sources INGOs can balance different expectations. Thus, it is proposed,

Proposition 1b: The composition of INGO funding sources will influence the level and type of INGO investment in and use of SIHRM.

INGOs have an interactive relationship with international pressure groups such as governments and multilateral agencies, through their lobbying activities that influences their SIHRM. Ditcher (1999) discusses how the influence of INGOs on government policy has grown, which in turn has raised INGOs expectations of their own achievements. For example, INGOs influence on government and multilateral policy making “led to a decline in the use of infant formula feeding in the developing countries, thus eliminating a major source of disease among infants (because dry formula was frequently mixed with contaminated water).” (Ditcher, 1999:42)

While these lobbying interactions are not unlike the relationship for MNCs, one difference is the funding mechanism that impacts on the level of interactivity between INGOs and governments and multilateral agencies. Some INGOs receive funding from governments and multilateral agencies so that, as Ditcher (1999:47) notes that “a feedback loop phenomenon seems to be occurring”. There is an argument that the level of funding from governments and multilateral agencies can
impact on INGOs’ autonomy and their ability to engage in advocacy which in turn limits their ability to influence their environment (Salm, 1999). Therefore it is proposed that,

Proposition 1c: The level of funding received by INGOs from governments and multilateral agencies, will influence the impact an INGO’s concerns and goals have on external factors.

Internal Factors

As with the external factors, those internal factors highlighted by De Cieri and Dowling (1999) as influencing SIHRM for MNCs would seem to be applicable for INGOs. It is proposed that three additional internal factors may influence SIHRM in INGOs: organisation culture, size and religion. It has been argued that non-profit organisations have an organisation culture that is distinctive to non-profit organisations. Paton and Cornforth (1992: 44) describe this as a “culture that emphasizes value commitments and participatory-democratic decision-making”. INGOs gain SIHRM benefits, such as increased motivation and commitment from employees, from this organisation culture which encourages the development of people management strategies, practices and policies which are philosophically aligned with a ‘values-based’ culture (McPeak 2001). This is reminiscent of ‘soft’ HRM as defined by Legge (1995) as the ‘developmental humanism model’ which focuses on proactive, committed employees that collaborate in processes for both greater human development and better economic performance. This suggests that ‘soft’ SIHRM would be a better fit for non-profit organisations (Kaye 1999).

Proposition 2a: Internal factors of structure, organisation and industry life cycle, international entry mode, strategy, experience in managing international operations and headquarters international orientation will be organisation, not sector, specific.

Proposition 2b: The more INGO culture emphasizes value commitments and participatory-democratic decision making, the more likely INGOs will emphasize ‘soft’ SIHRM strategies, policies and practices.

One factor that may influence INGOs SIHRM is the size of the INGO. Biddle (1984) found that the larger the size of INGOs the more formal they became and the more SIHRM issues came to be important. This is presumably no different for MNCs. However, this does not preclude the relevance of SIHRM for small INGOs. Welbourne and De Cieri’s (2001) study of small international new ventures (where the organisation begins their operations as an international organisation) found SIHRM to be highly valued. Thus, as the nature of their work suggests, INGOs may begin as small international organisations, SIHRM should still be important. Billis and MacKeith (1993:2) “the management challenges facing larger and medium-sized NGOs may be different from those facing the smaller agencies”. Again, the degree of influence organisation size has on SIHRM would seem to be no different between INGOs or MNCs. Thus it is proposed that,

Proposition 2c: The impact of size on SIHRM will be organisation, not sector specific.

While the INGO culture influences SIHRM arrangements, it is proposed that religion may also have a strong influence. Some INGOs have a religious basis (Anheier and Cunningham, 1994), for example, Oxfam founders included Quakers (Offenheiser, Holcombe and Hopkins, 1999). Religious organisations can have organisational characteristics that differ from non-religious organisations (Harris 1998). The guidance of religious doctrine, the role of the religious leader in the organisation, the drive of religion-based goals, and the use of consensus building approaches to decision making help to frame the influences of religion on organisational practices (Harris 1998; Wuthnow 2002). Thus it is proposed that:

Proposition 2d: SIHRM in ‘faith-based’ INGOs will reflect the religious doctrines, of their partner churches.
INGO Concerns and Goals

De Cieri and Dowling (1999) include four organisation concerns and goals: competitiveness, efficiency, balance of global integration and local responsiveness, and flexibility. While these four concerns and goals are applicable to the INGO sector, the way in which they are applied differs from MNCs. Competitiveness is increasingly of concern to INGOs (Ramia, 2003), however, the non-profit context creates difficulties in translation (Lindenberg 2001). In particular, external funding groups pressure INGOs to keep administration costs low to demonstrate efficiency (Schweitzer 2003). Such pressures lead to constraints on resources that restrain INGOs from developing more efficient internal practices (Davidson and Raynard, 2001). As INGOs operate in a global market, they attempt to balance global integration and local responsiveness concerns. INGOs create central coordination structures to pull the organisation together (global integration) while simultaneously trying to maintain enough autonomy to ‘grassroots’ units to be meaningful (local responsiveness) (Salm, 1999). The differences in application do not alter the importance of these concerns and goals but stem more from a difference in definition. Thus, the following is proposed in relation to the framework,

Proposition 3a: The concerns and goals of competitiveness, efficiency, balance of global integration and local responsiveness, and flexibility will be defined differently in INGOs than they are in MNCs.

Two additional concerns and goals have been proposed for a non-profit context, that of the pursuit of social good, and organisation reputation. A key difference distinguishing INGOs from other types of organisations is the centrality of pursuing social good (Hudson and Bielefeld 1997; Paton and Cornforth 1992). Lindenberg (2001:268) sums up the management implications of this, “Nonprofit staff members … have been willing to trade salary dollars for organisational participation and the satisfaction of working for a better world.” While INGOs’ pursuit of social good provides committed staff at reduced cost, this only occurs so long as staff feel engaged with that mission. McPeak’s (2001) reflection on Plan International concludes that moves to decentralise the organisation structure were distancing headquarters staff from the mission of pursuing social good that was leading to difficulties with these staff. Thus, SIHRM systems in INGOs need to incorporate the pursuit of social good to be effective. It is proposed that

Proposition 3b: As global operations decrease employee engagement with the INGO’s mission of the pursuit of social good, INGOs will develop SIHRM to increase employees’ sense of contribution to the cause.

Related to the pursuit of social good is the need importance of organisation ‘reputation’. INGOs are highly dependent on external funding sources that are sensitive to the reputation of the organisation (Salm, 1999; Schweitzer, 2003). Further, INGOs have to maintain public faith that the maximum amount of funding resources is going directly to recipients and not being spent on administration. Pressure on INGOs to protect their organisation’s reputation is great as high growth in the industry has resulted in the emergence of “suspicious newcomers” such as government-run NGOs, and NGOs created as tax dodges (Ditcher, 1999:47). The interaction between funding and organisation reputation has an impact on INGOs SIHRM. However, lack of funding for human resource areas such as training results in organisational issues that compromise the effectiveness of relief and development work and increase criticisms, effecting the organisation’s reputation. Consequently, it is proposed that,

Proposition 3c: The more important organisation reputation is to the INGO the more they need to invest in SIHRM and yet they are less likely to devote resources to SIHRM

SIHRM for INGOs

Although some inconsistencies are evident in the definition and operationalisation of SIHRM (see for example, (Schuler, Dowling et al. 1993), agreement exists that balancing of global integration
and local responsiveness is an important aspect pervading all aspects of SIHRM (Hannon, Huang and Jaw 1995; Schuler, Dowling et al. 1993). Recurring SIHRM elements in definitions and operationalisations include SIHRM values, and structural or process components (how different SIHRM strategies, polices and practices are done in different organisations). In considering the applicability of SIHRM for INGOs three areas emerge that signify INGOs as a ‘special case’; SIHRM values, the level of formality of SIHRM and the staffing arrangements used.

Previous studies of INGO management from the development literature indicate that INGOs exhibit SIHRM values that are highly participatory, with a strong ideological drive (Biddle, 1984). Indeed participatory management is not just a management style, but incorporates ideological ‘development’ goals of participation. Sheehan’s (1999) case study of participatory management in CONCERN Worldwide Mozambique found that participatory management was not just involving and empowering employees, but matched the nature of their work, “since CONCERN Worldwide is promoting participation of the beneficiaries, the participation of staff is therefore essential” (Sheehan, 1999:9). SIHRM values in INGOs include a philosophical value of volunteerism. Volunteerism is tied up in the definition of INGOs and is not just about using volunteer labour, but pervades their creation, maintenance and termination (Hudson and Bielefeld, 1997). Thus the following regarding SIHRM values in INGOs is proposed,

Proposition 4a: INGOs will exhibit SIHRM values that are highly participatory and with a strong ideological drive.

Proposition 4b: INGOs will exhibit SIHRM values that incorporate ideas of volunteerism.

A SIHRM framework applicable to INGOs must recognise and engage volunteerism to be effective in an INGO setting. As the importance of management in INGOs has grown there has been an increase in formalisation and professionalisation (Öffenheiser, Holcombe and Hopkins, 1999). This has not passed without concern from INGOs as those within the sector are strongly suspicious of techniques from other sectors destroying their value-based culture. Tensions arise between professionalising the workforce and the importance of maintaining high use of volunteer labour. Indeed, Lindenberg and Dobel’s (1999:16) analysis of NGOs’ responses to globalisation in the past twenty years found that as INGOs became bigger and more global, their situation became more complex and dangerous and the use of volunteer labour decreased, creating internal conflict as “volunteerism, not checkbook writing, forms the core of much of the passion and commitment they generate”. Thus it is proposed,

Proposition 4c: As SIHRM in INGO’s becomes more formal, there will be an increasing agenda of professionalism which will result in decreased use of volunteers.

Staffing arrangements within INGOs resonate with the struggle to balance global integration and local responsiveness. INGOs have a long history of using expatriates (Fenwick, forthcoming 2005) but have an agenda towards building local capacity that results in a high use of local nationals, or host country nationals, depending on the kind of relief and development work engaged in (Salm, 1999). A large source of tension for INGOs are the tensions that arise from their staffing arrangements, in particular between headquarters (HQ) and field office (FO) staff (Billis and MacKeith, 1993). INGOs have multiple stakeholders who create a division between headquarters (HQ) and field office staff (FO) (Fenwick 2005; Suzuki 1998). INGO staff are trapped between these conflicting interests as “HQ wants to be accountable to the donors while FOs want to be accountable to project participants” (Suzuki, 1998: 6). With resource constraints so great, it is difficult for INGOs to resolve these staffing tensions. It is proposed that,

Proposition 4d: As external reporting requirements increase, the division between headquarters and field office staff will increase according to the extent that INGOs can generate funding for devoting to internal SIHRM.
Finally, the strategic nature of the SIHRM framework suggests a need to include outcomes, or organisation performance (Hoskisson, Hitt, Wan and Yiu 1999). Organisation performance is problematic for INGOs (Hallock 2000). This stems from the lack of profit, commonly used as a performance measure for profit based organisations, and INGOs multiple stakeholders who require different performance outputs (Hallock, 2000). The ACFOA study (2002:10) into Australian NGO effectiveness found “that quality and effectiveness of Australian NGO work goes well beyond the frameworks presently being used by AusAID and other donors to assess Australian NGO work”. This suggests that stakeholder performance measures are not considered to be adequately measuring what INGOs consider to be key performance indicators. Until adequate performance measures have been established for INGOs, some performance measures need to be used in the interim. To this end, five performance measures derived from NGOs have been proposed for INGOs: survival, funding performance, job performance measures, community impact and level of local autonomy. The increasingly competitive INGO environment has highlighted survival goals for them (Lindenberg, 2001). “Nonprofit organisations, like for profit organisations, want to survive” (Dichter, 1999:49). Funding performance measures are necessary for INGOs and have largely been imposed by funders (Cunningham, 2000). SIHRM job performance measures have been included. Previous measures used include turnover (Offenheiser, Holcombe and Hopkins, 1999), employee retention (Cunningham, 2000) and health and safety incidents (Davidson and Raynard, 2001). Perhaps the most difficult to measure, but important goal for INGOs, is the proposed community impact measure. As Salm (1999:100) states, the bottom line for INGOs “is measured overall by whether the sector is really making a difference”. Finally, measuring the level of autonomy gives some indication of how different stakeholder concerns are being met indicating “how well it delivers on its mission” (Grossman and Rangan 2001:336). Therefore it is proposed that,

Proposition 5a: SIHRM in INGOs will be positively related to survival rates, funding performance, job performance, the impact on the community and the level of local autonomy.

DIRECTIONS FOR FUTURE RESEARCH AND CONCLUSION

This framework is presented as an exploratory model of SIHRM for INGOs. It is suggested that there are a number of areas within this framework that would be fruitful for empirical attention. It is likely, and to be encouraged, that researchers will seek to adapt and revise the framework further, as understanding of this organisational context develops. A number of theoretical implications emerge. For example, institutional theory could be useful in explaining the influence of external factors on SIHRM in INGOs (De Cieri and Dowling, 1999). Further, this analysis suggests implications for resource-dependence theory in explaining the level of influence of funding sources on SIHRM in INGOs (De Cieri and Dowling, 1999). Finally, the implications for the resource-based view are suggested in that INGOs are actively seeking to develop their management to improve their effectiveness (De Cieri and Dowling, 1999). The next stage of this research is to explore the factors we have identified. Thus INGOs experiences in operating in a riskier external environment may provide lessons for MNCs.

In conclusion, this paper has investigated SIHRM for INGOs, proposing an adaptation of the De Cieri and Dowling (1999) framework for this ‘special case’. This research has merged literature in international management, non-profit sector management, and SIHRM in order to improve our understanding of the role that SIHRM plays in the performance of INGOs. As noted earlier, there is very little work that focuses on internal management issues within non-profit organisations, particularly the rapidly growing INGOs. Overall, this research demonstrates that the application of this influential SIHRM framework to address differences between MNCs and INGOs proposes new avenues for research.
REFERENCES


