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ORIGINAL PAPER

Missing in Action: Strategic Human Resource Management in German Nonprofits

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Abstract Human resource (HR) management is important for human service nonprofits because they rely on the quality of their employees for the provision of their services. Using a typology of nonprofit HR architecture developed by Ridder and McCandless (Nonprofit Volunt Sect Q 29(1):124–141, 2010), we attempt to unpack the black box between performance and HR practices. To this end, we conducted semi-structured interviews with HR managers and young employees to investigate their perceptions of HR practices in their nonprofit organizations. Based on the findings, we extend the research on HR management in nonprofit organizations and caution that success or failure of implementing HR practices may be directly influenced by the external environment.

Résumé La gestion des ressources humaines (RH) est essentielle pour les organisations à but non lucratif de service aux personnes, car leur capacité à fournir ces services dépend de la qualité de leurs employés. En utilisant une typologie des structures des RH au sein des organisations à but non lucratif créée par Ridder et ses collègues (2010) nous tentons d'ouvrir au grand jour la boîte noire qui sépare performances et pratiques de RH. A cette fin, nous avons conduit des entretiens semi-structurés avec des responsables de ressources humaines et de jeunes employés, pour chercher à comprendre leurs perceptions des pratiques de RH dans

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leur organisation à but non lucratif. Ces résultats nous permettent de contribuer à l'étude de la gestion des RH dans les organisations à but non lucratif et nous signalent que le succès ou l'échec de l'implémentation des pratiques de RH peuvent être directement influencés par l'environnement externe.

Zusammenfassung Das Personalmanagement ist für Nonprofit-Organisationen, die personenbezogene Dienstleistungen anbieten, wichtig, da sie sich bei ihrer Dienstleistungsbereitstellung auf die Qualität ihrer Mitarbeiter verlassen. Unter Anwendung einer von Ridder und Kollegen (2010) entwickelten Typologie der Personalarchitektur in Nonprofit-Organisationen versuchen wir, die Black Box zwischen Leistung und Personalpraktiken zu entziffern. Zu diesem Zweck führten wir semi-strukturierte Befragungen von Personalleitern und jungen Mitarbeitern durch, um deren Auffassungen zu den in ihren Nonprofit-Organisationen angewandten Personalpraktiken zu untersuchen. Beruhend auf den Ergebnissen weiten wir die Forschung zum Personalmanagement in Nonprofit-Organisationen weiter aus und weisen darauf hin, dass der Erfolg oder Misserfolg der Umsetzung von Personalpraktiken unmittelbar vom äußeren Umfeld abhängen kann.

Resumen La dirección de recursos humanos (RRHH) es importante para las organizaciones sin ánimo de lucro de servicios humanos porque confían en la calidad de sus empleados para la provisión de sus servicios. Utilizando una tipología de la arquitectura de RRHH en las organizaciones sin ánimo de lucro desarrollada por Ridder et al. (2010), tratamos de desvelar la caja negra entre el rendimiento y las prácticas de RRHH. Con este fin, hemos realizado entrevistas semi-estructuradas con directores de recursos humanos y empleados jóvenes para investigar sus percepciones de las prácticas de RRHH en sus organizaciones sin ánimo de lucro. Basándonos en los hallazgos, ampliamos la investigación sobre la gestión de RRHH en organizaciones sin ánimo de lucro y advertimos que el éxito o fracaso de implementar prácticas de RRHH puede estar directamente influida por el entorno externo.

Keywords Strategic human resource management · HR practices · Perceptions · Nonprofit organizations · Germany

Introduction

Human service nonprofits provide labor-intensive services and, as such, employees are a major factor in determining organizational success (Maelicke 2004). Thus, nonprofits involved in human services are highly dependent on the quality, motivation, and satisfaction of their employees for the delivery of their services (Akingbola 2006). Job satisfaction is influenced by many endogenous factors at the workplace, such as relations with coworkers, supervisors, and clients (Borzaga and Depedri 2005; Ducharme et al. 2008; Ewald 1997), professional development possibilities (Borzaga and Tortia 2006), and compensation and appropriateness of wages (Glisson and Durick 1988). Other, often underrated, factors in employees'

job satisfaction are their perception of human resource (HR) practices (Nishii et al. 2008) and their evaluation of the extent to which the job fulfills their own needs and values (Locke 1976).

Research shows that the way an organization manages its human resources significantly influences organizational performance (Khilji and Wang 2006; Ostroff 1992; Pfeffer 2007). Given the competitive climate in human services, it is increasingly important for nonprofits to understand their employees' perceptions of their organization's HR practices in order to implement a human resource management (HRM) that best fulfill the needs of the organization and its workforce.

Even though the theoretical link between performance and employee perceptions of HR practices may be clear (Kuvaas 2008; Truss 2001), in practice, however, organizations often either lack information on their employees' perceptions or do not incorporate this information in their HR practices (Nishii et al. 2008). This is especially true for nonprofit organizations, where little is known about how employees perceive and evaluate HR practices. Theoretically, the question remains, what discourages nonprofit organizations from implementing HR practices that create job satisfaction and commitment to the organization? Are there internal or external barriers in implementing such HR practices? Are the employee perceptions of HR practices in an organization shared by HR managers? Is there a gap between the realities of what is feasible with what is desirable in effective HR practices?

This research focuses on HR practices as perceived by employees and HR managers in free welfare associations (FWAs) in Germany, the main provider of social and health care services (Zimmer et al. 2004). Our aim is to understand what impedes the implementation of HR practices in FWAs that could potentially improve recruitment and retention, and increase job satisfaction. Thus, we examine what is "missing in action" in understanding the interplay of how managers and employees perceive HR practices and the barriers for implementing strategic HR practices. This line of inquiry will add to the current knowledge based on strategic human resource management (SHRM) research on nonprofits, an area where empirical data are widely missing (Guo et al. 2011).

Context: Human Resource Practices in German FWAs

This paper focuses on FWAs, the main provider of social services and health care in Germany (Zimmer et al. 2004). Typical services that FWAs provide include day-care centers, child and youth welfare services, health services, unemployment consulting, assistance to immigrants, and elderly care. Given the broad spectrum of clients and purposes FWAs serve, it is not surprising that the workforce is heterogeneous, and the typical professions found among professional employees are social work, nursing, and education (Burmester 2005; Neumann 2004). FWAs also offer a variety of employment options, with a diverse overall structure as seen in Table 1. Significant variations in staff professionalization, duration of employment, incentives, contract characteristics, as well as the handling of labor laws, regulations, and tax implications, especially for subsidized jobs, pose extraordinary challenges for HRM (Vilain 2002; Zimmer and Freise 2003).

Table 1 Form of employment in FWAs

Form	Full-time/part-time	Duration	Financed by (predominantly)
Employees	Full-time/part-time	Varying	FWAs (mainly through project-related funding)
Apprentices	Full-time	2–3 years	FWAs
Job creation measures	Full-time	12 months	Federal employment agency
Community service (until June 2011)	Full-time	9 months	Federal ministry
Voluntary social year	Full-time	6–12 months	Federal ministry
Integration measures	Full-time	Varying	FWAs and social affairs department
Volunteers	Several hours/part-time	Varying	Unpaid
Board members	Several hours/part-time	Varying	Unpaid

Source: Authors' table following Vilain (2002)

Due to the historic foundations of FWAs, there existed heavily bureaucratic structures with a general lack of flexibility and a management style that has been described as passive rather than proactive and strategic (Zimmer and Toepler 2000). Having enjoyed a monopoly in the delivery of many human services as well as guaranteed funding, FWAs found themselves severely challenged when the government changed its policy in the 1990s consequent to the Youth Welfare Act of 1991 and the Health Care Reconstruction Act of 1993 (Zimmer and Toepler 2000). Reduced government funding was accompanied by a competitive landscape as the government opened up the provision of human services and health care to other vendors, including for-profit and other nonprofit organizations. Thus, FWAs faced rising demands from government for increased quality in services with concomitant reduction in costs (Buestrich et al. 2008) and found themselves exposed to marketplace risks hitherto not encountered (Marcus 2008). Furthermore, due to changes in demographics, FWAs faced an increased demand of their services from a rapidly aging client population with changing needs (Ridder et al. 2004). Simultaneously, FWAs experienced a shortage of skilled labor for the provision of their services (Wohlfahrt 2012) as there were fewer younger people who were choosing caring professions (Brinkmann 2008).

To navigate these changes and compete in the market place, many FWAs responded by imitating the management systems of their competing for-profit sector organizations, often without sufficiently adapting them to their own or their employees' needs or developing new systems that would serve them better (Neumann 2004; Vilain 2002). For example, one measure was to apply a cost-saving strategy by increasing the number of part-time employees. Part-time employees enjoy fewer benefits and lower compensation than full-time employees; therefore, FWAs were able to save on personnel costs (Neumann 2004). Between 2000 and 2008, the share of full-time employees decreased from 60 % in 2000 to 44 % in 2008, while the total number of employees increased by 32 % to 1.5 million employees (BAGFW e.V. 2000, 2006, 2008). Similarly, Wohlfahrt (2012) finds that during the past decade, FWAs have increased the share of low-qualified personnel, who were subsidized by the government, thereby allowing FWAs to save on wage

costs. Unfortunately, HR practices did not change sufficiently to accommodate this changing workforce composition, leading to dissatisfaction among employees (Brinkmann 2008), and little research exists on the resulting challenges faced by FWAs and their HR responses to the changes in their environment.

In the next section, we summarize the relevant literature on the four most prominent HR practices of recruitment, appraisal, development, and compensation (Devanna et al. 1984) as they relate to FWAs.

Recruitment

Organizations that want to hire the most qualified people for the job must design a recruitment plan that supports the organizational strategy (Delaney and Huselid 1996). However, in the past, FWAs paid little attention to staff recruitment due to their monopolistic position. Furthermore, the supply of job applicants exceeded demand due to the high numbers of graduates in the field of social work, education, and health care (Neumann 2004). Recruitment often occurred informally; affiliations to particular political parties or religious groups or personal connections were hereby highly valued and parlayed into jobs in FWAs (Betzelt 2001; Hüdepohl 1996; Wöhrle 2008). Betzelt (2001) finds that subject-specific qualifications were not necessarily criteria for getting hired, but being "from the same stable" (p. 159), i.e., belonging to the same networks as existing staff, was a precondition for employment. Even though FWAs started to use more formal procedures of staff recruitment (e.g., job advertisement) in the past few years, these efforts appear to be mostly ad hoc. Often, internal applicants get preference, which causes redeployment in other areas and restricts the search for good candidates (Betzelt 2001; Neumann 2004; Zimmer and Freise 2003).

Due to the low public image of social services in German society coupled with low compensation and poor working conditions in FWAs (Neumann 2004; Oliva et al. 1991), there is now a shortage in the supply of skilled personnel (Vilain 2002; Wohlfahrt 2012). Recent statistics estimate that the areas of child and youth welfare services, elderly care, and nursing are especially affected by this lack of skilled personnel. For instance, by 2014, there will be a need for 110,000 child welfare employees; 45 % of it will be due to retirements and remaining due to the expansion of services (e.g., day care). Similarly, there will be increased needs in nursing; especially in elder care due to the aging of the population and the increased life expectancy, a threefold increase (1,600,000) is predicted (Thole 2011).

Furthermore, because of increasing competition for qualified employees with for-profit providers, the pool of available applicants to FWAs is low. However, FWAs rarely act upon these changes in their recruitment and selection practices (Buestrich et al. 2008; Wohlfahrt 2012). Thus, FWAs are left "with a permanent deficit of qualified staff" (Vilain 2002, p. 10).

Compensation

Most FWAs pay their employees according to a collective agreement (TVÖD), implemented in 2005 as a result of the changes in public funding. This agreement allows increases in pay according to an employee's tenure within FWAs (Vilain

2002). While such wages may be effective in certain industries, it is questionable whether they would attract better employees as some recent research findings show that young employees in FWAs prefer that their work and efforts are valued with monetary incentives such as performance-based benefits (Walk et al. 2013).

Although performance-based payments gained attention in recent nonprofit literature (e.g., Theuvsen 2004), there is some ambiguity about its merit due to its effects on crowding out intrinsic motivations over time (Deckop and Cirka 2000). FWAs have not had a culture of performance-based payments, although pay-for-performance plans have been discussed for a while (EKD 2002; Knorr and Scheppach 1998) and have recently been implemented in Protestant FWAs (VdDD 2013). Given their reliance on short-term project-based contracts, it has been difficult for FWAs to integrate performance-related pay schemes that are sustainable across their workforce (Dahme and Wohlfahrt 2007). Thus, FWAs often rely on the length of tenure in determining wages, which corresponds to lower salaries for entry-level professional employees that are not in line with their professional education.[1] Not surprisingly, this policy is perceived as unfair and caused significant dissatisfaction among entry-level employees (Walk et al. 2013).

Appraisal

Employee appraisal is an effective tool to discuss professional development goals such as training or education (Deckop and Cirka 2000), and FWAs indeed use employee appraisal for professional development of employees, the improvement and maintenance of personnel quality, and increases in overall efficiency (Strassner 2009). Appraisal talks allow FWA supervisors to work with their employees on their strengths and weaknesses and thus are part of their personnel responsibilities; they also give employees the opportunity to influence their job design (Hesse 2006). However, appraisal talks are not uniformly or widely implemented, and when conducted, there exist significant differences in terms of regularity and substance across the different FWAs (Göpfert-Divivier and Ahr 2004). For instance, in some FWAs, supervisors initiate appraisal talks, whereas in others, the employees take the initiative; the frequency and regularity differ, as do the nature and length of the talks (Hesse 2006; Marcus 2008). Furthermore, Strassner (2009) points to ethical issues that arise in appraisal talks that lead to "strategic dishonesty" (p. 48), especially for employees who are in vulnerable situations (e.g., on temporary contracts with an uncertainty of renewal).

Professional Development

Professional development efforts have positive individual level as well as organizational effects. Employees who take advantage of professional development

[1] German social workers hold a university degree of minimum 3 years after graduating (the German equivalent of) high school. Kindergarten teachers in Germany usually go through a 2–4 year apprenticeship (differences on the state-level) post middle school. Most often, they do not have any high school education. According to the collective agreement, kindergarten teachers are grouped in salary level 8, whereas social workers should be grouped in (at least) level 9 or 10. Depending on the state, this results in a difference. In monthly net salary between 70 and 215 Euro if employed full-time (Öffentlicher Dienst 2012).

opportunities show an increased level of morale and have lower levels of absenteeism (Rondeau and Wagar 2001). Professional development programs have been scarce in FWAs, with some recent exceptions (Marcus 2008), potentially resulting in a nonexistent middle management level with little or no training for leadership roles (Neumann 2004; Weber et al. 1995). The development of employees in leadership positions is especially problematic. For instance, Neumann (2004) describes the tendency of FWAs to promote frontline employees from within the organization to executive positions. Some of them clearly can meet the challenge of executive management positions, but in many cases, competent professionals often become incompetent managers, which reflects the "Peter Principle" in FWAs where "every employee tends to rise to his level of incompetence" (Maelicke 1989, p. 67). These promotion strategies continue and are not conducive to organizational effectiveness, as not all employees are adequately trained to assume leadership positions. Even though executives in FWAs are aware of this situation, few steps have been taken to change this, and thus, professional personnel development has not played an important role in FWAs (Betzelt 2001).

Given the heterogeneity of FWAs, it is difficult to make universal assumptions about prevalent HR practices. However, on the basis of the literature reviewed above, it seems that HR practices in FWAs appear ad hoc and bureaucratic with little strategic direction. FWAs, to a large extent, tend to retain the culture under a regime of guaranteed government subsidies and have only instituted change whenever necessary. Ridder et al. (2012b) in their case study research on FWAs in Lower Saxony indeed find that their 10 cases differed in HR and strategic orientation, falling into four distinct HR architecture types. The next section briefly reviews SHRM and, based on this, Ridder and his colleagues' framework for nonprofit HR architectures is introduced, which is then used to frame our research findings.

Literature Review

Strategic Human Resource Management

Human resources contribute substantially to the success of business strategies and overall organizational performance. Human resources, it is argued, are most effectively managed through SHRM, which is defined as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (Wright and McMahan 1992, p. 298). Strategic human resource management, thus, incorporates the resource-based view of the firm, which emphasizes the importance of internal resources to achieve competitive advantages (Barney 1991; Wright et al. 2001). Those advantages, as argued by Boxall (1998), can be divided into a human capital and a human process advantage. The human capital advantage results from the quality of the employees, the HR base. The organizational processes advantage originates from successful processes that distinguish the organization from competitors (Boxall 1998). Organizations are only able to achieve competitive advantages, when both human capital and human process aspects are present and mutually aligned.

It is the purpose of HR practices to recruit, develop, and retain a talented workforce that is willing to contribute to the organizational goals (Snell and Dean 1992; Wright et al. 2001). The four most prominent HR practices are recruitment, appraisal, development, and compensation, whereby all functions "have an impact on performance at both the individual and the organizational level" (Devanna et al. 1984, p. 41). However, in order to have the most effective outcomes and to create mutually reinforcing possibilities (e.g., increased motivation), the different HR practices have to be strategically aligned to so-called bundles rather than being single practices (Macduffie 1995). Despite this known effectiveness, however, HR practices tend to be implemented as single tools and, to a lesser extent, as systematically aligned bundles in many for-profit as well as nonprofit organizations (Pfeffer 2007).

A plethora of research has investigated the relationship between HR systems and performance. A common reasoning is the impact of HR practices on employee attitudes and behavior, which positively influences job satisfaction and subsequently increases organizational outcomes. However, the causal relationship might be even more complex, which is one reason for calling the HR–performance relationship a "black box" (e.g., Becker and Huselid 2006). For instance, Nishii et al. (2008) argue that employees' perceptions of HR practices even precede their attitudes, suggesting that the employees' individual interpretation should also be considered when evaluating HR practices. Organizations that merely focus on the development and implementation of HR practices while ignoring the perceptions of their employees might therefore be harming the organization. Given the necessity of designing HR practices according to external and internal requirements, the authors distinguish internal and external attributions that employees have toward those practices. External attributions encompass situations that lead organizations to design particular HR practices based on legal requirements in the external environment (e.g., union compliance). In their study, employee perceptions of the HR practices reflecting external requirements were not related to employee commitment and job satisfaction. However, employees might also have internal attributions toward HR practices, which in fact can have positive or negative relationships to employee commitment and job satisfaction. If, for instance, employees perceive HR practices to be quality-enhancing, with a focus on employee well-being, their commitment and job satisfaction are likely to increase. On the other hand, if HR practices are perceived to have a cost reduction focus with an underlying focus on employee exploitation, job satisfaction and commitment are negatively influenced. Moreover, independent of the actual HR strategy of the organization, employees might view HR practices differently whereby some could perceive an HR practice as quality-improving and others could regard the same practice as a cost reduction strategy (Nishii et al. 2008).

In the next section, we will discuss HR practices as well as the link to performance in the context of nonprofit organizations.

Strategic Human Resource Management in Nonprofits

Recent literature has shown that there exists a link between SHRM and performance in nonprofits (Akingbola 2006; Lengnick-Hall et al. 2009; Rodwell and Teo 2008).

For instance, Rodwell and Teo (2004) demonstrate a positive and significant relationship between SHRM and organizational performance among for-profit and nonprofit health service organizations. Research also focuses on external factors such as the environment or organizational characteristics that influence the implementation of SHRM in nonprofits (Akingbola 2004; Hall et al. 2003). Guo et al. (2011), for instance, find that larger, technologically savvy nonprofits as well as nonprofits that are part of umbrella associations are more likely to implement SHRM approaches.

Given the nature of nonprofits, it is even more complicated to unpack the "black box", which links performance to HR practices. The major reason is the nondistribution constraint, which forces nonprofits to funnel surplus back into their day-to-day business without returning the surplus to shareholders (Akingbola 2013). Thus, in contrast to for-profit competitors, who foremost see their human resources as a source of competitive advantage (Barney 1991), the human resources function in nonprofits is to some extent detached from market-based principles that are prevalent in for-profit organizations (Eaton 2000). Nonprofits, contrary to organizations in the private sector, do not aim to maximize shareholder value, rather they try to pursue multiple bottom lines that are linked with the achievement of the organizational mission and social goals (Frumkin and Andre-Clark 2000). However, the needs of the internal and external stakeholders might conflict at times, leaving nonprofits with tough decisions to make. For instance, increasing employee satisfaction may or may not increase client satisfaction, and neither may be related to the FWA's competitive advantage in garnering grants from the government.

On a more positive note, Akingbola (2013) identifies distinct advantages for nonprofits in successfully pursuing SHRM. Despite its disadvantage in relating SHRM to outcomes, the nondistribution constraint plays an important role in generating trust among the public and consumers (Handy et al. 2010; Hansmann 1987). Furthermore, it gives nonprofits access to donations of money and volunteer labor, which generates a relative cost advantage as compared to for-profits (e.g., Anheier 2005). Moreover, by emphasizing the value-driven (versus profit-driven) nature of their operations, nonprofits have an advantage in recruiting employees in caring professions (Frank 2004), who are willing to accept lower pay for the opportunity to contribute to society though their work (Benz 2005; Handy and Katz 1998).

Even though the black box is not yet fully unpacked, a basic assumption to understand the effects of HR practices is the necessity of viewing the existing SHRM system as a whole. Those systems are often referred to as HR architecture (Becker and Huselid 2006; Lepak and Snell 1999). Ridder and McCandless (2010) and Ridder et al. (2012b) recently developed a typology of HR architectures in nonprofits. Their typology is based on the assumption that the type of SHRM that is implemented in nonprofits varies along two dimensions, a strategic orientation and an HR orientation. The strategic orientation emphasizes (1) a vertical fit between the HR practices and the organizational strategy that considers external threats and opportunities as well as internal strengths and capabilities; and (2) a horizontal fit, which postulates that HR practices should be aligned in order to have a mutually enhancing impact. The second dimension in the HR orientation is based on

employees' needs and motivations and regards them as valuable assets in organizations; hence, this orientation focuses on employee retention and invests in their skill development (Nishii et al. 2008).

Depending on the extent to which nonprofits utilize both orientations (low to high), they fall into one of four ideal categories. Those categories are named administrative, motivational, strategic, and value-driven and are not mutually exclusive (see Fig. 1). We briefly discuss these categories as we use them to guide our research inquiry.

Administrative

This category, low on HR and strategic orientation, is characterized through a lack of professionalism and the absence of a long-term perspective; nonprofits that fall into this category are less willing or able to invest in the potential of their employees and often tend to imitate HR practices from the for-profit context without adapting them to their specific context (Ridder and McCandless 2010; Ridder et al. 2012b). External funders often influence HR practices (e.g., short-term contracts), which can lead to dissatisfaction among the employees (Akingbola 2004), and employees are merely regarded as costs that have to be minimized (Nishii et al. 2008; Ridder et al. 2012a).

Strategic

Nonprofits in this category develop HR strategies mostly "responding to market related demands such as funding pressures and constraints" (Ridder and McCandless 2010, p. 135). Their HR practices are oriented toward achieving the organizational goals using strategic management methods from the for-profit sector such as staff reduction, increasing workload, and greater emphasis on effectiveness (Ridder et al. 2012a). Their professional development of employees is strategic and focuses on the most promising employees; thus, employees are considered as assets in meeting organizational goals (Ridder et al. 2012b). However, the low focus on

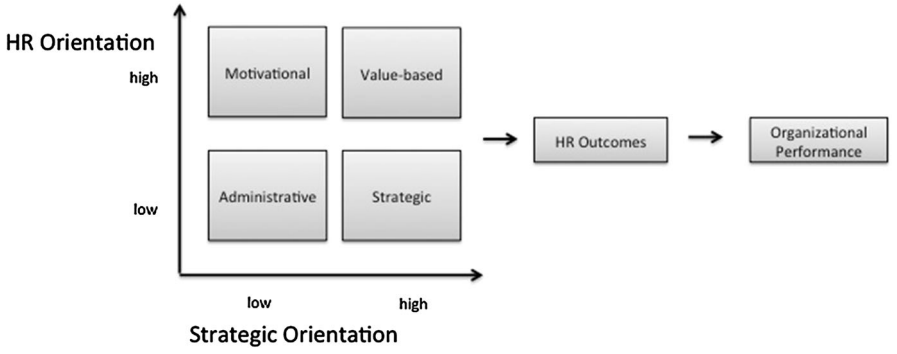

Fig. 1 Typology of HR architectures following Ridder and McCandless (2010) and Ridder et al. (2012b)

the HR base indicates that nonprofits also tend to disregard employees' needs, which might lead to negative effects on employees' motivation and commitment (Ridder and McCandless 2010).

Motivational

This category, high on HR and low on strategic orientation, includes HR practices that strengthen the employees' fit with the organization's mission (Ridder and McCandless 2010), which in turn is seen as a unique strength (Benz 2005; Light 2002). Thus, the motivational architecture emphasizes a commitment-focused strategy that regards employees as valuable assets and consequently invests in their retention (Nishii et al. 2008) by offering benefits such as flexible work hours or family-friendly work policies (Ridder et al. 2012a).

Value-Driven

Nonprofits in this category, high on HR and strategic orientation, focus on strategies that combine the unique strength of their workforce and the organization's values and mission (Ridder et al. 2012a). Investments in HR targeted toward recruitment, development, and retention of employees is undertaken to accomplish the strategic objectives of the nonprofit. However, given a value-driven approach in nonprofits, such investment is a goal in its own. Furthermore, value-driven nonprofits struggle to meet the often diverse and conflicting demands of their internal and external stakeholders (e.g., consumers, donors, volunteers and boards) (Ridder and McCandless 2010).

In this paper, we draw on this framework by Ridder and his colleagues, to categorize our findings. We further use the perceptions of managers and employees for many of the items within this framework as suggested by Nishii et al. (2008) and incorporate them into the HR architecture to understand potential barriers of FWAs to adopt strategic HR practices.

Methods

Given the importance of qualitative methodology in recent HR research (Ridder and Hoon 2009), this study uses a pragmatic qualitative approach utilizing ethnographic techniques (Creswell 2007; Patton 1990) to study the research questions. In this study, we draw on semi-structured interviews with HR managers and employees working for Caritas, a German FWA. HR systems in nonprofits are strongly built around employee participation (Rondeau and Wagar 2001), and we specifically aim to integrate employees and HR managers' perceptions into our research. To understand HR practices (or lack thereof) in Caritas organizations, we obtain qualitative data on these practices as perceived by managers and employees. These data are also useful to in identifying the potential barriers faced by FWAs in adopting strategic HR practices.

Caritas, founded in 1897, is affiliated with the Catholic Church and is the largest umbrella organization of FWAs in Germany.[2] As of 2010, the Caritas employed 559,526 individuals, including 58 % part-time workers, as well as a little more than 500,000 volunteers (Caritas 2012). The paid workforce is predominantly female (81.5 %). Caritas operates 24,246 organizations in five major domains (youth welfare services, health care, family support, work with the elderly as well as the disabled and mentally ill) (Caritas 2010). In 2011, revenues stemmed mostly from grants (49 %), donations and legacies (28.1 %), and the rest from profits, events, or membership fees. The share of grant money (mostly given on a project-related basis) comes from the German government (69.61 %), the Catholic Church (13.64 %), and the European Union (3.14 %) (Caritas 2012). Even though Caritas operates across Germany, Caritas organizations are especially prevalent in more rural and predominantly Catholic regions (Marcus 2008).

Data Collection

Our data are part of a larger data from all six umbrella associations of free welfare work. This paper focuses on one umbrella organization, Caritas, and draws on semi-structured interviews with professional HR managers (5) and professional employees (10). The sample was purposive in nature, using snowball sampling techniques (Bryman 2008). Purposeful sampling was involved in the selection of "information rich cases" to recruit informants who are knowledgeable about a subject from personal experience, such as key employees and managers. In this case, we solicited professional social workers and human resource managers employed by Caritas in the federal state of Lower Saxony to provide names of colleagues working in HRM and also names of professional entry-level employees working for Caritas. Those interviewees of the first round were then asked to facilitate contact with former fellow students and/or colleagues, and supervisors. This process was continued until saturation of information was reached (Bowen 2008; Morse 1995).

The first author conducted all of the interviews in German primarily by telephone (11), with a few done face-to-face (4). Anonymity was guaranteed to all interviewees with a promise of confidentiality of the data. Length of interviews averaged 27 min for the employees and 38 min for the HR managers. Guiding the semi-structured interviews were the following questions: If you were able to change anything you like in your organization, what would you change and why? HR managers were probed using a similar interview instrument with different semi-structured questions related to their experiences in FWAs and current challenges in HRM. Interviews were digitally recorded and then transcribed.

[2] Free welfare associations are organized in six centralized umbrella associations of free welfare work (*Spitzenverbände der freien Wohlfahrtspflege*). These six entities serve as umbrella organizations for their members, and are either religiously affiliated (Caritas, Diakonie, Jewish Welfare), politically affiliated (Worker Welfare—social democratic), non-partisan (The Parity), or affiliated with the Red Cross (BAGFW e.V. 2008).

Data Analysis

In the first step of the analysis, analytic induction and constant comparison strategies were used to elicit common themes regarding current HR practices and perceptions. These themes emerged from the data during initial coding and were identified by going back and forth between the interview transcripts and the emerging theoretical understanding (Glaser and Strauss 1967). After coding these themes, the interviews were searched for instances of the same or similar phenomena. This process was repeated until all findings were coded. In the next step, we then investigated to what extent the themes we found aligned with the framework developed by Ridder and colleagues. Members of the research team worked sequentially and then collaboratively on this stage of research to maintain the credibility criteria of the study. Disagreements in assigning themes to categories were carefully discussed among the researchers to reach consensus. The findings discussed below are supported by direct quotations from the interviewed HR managers and employees; however, these quotations are not exhaustive of their contributions in each category.

Sample Characteristics

All 15 interviewees held professional degrees, and the 10 employees are in entry-level positions in FWAs. Their professional backgrounds were predominantly in social work (2 managers/5 employees) and health care (2 employees). The remaining employees held degrees in political and social sciences as well as theology. The remaining HR managers were trained in business management, public administration, and education. Fifty percent of the employees had a short-term contract; two were employed part-time. HR managers were employed full-time with open-ended contracts.

The employees worked in 10 different Caritas organizations. Six of the entry-level interviewees worked in youth-related services and were frontline service employees, whereas four worked in regional offices that coordinated local Caritas organizations. They worked in management such as human resources and finance, or administrative positions such as fundraising, marketing, and public relations. Three of the HR managers worked as well in regional associations where they were responsible for HR for employees (30–120) within the regional office in addition to the HR for managers (30–40) of smaller member organizations in Caritas. The remaining two HR managers were executives of child and youth welfare organizations with 30 and 160 employees, with HR being one of their responsibilities.

The female share of the interviewed employees was 50 % and 30 % for the HR managers. The employees had an average age of 29 years, with an average length of employment was 2 years for the employees and 16 years for the HR managers. This sample reflects the nature of the workforce of FWAs, which is largely composed of social or welfare workers with employment ranging from part-time and full-time paid workers (BAGFW e.V. 2008; Vilain 2002).

Findings

We present our findings using the four categories developed by Ridder and McCandless (2010) and Ridder et al. (2012b). Another category that emerged in our findings was "external context" influencing the structure and implementation of HR practices in Caritas organizations. Given the rather deterministic nature of this category and the influence of the external context on the actual HR practices, we start with this category and describe the themes that emerged. Thereafter, we discuss the themes in the four categories: administrative, strategic, motivational, and value-based HR architecture.

External Context

For this category, two themes emerged from the data. The first theme relates to the external environment, while the second relates to changes in demographics and labor supply.

Policy Environment (Funding and Competition)

The HR managers reflected on their struggles with keeping up their services in the face of decreasing funds and the changing nature of government contracts. They reported difficulties in acquiring long-term governmental funding, which led to challenges in planning. A male HR manager indicates, "Funds for refinancing are falling away, […] labor costs, energy costs are insufficiently funded. On the other side more and more quality is demanded from the nurses and from medical services" (H1, 84–87). Another male HR manager adds,

> Previously we used to have long-term contracts with municipalities and with counties, because they said, 'we want to provide certain social services in our district and will offer financial resources for it'. This funding has now decreased given the current situation of the municipalities and counties, we have funding contracts for only one year (H2, 96–102).

Cutbacks in public funding had direct consequences on strategic planning for Caritas organizations. Accompanying these cutbacks, the government started to give out contracts and grants on a competitive basis and thus organizations such as for-profit organizations previously unable to receive government funding were competing alongside FWAs. The barriers to entry were lowered, and competition undermined the monopolistic position hitherto held by FWAs. Caritas now faced a competitive market situation with which they lacked experience (Marcus 2006). The impact of competition was especially severe for recruiting and retaining qualified employees as well as pricing services, as these HR managers point out:

> Caritas is now not the only [provider] who offers such services, but there are a lot of other social service providers in the market […], especially in urban areas. Consequently there is the competition for good employees (H2, 64–72).

> We currently face competition of 35 or 36 private providers of nursing services. […] When we offer a price for basic nursing, the private provider offers a lower price. At this point, we are out of the market, even though our price is very tightly calculated" (H1, 272–316).

As a reaction to decreases in public funding, a new collective agreement (TVÖD) was put in place by a majority of FWAs that allowed for more flexibility in remunerating structures. This new agreement does not change salary levels for inexperienced employees, but it affects the recruitment of experienced or trained professionals, as wages are now dependent on length of service within FWAs. Thus, HR managers cannot offer wages that reflect experience or training when recruiting experienced skilled employees, as noted by this female HR manager of child welfare services:

> A very big challenge is the current financial cutbacks and the change of the wage system. It is true, that nothing changes for young employees, but if you search for staff with experience and who did not previously work for a FWA, then taking employment with FWAs results in enormous financial losses for the employee. Clearly this is difficult, there are areas where I need experienced workers, because someone without experience, professional experience, is not able to handle [the job] (H3, 57–63).

Human resource managers are well aware of the challenges caused by the policy environment, which are beyond their control. Those external factors clearly influence how organizations go about their HR practices.

Changes in Demographics and Labor Supply

Besides challenges that were initiated by the government as an outside actor, societal trends further impede Caritas organizations in their ability to recruit qualified employees. One of those trends encompasses demographic changes of an aging population, which leads to an increasing demand for services and shortages of qualified personnel (Buestrich et al. 2008).

> Other challenges are caused by demographic changes; this is clearly noticeable. Especially in nursing services or in terms of social workers, I would say that in 2015 it will be a tight squeeze to get enough personnel. Even currently there are difficulties, […] but it will get even harder to find qualified people given our working conditions (H1, 116–122).

The reputation of FWAs has fallen in society, and this creates difficulties in recruiting professionals to social service jobs in Caritas (Neumann 2004; Oliva et al. 1991). Several employees specifically refer to the low overall value that society gives to social service work. For instance, a male social worker states, "The problem is simple; society does not necessarily value social work or other such services […] the area in which we work. […] What we do has not a high significance" (G15, 172–175). Another female social worker explained that she had to "defend the profession in and of itself because of the low societal presence" (G13, 102–104).

Organizations, however, continue to rely on recruiting employees willing to work in social services and who share their ideology to increase the fit between the individual and organization as indicated here:

> Welfare associations, churches or political parties are to some extend organizations pursuing ideological aims [Tendenzbetriebe], where you need a certain affinity to properly work there and this is the biggest challenge (H5, 81–86).

Furthermore, due to the general loss of relevance of the church in society, it is even more challenging for Caritas to find people who identify with Christian values (Marcus 2008). HR managers underscore these findings: "religion and the church are increasingly irrelevant or play a lesser role in the private sphere" (H1, 326–340). More specifically to the younger population, they find that

> things are starting to change, […] church as educational institution does not fit to the life expectations of many people any more. [HR managers] realize that the part of young people who naturally grow up in and with the church declines (H5, 105–115).

This poses immense difficulties for Caritas, because religious FWAs require identification with Christian values upon employment (Beyer and Nutzinger 1993).

Overall, the description of the external context as perceived by HR managers and employees illustrates the environment in which Caritas organizations operate. Changes in funding and an increase in competition for funds accompanied by societal changes challenge HR managers and potentially influence HR practices in Caritas.

Administrative HR

For this category, three themes emerged from the data. Those are short-term contracts, cost-cutting strategies, and compensation levels within Caritas organizations

For the first theme, compensation levels, we identify a disconnect between the HR managers and employees' perceptions in certain key areas. Some HR managers agree that "the Catholic church is a top payer" (H2, 146) and that the collective agreement provides "fair compensation" (H3, 214).

Employees, for the most part, were dissatisfied with their earnings, as one employee indicates: "As social worker, one does not lie on a bed of roses" (G7, 170). Another employee follows this line of reasoning and expects the pay to be appropriate in order to increase motivation and satisfaction levels as illustrated here: "I expect higher pay for the work that I am doing. I enjoy my work less and less because of the low pay. […] What we are paid is ridiculous" (G15, 136–138).

Compensation levels might be evaluated differently, depending on the organizational context. In case of other potentially positive factors, such as work conditions, low pay might be outbalanced (see next category). Given the restrictions imposed by the collective agreement, Caritas organizations do not have much leverage to change current payment levels.

Even though some FWAs tend to implement performance-based payment systems (EKD 2002; VdDD 2013), this was not the case in our sample. One employee, however, specifically addressed the advantages of these systems:

> If I were paid according to performance and not according the collective agreement, I would work harder. I often think about this; if I had to reach a certain goal by the end of the year and they offered me a certain amount when I reach my goals… I think that would give me a high motivation. But that's difficult to measure, especially in social work (G15, 175–180).

The second theme in the administrative HR category is short-term contracts. As a result of decreased efforts to be more competitive, Caritas organizations are unable to offer their employees long-term contracts, which include costly benefits of tenure (Dahme and Wohlfahrt 2007; Wohlfahrt 2012). Short-term, project-related contracts force uncertainty on HR managers:

> This means that employees have to be hired short-term. One knows that a certain project runs for a year, by then it has to be completed, even though it may be extended for another year. […] That is not satisfying for us and not for the employees. It influences recruitment, since we only can advertise short-term contracts and you do not get the applicants' quality that we wish for (H2, 102–110).

With short-term contracts, HR managers are unable to attract the kind of employees they need to sustain their services, which leaves them with a shortsighted HR recruitment strategy. HR managers perceive the environment as increasingly insecure and uncertain; services once provided, however successful, are not certain to continue as they are entirely based on achieving success in the next round of the grant competitions. As research indicates, in the absence of long-term commitments from the employer, employees take on short-term perspectives in their engagement with their employer, resulting in decreased attachment and loyalty and ultimately in turnover (Pfeffer 2007). Entry-level employees in FWAs, even though they highly value flexibility, expect a certain level of job security that contributes to their satisfaction (Walk et al. 2013). If they do not find this security, they are likely to leave. One interviewee working for a youth associations explains the situation:

> In the past 15 months, we have seen three changes for the two positions we have. […] Even though, the jobs offers a variety of possibilities, the structure and the work conditions are less than optimal to stay here long-term (G10, 277–289).

The third theme that arises is the cost-cutting strategies implemented in reaction to the cutbacks in funding. One of the HR managers points out that his employer, a regional association that offered various kinds of social and health care services, heavily downsized the nature of nursing services, such as hours spent with patients, and other related costs. He continues,

> I think, this approach [cutting down on nursing services] was correct, but it is exhausted by now. Principally, the margins on savings are maxed out.

> Controlling has squeezed out everything. The next step are only mergers, for instance three nursing homes get together and decide to have one management only; to work together, to have only one kitchen and not three. Partly we have seen such changes and we will see more, but at some point this will be exhausted too. And all of this does not leave our staff members unaffected. The story is simple: we have to fulfill more tasks, including quality management, with less staff (H1, 246–251).

HR managers acknowledge the limits of their cost-saving approaches in dealing with the financial cutbacks. However, they are now concerned with maintaining the quality of their services and the effects on the employees.

Strategic HR

For this category, the following two themes emerged from the data: lack of strategic HR practices and professional development (needs and existing opportunities).

The individual organizations under the Caritas umbrella differ in their HR practices since these organizations are independent in their day-to-day organizational processes, as this manager in the regional office points out:

> [There are] some associations and areas, where certification processes in terms of quality management are completed, some achieved good results, those are in good shape, but others, they have not even started with the topic. […] To bring everyone on the same level, I need to have one strategy to accurately measure their goals and levels of service (H1 181–194).

HR managers clearly see the need "to put the whole thing under one roof, to make it more strategic" (H1, 180–181). Although the need for a more strategic and a less ad hoc HR approach is clear to the managers, they cite the lack of time to develop strategies as an obstacle. Furthermore, HR managers regard their working climate as being filled with uncertainties that does not allow them enough time for strategic thinking and long-term planning, as indicated here:

> In terms of my current field of work, I wish to have more time for conceptual work, to focus on the basics and to think through the strategies we need, but due to the day-to-day work, things are just managed as they occur. This means that we only could do strategic planning if we could afford more staff to do the everyday work. I truly believe that this would be an investment for the future (H1, 489–495).

The need for a strategic approach toward HR practices is also obvious to the employees. One female social worker points to the need to strengthen HR practices, "[…] although there is a lot is already going on, it is not strategic enough; especially in regard to appraisal interviews or more general in terms of addressing the needs of older colleagues" (G13, 194–197). In general, employees feel that organizations do not react unless they "face an urgent need for action" (G10, 241). This perception is consistently found in the interviews.

The managers agree that "an absolute utopia" (H3, 335) requires resources that are simply not available. They do not want to react in an ad hoc fashion to external policy changes and advocate a reflexive approach as suggested by this question from an HR manager: "What do I want strategically as an employer?" (H3, 317). Whereas the managers' concerns encompassed the overall strategic orientation of the organization, they were ambivalent in terms of the right approach. On the one hand, managers were struggling with the trade-off between the strategic and the HR orientations, as exemplified here:

> At times, you have to 'slightly force' the people to do their tasks. Similar to job satisfaction, you have to balance what is good for the individual and what do I need for my organization. […] You have to make a decision — do the wishes of the employees determine the organizational goals or vice versa? (H5 241–205).

On the other hand, other managers specifically pointed to lack of strategic HR practices in recruitment strategies

> We need to think about […] procedures that enable us to recruit and develop more strategically. […] To date, we had lived off the good times, where we had sufficient applicants, and we did not need to recruit. Now we face shortages and need to arrange incentives and structures appropriately to attract employees and show we are good with something unique to offer (H3, 329–344).

Professional development, as the second theme of this category, appeared in interviews with both employees and managers. The first sub-theme is the need for professional development; the second sub-theme is related to the existing professional development opportunities.

According to one manager, Caritas could deal better with the external environmental changes if employees fulfilled certain criteria, they

> should regard changes as positive and should be willing to participate in those changes. Willingness to change is a basic qualification that everyone should have. Providing appropriate professional development can teach employees how best to change, and be willing partners (H2, 207–210).

HR managers emphasize the need for regular professional development, "to encourage and support everyone, broaden their horizons and prevent them from standing still" (H1, 346–361), and they advocate for a proactive approach toward development.

In conjunction with this, HR managers also emphasize the need for long-term career planning as indicated by the following questions:

> Career planning should be part of our strategic initiative: 'where do we [organization], want to go?', 'where does the employee want to go?', 'what kind of ideas does he have?' and 'what we can imagine, what's realistic and how can we help with the process? (H1, 353–359).

As much as employees need professional development in order to adapt to ongoing changes, HR managers point out that it would be beneficial if all employees

(including themselves) were regularly included in development strategies. This is indicative in the following quote by one manager:

> It is one thing to offer development possibilities for non-managerial employees, but we in the management team also have a huge need for professional development. We all grew into our positions […] We are all educators [Pädagogen] by training it is expected that we have know-how of certain business management and legal regulations, but we are all-rounders, who know a little bit of many things but do not have particular expertise, especially in management (H3, 277–282).

Executives in the sample arrived at their positions by rising through the ranks in the organization and as such, often lack the skills or experience in management, following the traditional Peter Principle (Maelicke 1989; Marcus 2008).

The second sub-theme was the perceptions of existing development possibilities in Caritas organizations. Employee perceptions were diverse, and although some employees were dissatisfied with the development options, others were satisfied or indifferent. One dissatisfied employee says:

> Professional development? That does not exist. Once a year we have training for all employees. It's called training, but it is actually only a day where you listen to a presentation. That is then called training. The only way to further education yourself is through taking educational leave or vacation days (G7 232–236).

Other employees feel that they have good possibilities, but the initiative is on the employee, as indicated by this employee:

> Professional development possibilities are given to us. If development requests exist and if opportunities are available, [the employer] supports improving oneself…. We do have a professional development, but it is differentiated. For social work it is essential to continuously educate yourself, without which you will not be recognized or progress. But it is different for administrative employees. Here at the initiative of the employee…you request professional development, if you see a need (G8, 100–112).

Employee perceptions regarding the selectivity of professional development correspond to the perceptions of HR managers. One manager explains that they "choose, who attends further education, because [they] try to disperse knowledge in a way that [they] can use this knowledge strategically for the organization" (H3, 120–121). Closely related, another manager refers to their intention to further develop employees and the difficulties in doing so:

> We want to give employees a possibility to move up, we want them to have a career. But every organization only needs one executive director, that's clear. Leadership positions are limited, but that's the case everywhere (H4, 101–104).

The data show a strategic HR architecture, where professional development is selective (Ridder et al. 2012a).

Motivational HR

For this category, we identified three themes in our data analysis that were specifically used to emphasize a high HR orientation: work conditions, on-the-job training, and appraisals.

Due to the nondistribution constraint and the collective agreement, HR managers in our sample realize they "cannot offer monetary incentives such as bonus payments in the business sector; [we] simply do not have this freedom" (H3, 360–363). HR managers concede that their employees are not solely driven by monetary rewards. Instead, they emphasize that providing good work conditions is critical for recruiting and retaining qualified personnel, as one manager points out:

> Money is not everything. It is good to have money, but you need something else, you need a work atmosphere with greater participation where you have a voice. […] If I have an immediate supervisor who does not listen to my ideas, or treats me condescendingly, the social aspect of the work climate decreases and a pay raise cannot make up for this (H5, 152–157).

Managers recognize that the work climate needs to be positive for employees to stay motivated: "Work conditions have to be suitable. Employees have to be at a workplace where they say "I can really work here," and where the working climate is comfortable" (H4, 86–93). HR managers referred to certain initiatives such as increasing decision-making possibilities and autonomy within teams in order to create a comfortable work environment and offering a work–life balance to their employees. For the sake of brevity, we are referring to the availability of flexible working hours here, to illustrate how Caritas organizations aim to increase work motivation and employees. Flexible working hours were widely available to employees, but HR managers also expect their employees to reciprocate these freedoms to some extent as mentioned here:

> Flexible working hours work well here, employees do not have to clock in or out, and nobody controls them. But on the other hand, we do have the expectations that our employees are flexible. We expect, if necessary and a child has an emergency, that the employees stay longer (H3, 220–225).

The mentioned initiatives have a strategic component as well as explained here:

> Employer attractiveness is important and Caritas is very attractive, especially for young women, and for women after maternity leave, and we want to communicate this externally and want to be known as a great employer to work for in Germany (H2, 149–152).

However, these initiatives are extremely difficult to implement in practice, since HR managers observe that the overall work environment in Caritas organizations changed as a result of changes in public funding. Employees face an increased workload, especially in terms of administrative tasks such as filing documents for quality management (Dahme and Wohlfahrt 2007).

Regardless of the efforts on behalf of the HR managers, the overall work environment is difficult especially for older employees, as indicated by the following quote:

> The problem the work requires to work at inconvenient working hours for instance in nursing homes. […] We see incidences of burnout among the older the employees who find it [night shifts] difficult which becomes even more acute due to their physical limitations (H1, 91–92, 221–223).

Caritas organizations are often not equipped to be able to tailor jobs to the changing needs of an aging workforce. Another female HR manager in youth welfare services adds:

> We have some employees who are 55 years and older in a home for children, where the work is physically demanding. However, what can I do? […] We are not a large company with many departments where I could move these employees to other departments and accommodate their needs. That's simply not possible (H3, 261–266).

The motivational HR architecture intends to strengthen both mission attachment and the fit between employees and the characteristics of their organization (Ridder and McCandless 2010), which HR managers perceive as difficult as illustrated here:

> Maintaining the balance between the organizational values and external economic challenges is becoming more and more difficult. Managers have to endure this situation and inform and integrate the workforce in order to achieve a balance. Every day is a challenge and it is becoming increasingly difficult (H1, 160–164).

In order to achieve this balance, and following the motivational HR principle, one of the regional headquarters counteracts the pressure that external challenges pose on employees by "offering spiritual counseling and meetings that [the employer] organizes within working time and at the expense of the employer" (H1, 165–166).

On-the-job training, the next theme, was an important concern for managers, where on-the-job training was regarded as an important HR practice whereby new employees

> Have someone who accompanies [them] when they join. We need a concrete checklist that mentors can use to make sure that content of the job is discussed, not leaving anything to chance. […] That would guarantee a faster integration into the organization and into the team (H1 398–405).

In practice, the way on-the-job training programs are implemented depends on the organization and the executives on-site, as one manager of a regional association explains:

> Some organizations have not done anything [regarding on the job training] and there is a need for change. […] We, as regional office have to provide a good example […] we offer on the job training concepts for new executives. In part those are very successful and we aim to implement those positive experiences in other areas where they are still lacking (H1 386–420).

Although job training is regarded as desirable by HR managers, implementing training on-the-job is difficult, as "there are a thousand things that are drowned up

in day-to-day routine, furthermore, the employee who manages the job training must do it in addition all the rest of his work, which makes it difficult to train new employees" (H1, 402–405). Lack of time is indeed one of the main reasons for the absence of comprehensive on-the-job training programs.

The next theme that emerged was appraisal as HR practice, which is a significant component of motivational HR. Although our interviewees, managers, and employees emphasized the importance of appraisal interviews, HR managers acknowledged that there is no overall system of appraisals in terms of their regularity and structure across Caritas organizations. In one organization, "All employees have appraisal talks, at least, every employee has the right to an appraisal talk […] and to a large extent they are conducted, at least once a year" (H2, 83–92). But even though employees have the right to appraisal talks, organizations handle appraisal interviews "in a relatively decentralized way" (H4, 89–90). Some organizations offer relatively structured talks following an official guideline, while other organizations appraisal talks were undertaken on an ad hoc basis "when employees have problems that they want to discuss" (H1, 111–112).

Employees highly valued appraisal talks. However, similar to the HR managers' perception, they perceived the extent and quality of these talks to vary, and some organizations did not provide appraisal opportunities at all. One employee explains this situation:

> If we look into the area of appraisal interviews for example or just a regular exchange [between employees and their supervisors], I have to say that it's just not happening. On the one hand, one could argue that the responsible people do not have the skills needed to conduct those talks. […]. Unless something happens that requires action, nothing happens (G10 204–216).

Overall, we find that HR managers are concerned with the motivation of their employees and want to create work conditions in which employees can grow and feel comfortable. Unfortunately, the extent to which HR practices of the motivational HR architecture were integrated varied substantially between the organizations we interviewed.

Value-Based HR

The main themes that emerged in this category were religious values and organizational identification.

A value-based HR implies that Caritas attracts those employees whose values match those of the organization. The managers also emphasize a value-based fit in recruiting: "In addition to the professional qualification of the individual for the job, personal values and fundamental convictions [are important]. […] New employees need the professional qualification and a spiritual foundation and have to fit into the existing teams" (H5, 92–95, 299–300). Among the ten interviewed employees, four (G13, G10, G15, G17) also mention this value fit; they consciously made the decision to work for a faith-based organization. Working for organizations with a different value base was seen as being rather critical; one of the employees mentioned that he would only work for a Protestant organization, if there was "no

other option, but [he] would always give preference to a Catholic organization" (G17, 95).

However, the changing nature of the workforce, as explained earlier, possesses difficulties to achieve this fit. Although working for a faith-based organization is still important for some, which is not the case for everyone, as one manager reports:

> Caritas is a reliable employer for many and they support who we are. But I think it is not important for everyone that we are a faith-based employer, but that does not bother me. […] But all of them accept our mission and values and come to terms with the structures. For the majority of the current employees, it is indeed a consciously made decision and they live out our values, but certainly not for all. To think that would be presumptuous nowadays (H3, 194–199).

Similarly, HR managers find that current applicants do not always identify with Caritas and simply say, "I don't have problems with the Catholic Church" (H1, 330). This lack of value fit with Caritas leads managers to make difficult compromises:

> the probability of finding a Catholic executive who also has the required qualification and necessary experience, is low. I must somehow find a compromise. However, finding this compromise is difficult, given the rigid guidelines under which Caritas operates (H1, 135–139).

The second theme in this category was organizational identification. Here, HR managers emphasized the strategic value of employees' identification with the organizational values, which often challenges them in their day-to-day business as illustrated here:

> We motivate through identification [with our values] and we try to provide a good environment despite difficult conditions […]. We constantly debate – and I do not mean solely religious or theological – about our distinctiveness as organization, what defines us as Caritas, as employer. Where do we distinguish ourselves from others? (H1, 160–165; 310–312).

Organizational identification also leads to some interesting consequences among the clients of Caritas. For example, Catholics often identify with Caritas, and therefore expect Caritas to deliver services based on religious values, and act on Christian values. For example, one HR manager discussed a situation in which a client had died and he struggled with the decision of whether or not to send the nurse who had cared for this client to the client's funeral. Due to tightly calculated budgets, the nurse could not be paid for this service, but she was expected to attend it on her own time. He continues:

> If Caritas is not sending its nurse, people talk and say: 'Look, that's Caritas!' As such this problem is specific to Caritas, due to our religious values; our private [for-profit] competitor does not have this problem. We would like to pay our employees for this kind of service, but cannot afford it. Within the context of values, we tell our employees that we expect them to go. This is a

> contribution that you have to make, but unfortunately we cannot pay you for it. […] But here it becomes clear how hard it is to manage this balancing act. Where do we emphasize [our values] and at what price? To what extent can we demand or expect this from our employees? (H1, 283–316).

Caritas is constrained to work with fewer economic resources and finds it difficult to actualize its Christian values and to expect organizational identification among its employees, although clients continue to expect it of them. Interconnections between such value-based HR architecture and the external influences make it difficult for Caritas to continue to be simply a value-based organization.

Discussion and Conclusion

In this paper, we investigated the perceptions of HR practices of HR managers and employees in FWAs, drawing on Caritas, which is the leading umbrella organization of Catholic welfare work in Germany. Qualitative semi-structured interviews were used to generate data to understand the internal and external influences on HR practices. By eliciting responses from employees and their managers, we generated data on both perspectives. Furthermore, we examined whether there were gaps between the realities of what is feasible with what is desirable in effective HR practices.

We used Ridder and his colleagues' model of HR nonprofit architectures as a guiding framework for our analysis. The findings allow us to extend their model as seen in Fig. 2, which show that many of the resulting HR practices are largely precipitated by (1) policy changes by the government and (2) the changing supply of labor.

External Factors

Changes in the external environment that influenced the internal environment of Caritas are twofold: First, the new government policies changed who can provide social services, and this introduced competition in the market as well as uncertainty in obtaining funding. Thus, Caritas found itself competing with other FWAs and for-profit providers (first-time entrants into the market that was otherwise restricted to FWAs). As these changes came about relatively rapidly, the highly bureaucratic nature of Caritas hindered a coherent response to the changes, and hence, the ad hoc responses that were generated were unsatisfactory to both managers and employees. For example, our findings indicated that because government funds are now granted on a competitive and short-term basis, Caritas could only offer employment based on the length of these contracts, which impacted employee morale.

Second, the changes in the labor supply due to changing demographics decreased the supply of available employees who identified with the Catholic Church. When recruiting employees, Caritas is constrained to hire those who share values of the Catholic Church, but faces a decreased supply of skilled recruits for both entry-level and executive positions. And when skilled recruits are available, they are often

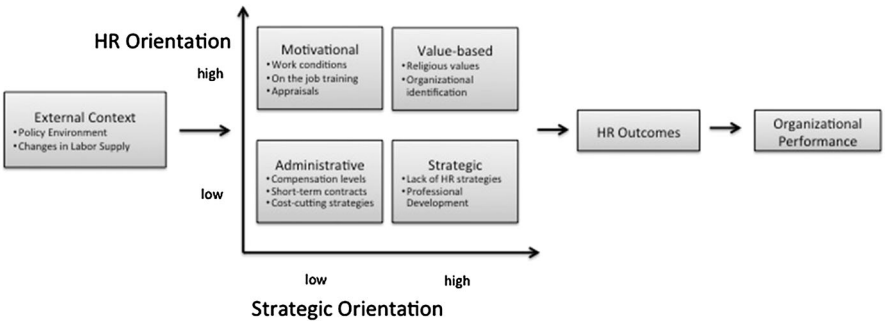

Fig. 2 Extended typology of HR architectures following Ridder and McCandless (2010) and Ridder et al. (2012b)

indifferent toward the organizational values, especially regarding the Christian values of Caritas. Thus, the interaction of external changes on internal processes exacerbates the influence of external factors and hinders the development and implementation of comprehensive HR bundles.

Ridder et al. (2012b) in their case study analysis of FWAs in Lower Saxony also acknowledge the uncertain environment in which FWAs operate, but the nature of those uncertainties and their influences on the HR architecture remain unclear. Our paper extends their model to include a more extensive inquiry into the effects of the external environment and confirms previous empirical research on FWAs. Furthermore, we describe the nature of the current external challenges FWAs face (e.g., changes in the external policy environment, societal changes) and show that the external context influence HR practices in FWAs, regardless of the HR architecture that is implemented in the organization. Our paper, thus, adds a new dimension to the current literature on HR practices within FWAs, the major provider of social services and health care in Germany.

Incorporating employee and HR managers' perspectives enabled us to get an in-depth insight into current HR practices in Caritas organizations. Perceptions of HR practices between these groups overlapped in some areas but differed in others. We are mindful of Nishii et al. (2008), who caution that perceptions could be independent of the actual HR strategy of the organization. Even if perceptions do not accurately reflect the HR practices, we believe they are important in eventually influencing employee satisfaction and commitment. Therefore, it is important to incorporate these perceptions, since they help to further unpack the black box between performance and HR practices (Nishii et al. 2008).

Structuring our paper around the framework of HR architecture developed by Ridder and colleagues helped disentangle the different perceptions of HR practices present in our interview transcripts. Our findings indicate that Caritas organizations faced unique struggles in implementing effective HR practices. Some of these challenges could be ameliorated by aligning the major HR practices of recruitment, appraisal, development, and compensation, to HR bundles that reflect the overall organizational strategy and are utilized to reach the specific organizational mission (Devanna et al. 1984; Macduffie 1995), and we suggest four strategies.

First, given the difficulties in recruiting employees that have a similar value base, Caritas organizations might collaborate with regional schools and universities, especially those affiliated with the Catholic Church. Through projects and internships in social work, health care, or nonprofit management, Caritas could build relationships with students who identify with the Catholic Church. Furthermore, through such relationships, students would develop an understanding of the challenges faced by Caritas and adapt their job expectations when seeking employment in the field (Walk et al. 2013). For Caritas, such internships give them access to a cohort of potential employees, increase their visibility, and allow them to recruit suitable candidates who they have had the ability to observe and evaluate.

Second, despite changes in funding that force FWAs to comply with outside short-term oriented regulations, we emphasize the importance for Caritas to implement long-term contracts and take the inherent risk of not being funded. Keeping a pool of qualified and committed employees could pay off when FWAs land new contracts, because FWAs would not have to recruit new untested people, a costly process in an environment with a shortage of suitable candidates. When between projects, the long-contracted employees could receive professional development or be deployed to other projects, or their time could be traded off for the overtime accumulated in high stress periods. This would allow Caritas to retain well-trained, satisfied employees who would otherwise face job insecurity.

Third, given their inflexible wage structure under the collective agreement, FWAs do not have much leeway to increase salary levels or offer discretionary bonuses. As our findings show, although HR managers already focus on improving work conditions for employees (e.g., flexible working hours, decision-making autonomy), other initiatives could be deployed, such as professional development and increased options for job trainings that would allow employees to move within the organization in a way that recognized their changing physical limitations (for older employees) or interests.

Finally, given the positive effect on employee motivation, appraisal, and professional development, possibilities should be strategically aligned (Macduffie 1995). Appraisal interviews, an effective HR practice, are not widely utilized in our sample organizations. Linking appraisal with professional development will be beneficial for Caritas, if supervisors focus on the employees' strengths and weaknesses in order to maintain the former and mitigate the latter. Currently, appraisals are often ad hoc and sometimes only available to employees upon request, and we suggest that a more proactive approach might be beneficial. Such proactive efforts may include appraisals which take a long-term perspective for an employee's professional development, which could even extend beyond the employee's tenure at the organization. Such career planning could help employees to understand plans the employer has for them in the future and lead to increases in job satisfaction. Thus, appraisals should incorporate career planning as part of the individual development plan in order to best meet the organizational goals as well as to satisfy the needs of the employees.

This research is not without limitations. The snowball sampling technique might have led to a selection of employees with limited viewpoints, with only those employees and HR managers participating who were highly satisfied or dissatisfied

with their current situation. The interview findings here are not generalizable beyond Caritas organizations, even though Caritas is similar in structure and size to other umbrella organizations of FWAs (BAGFW e.V. 2008). Following Nishii et al. (2008), future research should survey the perceptions of HR practices of a larger number of employees and managers using a quantitative survey instrument created based on our findings and targeted to FWAs. Using quantitative research methods, it would be possible to compare FWAs of different affiliations, size, areas of welfare work, and other organizational characteristics that may influence the findings.

Nevertheless, this paper provides an attempt to understand the perceptions of HR practices by HR managers and employees at a time when FWAs face a challenging and a fast changing outside environment. This paper provides valuable groundwork on SHRM in a German context. Given that FWAs are the largest nonprofit employer, with over 1.5 million employees, HR practices in FWAs impact a sizable working population in Germany (BAGFW e.V. 2008).

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