

The University of San Francisco

USF Scholarship: a digital repository @ Gleeson Library | Geschke Center

Master's Projects and Capstones

All Theses, Dissertations, Capstones and
Projects

Summer 8-11-2023

It Takes More Than Good Intentions: Human Resources Management Efforts to Address Turnover in Nonprofit Organizations

Isabel Margarita Zaldivar Kunstmann
izaldivarkunstmann@usfca.edu

Follow this and additional works at: <https://repository.usfca.edu/capstone>

Recommended Citation

Zaldivar Kunstmann, Isabel Margarita, "It Takes More Than Good Intentions: Human Resources Management Efforts to Address Turnover in Nonprofit Organizations" (2023). *Master's Projects and Capstones*. 1561.

<https://repository.usfca.edu/capstone/1561>

This Project/Capstone - Global access is brought to you for free and open access by the All Theses, Dissertations, Capstones and Projects at USF Scholarship: a digital repository @ Gleeson Library | Geschke Center. It has been accepted for inclusion in Master's Projects and Capstones by an authorized administrator of USF Scholarship: a digital repository @ Gleeson Library | Geschke Center. For more information, please contact repository@usfca.edu.



UNIVERSITY OF SAN FRANCISCO

CHANGE THE WORLD FROM HERE

**It Takes More Than Good Intentions:
Human Resources Management Efforts to Address Turnover in
Nonprofit Organizations**

by

Isabel Margarita Zaldivar Kunstmann

izaldivarkunstmann@dons.usfca.edu

Capstone Research Report Submitted in Partial Fulfillment
of the Requirements for the
Master of Nonprofit Administration Degree
in the School of Management
directed by Dr. Richard Greggory Johnson III

San Francisco, California

Spring 2023

IT TAKES MORE THAN GOOD INTENTIONS

Abstract

The business model of nonprofit organizations differs from the for-profit sector, often relying on subsidies to sustain operations. One of the parties that often subsidizes the operations is called "sweat equity," overworking and underpaid employees. This research study aims to understand whether nonprofit organizations prioritize employee satisfaction and well-being through human resources management practices to reduce turnover. The study includes a literature review and data collection through Nonprofit HR survey reports and semi-structured interviews. The findings suggest that nonprofit organizations are progressing in prioritizing employee well-being through practices related to learning and development, organizational culture, and total rewards. However, few organizations have formal talent management and retention strategies in place, raising questions about the realization of these priorities. The study provides recommendations to small nonprofit organizations to enhance talent retention: fostering a positive work culture, emphasizing learning and development, and providing competitive compensation and benefits. Organizations should leverage capacity-building support and explore strategic human resources management development initiatives to sustain these practices. Implementing these recommendations can contribute to attracting, retaining, and developing talent within nonprofit organizations, ultimately enhancing the organization's mission and impact.

Key Concepts: employee satisfaction, talent retention, human resources management practices, nonprofit organizations, turnover.

IT TAKES MORE THAN GOOD INTENTIONS

Acknowledgments

Firstly, I am grateful to my parents for their support and encouragement throughout my educational journey. Their belief in me has been a constant source of motivation. I am also deeply thankful to my husband for his understanding, patience, and continuous support during this demanding period. His love and encouragement have been invaluable in keeping me focused and inspired.

I sincerely appreciate my classmates and professors who have contributed to my growth and learning. Furthermore, I would like to acknowledge the invaluable assistance of Penny Scott, whose expertise and guidance in navigating the vast resources available have been instrumental in conducting thorough research for this project.

Lastly, I am grateful to my interviewees, who provided valuable insights throughout this research journey. Their contributions have been instrumental in shaping this project and deepening my understanding of human resources management.

Table of Contents

List of Figures2

Section 1. Introduction.....3

 Research Question4

 Relevance.....4

Section 2: Literature Review6

 Nonprofit Employees’ Motivations to Work in the Sector.....6

 Human Resources Management Practices Impact on Turnover in Nonprofit
 Organizations7

Section 3: Methods and Approaches.....10

Section 4. Data Analysis12

 Talent Retention Survey Analysis12

 Talent Management Priorities Survey Analysis16

 Expert Interviews Analysis.....22

Section 5: Implications and Recommendations.....24

 Implications.....24

 Recommendations.....26

Section 6: Conclusions.....28

References.....30

Appendix A: Nonprofit HR Surveys Reports33

Appendix B: Semi-Structured Interview Questions34

Author’s Bio.....35

List of Figures

Figure 1. Voluntary and Involuntary Turnover between 2019 and 2021 12

Figure 2. Primary Reason for Voluntary Turnover in Nonprofit Organizations 13

Figure 3. Primary Impact of Turnover in Nonprofit Organizations..... 15

Figure 4. Organizations prioritizing total compensation and benefits between 2021 and 2023..... 17

Figure 5. Organizations prioritizing learning and development between 2021 and 2023 18

Figure 6. Organizations prioritizing culture and employee engagement between 2021 and 2023..... 19

Figure 7. Organizations with an exclusive human resources function 20

Figure 8. Organizations with a formal talent management plan..... 21

Section 1. Introduction

The business model in nonprofit organizations differs from the for-profit sector. Usually, the cost of providing the services and goods in nonprofit organizations is not fully covered by the fees or prices charged to the clients - sometimes, these services are free of charge. Therefore, the business model in nonprofit organizations considers subsidizing third parties, like individuals, government, and foundations, among others, to sustain their operations. One of the parties subsidizing the cost of providing the services is called “sweat equity”: overworking and underpaying staff.

There is a popular misconception that people working in nonprofit organizations do it for altruistic reasons or the passion they feel for an organization’s mission. Therefore, it is perceived as ‘normal’ and accepted that nonprofit employees work overtime or receive less compensation. However, research studies have supported that even though nonprofit employees demonstrate a strong mission attachment, they are likely to consider turnover if they are unsatisfied with some human resources management practices, such as wages and career development (Kim & Lee, 2007).

This reality puts pressure on the nonprofit sector to prioritize the development of human resources management practices in order to attract and retain the talent needed to deliver its mission effectively.

Research Question

This research study aims to understand whether nonprofit organizations are prioritizing their employees' satisfaction and well-being to reduce turnover through human resources management practices, responding to their staff's needs and motivations.

Relevance

Turnover has numerous adverse effects on nonprofit organizations and their stakeholders. First, there is burnout and a decrease in morale suffered by the remaining employees who must keep serving the organization's clients when the position is still vacated because they have to assume more responsibilities (Kang et al., 2015; West, 2022). Also, turnover implies rising costs regarding recruiting, onboarding, and training new employees (West, 2022). Furthermore, turnover challenges organizations' sustainability over time (Selden & Sowa, 2015), as people are the most crucial factor in an organization's success (West, 2022).

The clients may also be affected due to staff leaving, which is a critical effect. Turnover negatively impacts organizational performance (Selden & Sowa, 2015), and the clients "may suffer from adverse effects on the quality, consistency, and stability of services [...], leading to mistrust of the system" (Geurts, Wilmar, & De Jonge, 1998, as cited in Kang et al., 2015).

Human resources management is defined as "the design of formal systems in an organization to ensure the effective use of employees' knowledge, skills, abilities, and other characteristics (KSAOCs) to accomplish organizational goals" (Pynes, 2013, as cited in Sowa & Word, 2017). These systems should be in place in each step of the organization's relationship

with the employee to ensure its effectiveness, from the job description, recruitment and selection, compensation and benefits, training and development, and performance management to termination (Sowa & Word, 2017). Therefore, human resources management plays a leading role in reducing turnover and attracting talent.

Studies support that employee outcomes improve by creating human resources systems that value people as a crucial strategic asset and encourage the long-term retention of top talent (Selden & Sowa, 2015). Furthermore, it is claimed that human resources management will become more crucial in boosting nonprofit organizations' effectiveness and efficiency (Bastida et al., 2018). Human resources management plays an increasingly important role in the nonprofit sector's efforts to transform itself in order to attract and retain talented employees and improve their effectiveness and efficiency using their limited resources (Bastida et al., 2018).

This project aims to help small nonprofit organization leaders understand the most valued human resources practices for nonprofit employees and how the sector is advancing in those practices. By implementing these practices in their organizations, they can contribute to their employees' satisfaction and willingness to stay there. Therefore, it could help the sector develop more attractive workplaces that attract and retain the right talent.

This research study starts with a literature review to have an overview of the field of research and explore previous research studies that explain how some human resources variables relate to job satisfaction and turnover in nonprofit organizations. It continues with the research methodology and data collection description, followed by the data analysis of the Nonprofit HR survey reports about retention and talent management priorities in nonprofit organizations and

two semi-structured interviews. Based on the analysis, some implications and recommendations are described.

Section 2: Literature Review

Before deepening into the human resources management practices that the nonprofit sector prioritizes, it is essential to review the research that has been conducted in the last years regarding the motivations that drive nonprofit employees to work in the sector, the causes of turnover, and the human resources management practices that are associated with higher job satisfaction and lower turnover.

Nonprofit Employees' Motivations to Work in the Sector

According to the literature, one of the reasons that drive nonprofit employees to work in the sector is the intrinsic rewards it brings, like job satisfaction and a sense of fulfillment from helping others (Johnson & Ng, 2016). Intrinsic rewards seem to increase intrinsic motivation, which increases work engagement and decreases quitting intentions. Intrinsic rewards also directly lead to a decrease in non-profit employees' intentions to leave their organizations (Renard & Snelgar, 2017). In contrast, other studies have determined that working in meaningful work by nature is related to job satisfaction; however, it is not associated with lower turnover (Wang & Seifert, 2022).

In order to promote above-average working conditions for employees through the efficient design of the work itself, intrinsic rewards should be a part of an organization's culture.

This shows employees they are valued, respected, and appreciated for contributing their talents to the organization's success (Renard & Snelgar, 2016, as cited in Renard & Snelgar, 2017).

The degree of job fit to knowledge, autonomy, opportunities for training and development, work environment, methods of conflict resolution and leadership quality, assistance from coworkers, equality, and respect for the environment are all related to employee job satisfaction in nonprofit organizations (Bastida et al., 2018).

Human Resources Management Practices Impact on Turnover in Nonprofit Organizations

Various studies have been conducted to understand what drives turnover in nonprofit organizations and which human resources management practices have an impact on reducing nonprofit employees' willingness to leave their organizations.

As for-profits try to engage in "nonprofit-like activities," and nonprofits seek more professionalization and act more like businesses, it is possible to see an "exacerb[ation of] staff turnover from nonprofits to for-profits" (Twombly, 2009, as cited in Kang et al., 2015). Thus, some research has been conducted on the factors that lead nonprofit employees to leave and pursue a career in another sector.

According to Kang et al. (2015), one of the causes that explained turnover from the nonprofit sector to others was the increase in wages. Other studies suggested that it seemed to be no significant differences in the effects of extrinsic rewards on work outcomes between nonprofit

and for-profit sectors; therefore, it is essential to keep in mind the importance of adequate pay, benefits, and promotion opportunities to reduce turnover in the sector (Stater & Stater, 2019)

In the research conducted by Johnson & Ng (2016), they analyzed the Millennial nonprofit employees' sector-switching intentions in relation to pay and perception of equitable pay. In contrast to Kang et al. (2015) findings, there was no proof for stating that Millennial nonprofit workers, who are said to value extrinsic and materialistic rewards, have intentions to switch sectors when faced with competitive pay situations (Johnson & Ng, 2016). Furthermore, the findings suggest that "that pay is not a key consideration in nonprofit employment" (Johnson & Ng, 2016) as there is no proof that a pay increment will result in a Millennial worker staying in the sector.

Another interesting conclusion from the studies was that employees in the nonprofit sector who are more competent – and probably have higher wages – are more susceptible to leaving for other industries where they might be eligible for additional employment benefits as a reward for their expertise (Kang et al., 2015). Consistent with Kang et al. (2015) findings, Johnson & Ng (2016) noticed that nonprofit organizations might have trouble luring and keeping Millennial managers due to low pay, as they have expressed their willingness to stay in the sector as their wages increase.

Kang et al. (2015) also found that employees who moved from the nonprofit sector to the for-profit sector presented "lower satisfaction with career development and social reputation" of

the organization. These findings are also supported by Johnson & Ng's (2016) study, in which they noticed greater sector-switching intentions due to a lack of career progress and achievement.

Other research studies have been conducted to understand the causes of turnover among nonprofit employees without focusing on whether the employee is moving to another sector.

According to Selden & Sowa (2015), some high-performance work practices associated with lower turnover in nonprofit organizations are onboarding, leadership development, and employee relation. Compensation also significantly impacts nonprofit employee turnover; however, the three practices mentioned above are better predictors of voluntary turnover (Selden & Sowa, 2015).

The work environment is a critical factor in lowering voluntary turnover, which is influenced by how the manager treats the team (Selden & Sowa, 2015). Having helpful coworkers and a manager who is concerned about their welfare has a significant impact on job satisfaction for nonprofit employees, and having a supportive manager reduces the likelihood of turnover to a greater extent in the nonprofit sector than it does in the for-profit and public sectors (Stater & Stater, 2019).

A human resources management practice associated with lower turnover rates is to include leadership and mentoring programs in organizations (Romero & Lassmann, 2017). Both formal and informal mentoring programs are perceived as beneficial to mentors and mentees at a personal (personal growth) and professional (career satisfaction and career development) level (Romero & Lassmann, 2017).

Promotion opportunities and career development within nonprofit organizations are other practices related to turnover. If nonprofit employees do not see any opportunities for career development within the organization, they are more likely to leave the organization (Bozer et al., 2015). Along the same line, in the nonprofit sector, overly defining positions could increase turnover if employees feel limited in their ability to advance their careers (Selden & Sowa, 2015).

Overall, the studies analyzed above indicate that some human resources management practices negatively associated with turnover in the nonprofit sector are those related to career and leadership development, like promotion opportunities and mentoring programs, and culture and work environment. There are mixed results on how compensation is associated with turnover in nonprofit employees. It seems to be a factor to consider, especially in employees with more senior or managerial positions.

Section 3: Methods and Approaches

To understand the reasons that have been driving voluntary turnover in U.S. nonprofit organizations in the last years and the areas that the sector is prioritizing in terms of human resources management to retain its employees and take care of their well-being, a content analysis of the survey's reports from Nonprofit HR was conducted. In total, eight reports were reviewed: three of them note the talent retention indicators in the sector for the years 2022, 2021, and 2019, and the other five reports present the talent management practices that nonprofit organizations are prioritizing from the years 2018 to 2023. Appendix A summarizes the list of the Nonprofit HR survey reports used for the analysis, indicating the number of respondent

organizations, their variety of mission types, operating budget range, and the states they represented.

Analyzing reports from multiple years makes it possible to determine some high-level trends in the change of the human resources management priorities in nonprofit organizations over time. To conduct the data analysis, the survey responses of each report were consolidated in one document in order to make the data more accessible and easier to analyze.

Some limitations of the methodology are that access to the survey's raw data was not possible, which means that determining correlations or causalities in the responses is not possible. Also, the survey's sample size and participants change year over year, making the results not completely comparable over the years.

In addition to the content analysis, a qualitative analysis of two semi-structured interviews was conducted to contribute more insights and examples about the successful human resources management practices that reduce turnover and enhance job satisfaction, particularly in small community-based nonprofit organizations.

The interviewees were:

- Lindsey Chen, Human Resources Specialist at Instituto Familiar de la Raza in San Francisco, California. Interviewed on April 26, 2023.
- Mirna Cervantes, Executive Director at Multicultural Institute in Berkeley, California. Interviewed on May 2, 2023.

The interview questions can be found in Appendix B.

Section 4. Data Analysis

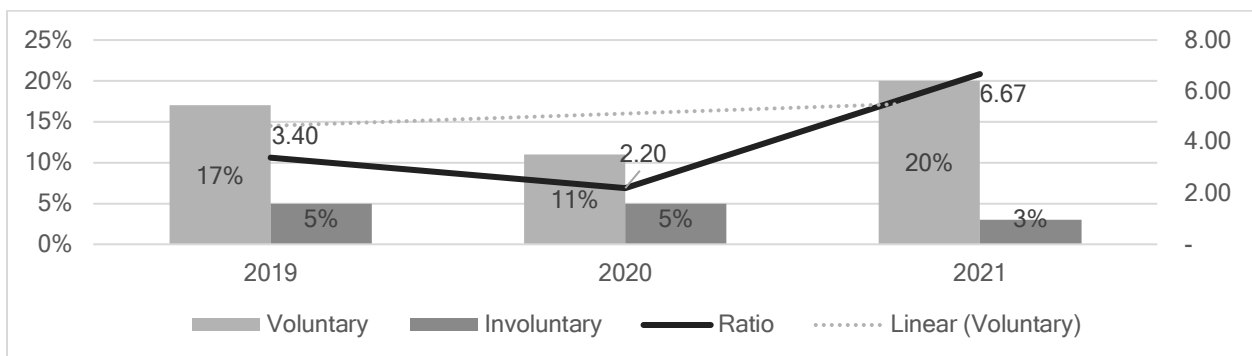
Talent Retention Survey Analysis

The Social Impact Talent Retention Practices survey (also known as Nonprofit Talent Retention Practices survey in 2021 and 2019) aims to understand the “recent strategies and plans for prioritizing retention” (Nonprofit HR, 2022) that organizations in the social sector are applying.

By analyzing the 2022 survey results, it can be noticed that, over the years, voluntary turnover has tended to be higher than involuntary turnover in respondent organizations (Figure 1). It also shows a tendency for an increase in voluntary turnover from 2019 to 2021, passing from 17% to 20%. However, in 2020, the voluntary turnover of the respondent organization was only 11%, which might be explained by the uncertainty that the COVID-19 pandemic brought to the job market. In 2021, it can be noticed an increase in the voluntary/involuntary turnover ratio, with voluntary turnover representing almost seven times involuntary turnover.

Figure 1

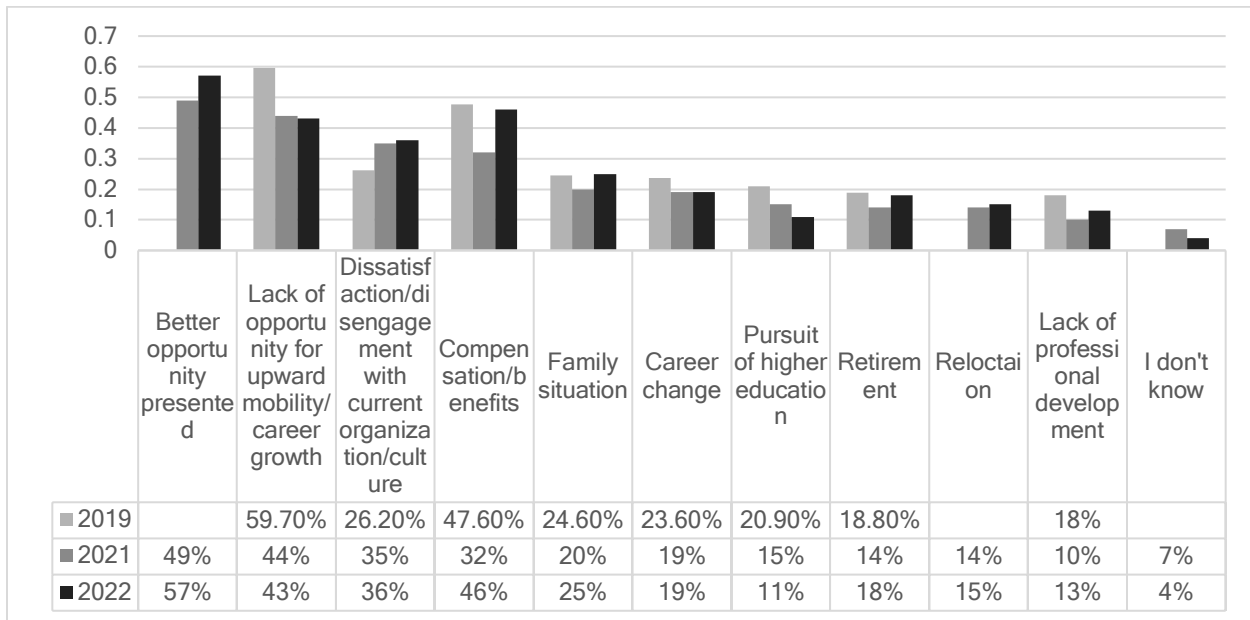
Voluntary and Involuntary Turnover between 2019 and 2021



The Talent Retention survey dives deep into the reasons for voluntary turnover, asking the respondent organizations to select the primary reasons that explain it in their organizations. The survey’s results are summarized in Figure 2.

Figure 2

Primary Reason for Voluntary Turnover in Nonprofit Organizations



Note: In 2019, this question had fewer alternatives for responses

According to the survey, in 2022, the main reasons that drove nonprofit employees to leave their organizations voluntarily were:

1. A better opportunity presented,
2. Compensation and benefits,
3. Lack of opportunity for upward moving or career growth within the organization, and

4. Dissatisfaction and/or disengagement with current organization and/or culture.

The same top four reasons were presented in 2021. However, it is crucial to notice that there is an increase in the percentage of respondent organizations that stated that one of the top reasons for voluntary turnover was compensation and benefits in 2022 compared to 2021, passing from 32% to 46%.

In 2019, the survey did not seem to have the option “better opportunity presented,” making the percentages not comparable with the other years. Despite that, the results are consistent with the later years’ surveys, showing the same other three options as the primary reasons for voluntary turnover.

Between 2022 and 2021, the percentage of organizations that stated to be applying strategies for retention related to benefits, compensation, culture, learning and professional development, and engagement increased. According to the survey, the retention strategies more employed by the respondent organizations in 2022 were those related to benefits (85%), compensation (84%), culture (75%), and learning and professional development (72%). Only 38% of the respondent organizations employed strategies regarding leadership to retain their employees, decreasing from 47% in 2021. From these responses, it seems that nonprofit organizations are applying strategies to reduce turnover that are highly related to the reasons for voluntary turnover indicated above.

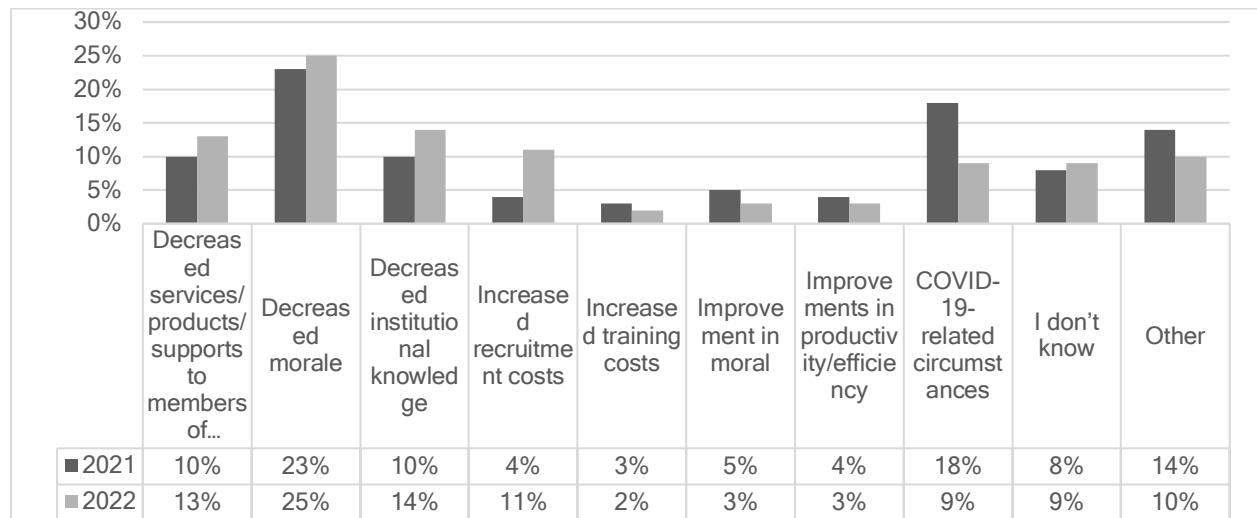
There are opportunities for nonprofit organizations to advance toward retention strategy, as according to the surveys, in 2022, only 21% of the respondent organizations had a formal retention plan.

As mentioned before, turnover has multiple adverse effects in nonprofit organizations. Figure 3 indicates that respondent organizations perceived that the main impact of turnover is a decrease in the morale within the organization; in 2021 and 2022, this was stated by around one out of four organizations.

It can be noticed that turnover could also jeopardize the organizations’ ability to deliver their mission, as, according to the responses, other significant impacts of turnover are a decrease in institutional knowledge and a decrease in service, products, and/or support to members of constituents.

Figure 3

Primary Impact of Turnover in Nonprofit Organizations



Another interesting finding from the survey results is the increase in respondent organizations stating that the primary impact of turnover is increased recruitment costs, passing from 4% in 2021 to 11% in 2022.

Talent Management Priorities Survey Analysis

Since 2017, the Nonprofit HR Talent Management Priorities survey has been “assess[ing] and reveal[ing] what social sector organizations are most concerned about regarding the management of their people resources” (Nonprofit HR, 2023).

The results of the 2023 survey suggest that the top five human resources management areas that the nonprofit sector is prioritizing are:

1. Culture and Employee Engagement,
2. Talent Acquisition,
3. Learning and Development,
4. Performance Management, and
5. Total Rewards (Compensation and Benefits).

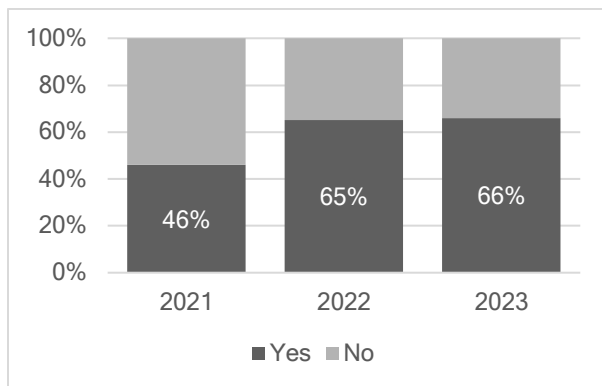
For purposes of this research work, the results of this survey will be analyzed regarding the Talent Retention survey. Particularly, this analysis aims to understand whether the nonprofit sector prioritizes human resources management practices according to employees' voluntary turnover motives.

Compensation and Benefits

The results of the retention survey indicated that one of the main reasons for nonprofit employees' voluntary turnover was because of compensation and benefits. Figure 4 depicts how the percentage of respondent organizations prioritizing total rewards has grown from 2021 to 2023, from 46% to 66%. Still, that percentage is significantly lower than other stated human resources management priorities.

Figure 4

Organizations prioritizing total compensation and benefits between 2021 and 2023.



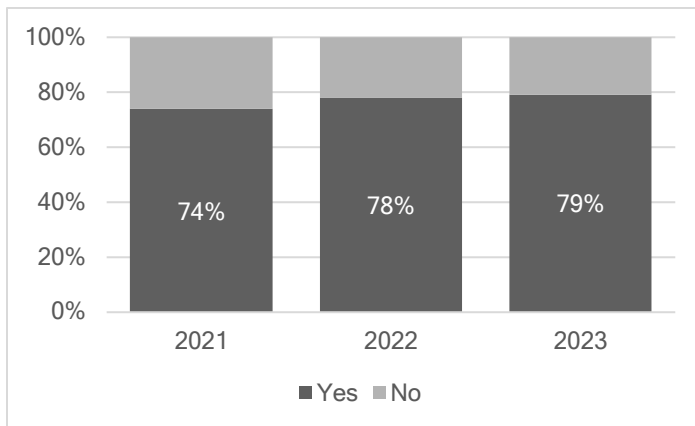
One of the compensation and benefits practices that has been a top priority to the respondent organizations repeatedly over the years is benchmarking existing total rewards practices or programs with other organizations. The nonprofit sector seems to be aware of the importance of assessing how other organizations reward their employees in order to achieve external equality and compete in the job market. The sector has also been focusing on internal equality as, per the previous years' results, the respondent organizations state that one of the top three practices that were a priority for them in total rewards was correcting and addressing pay and benefits inequities.

Learning and Development

The lack of career growth within the organization was another motive for nonprofit employee turnover. As shown in Figure 5, there is an increase in the percentage of nonprofit organizations prioritizing learning and development practices between 2021 and 2023, reaching almost 80% in the last survey.

Figure 5

Organizations prioritizing learning and development between 2021 and 2023.



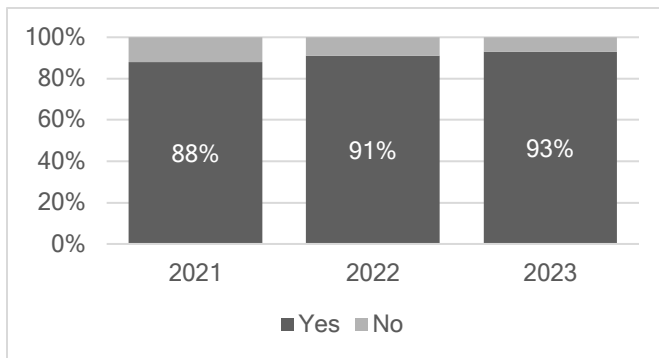
Over the years, the practice that has been a priority for the respondent organizations is developing a learning and development strategy within the organizations to support the career growth of their employees. From 2018 to 2022, the participants indicated that another practice that they were focusing on was expanding investments in developing and strengthening teams. However, in 2023, the priority was shifted to expanding investment leadership development programs.

Culture and Employee Engagement

In 2023, 93% of the respondent organizations indicated that they are prioritizing culture and employee engagement. Since 2021, it is possible to notice that most nonprofit organizations have been prioritizing culture and engagement practices and that that percentage has increased over the years (Figure 6).

Figure 6

Organizations prioritizing culture and employee engagement between 2021 and 2023.



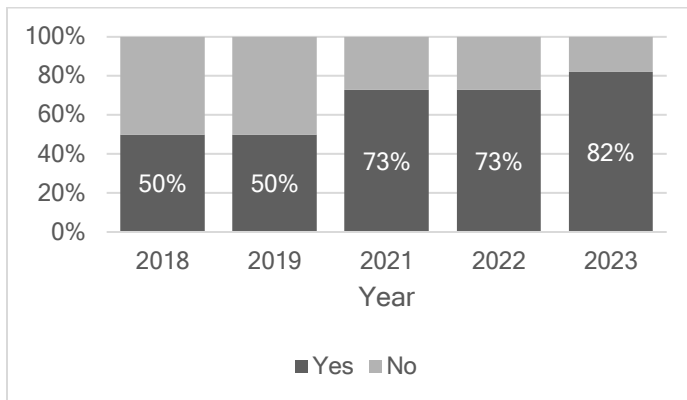
Assessing organizational culture has been one of the top three practices that the respondent organizations have been prioritizing from 2018 to the most recent survey conducted in 2023. In this last survey, 61% of the respondent organizations indicated that they focus on assessing the organizations' values, workplace behaviors and attitudes, leadership, and communication effectiveness. Along the same line, influencing the leadership management to prioritize organizational culture is another practice the nonprofit sector considers fundamental for culture and employee engagement, according to the 2023 survey results.

Building an inclusive organizational culture is the third practice that respondent organizations stated as a top priority in 2023. From the 2018 to 2022 Talent Management Priorities Surveys, it can be noticed that one of the human resources practices that nonprofit organizations prioritized was to attract and hire diverse talent. It is interesting that the sector is now also focusing on diversity, equity, and inclusion in day-to-day culture development.

The increase in respondent organizations prioritizing the different human resources management practices over the years could be related to the increase in human resources structure development within nonprofit organizations. In 2018, only 50% of the respondent organizations stated to have a dedicated human resources function with at least one person exclusively responsible for talent functions. Figure 7 illustrates the increase of that percentage in time, reaching 82% in the 2023 survey.

Figure 7

Organizations with an exclusive human resources function

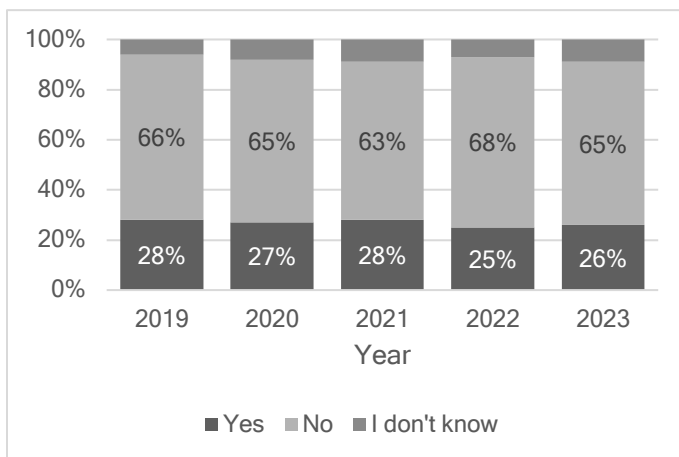


Note: In 2020, this question was not included in the report.

Even though there is an increase in respondent organizations with a talent management person exclusively dedicated to human resources matters, and from the survey responses can be deduced that most nonprofit organizations are prioritizing different human resources management practices, the majority of the respondent organizations do not have a formal talent management plan in place to guide their work. As shown in Figure 8, over the years, less than 30% of respondent organizations stated they formally planned a human resources strategy.

Figure 8

Organizations with a formal talent management plan



Note: In 2018, this question was not included in the report.

These data sow doubt about whether nonprofit organizations are actually implementing the human resources practices they claim to prioritize. As there is no formal strategy that sustains the realization of the talent management priorities, they may become no more than good intentions.

The respondent organizations indicated that they face two significant obstacles to realizing the human resources management priorities: (1) not having enough human resources staff and (2) not having enough financial resources dedicated to human resources. These data expose the capacity issue that obstructs human resources initiatives development in nonprofit organizations.

Expert Interviews Analysis

According to the experts, human resources management practices related to total rewards are one of the more effective in reducing turnover among nonprofit employees. The interviewees recognized some competition for the same talent within other sectors. However, they also recognized that intrinsic motivation and engagement with the mission are factors that retain employees in their organizations.

The experts perceive more competition for the same talent with other community-based organizations. Therefore, one of the practices they prioritize is benchmarking to define wages and create more benefits to reach external equity.

The interviewees also indicated the importance of benefits in reducing turnover. As it is difficult to compete in terms of salaries, they work to develop benefits that the staff value and contribute to its well-being. Some examples of benefits that the interviewees' organizations offer are vision, dental, health, and life insurance, retirement plans, and one day off a month, among others.

Human resources management practices around learning and development are also identified by the experts as effective in reducing turnover in their organizations. According to one of the interviewees, staff members want to feel they are growing in their careers. Therefore, conducting stay interviews is critical to understanding the employees' motivations and expectations and, consequently, developing the practices they value the most. One of the interviewees expressed that it is essential to the employee's motivation to stay in the organization to see opportunities for upper mobility.

Regarding the learning practices, both interviewees stated that they provide learning opportunities to their staff, like giving opportunities to attend workshops and helping with the tuition for specific courses, among others. The staff much appreciates those practices.

Human resources management practices regarding organizational culture were also mentioned as effective in retaining staff in nonprofit organizations. The fact that the organization takes care of the work-life balance by giving benefits in terms of flexibility - like working from home – is something that the employees value. Also, the staff appreciates having a work culture in which there is no micromanagement, and they can work autonomously.

According to the interviewees, funding is the main challenge in advancing toward implementing human resources initiatives in small nonprofit organizations. People tend to be very cautious when it comes to investing in overhead. Both interviewees, however, stated they were able to get funding to provide new benefits to current and future employees. It is possible to commit funders to support capacity-building initiatives by building a compelling story of the

impact that those funds will have on employee retention and, thus, effective and sustainable mission delivery.

The interviewees stated that there are relevant challenges regarding human resources management and strategy. Strategy and human resources management must go together. For example, if the organization is growing, there has to be the intentionality to build a structure that can support new staff or new programs. In succession planning, evaluating the effects of promoting a staff member on the organization's structure is crucial.

Section 5: Implications and Recommendations

Implications

The analyzed data indicates that the factors that explain nonprofit employee turnover are consistent with previous studies' findings regarding lack of learning and career development opportunities and dissatisfaction with the organization's culture. The respondent organization indicated those as some of the main reasons for staff leaving, and the interviewees stated that human resources management practices related to learning and development and organizational culture were some of the most effective in reducing turnover.

Even though the literature review exposed mixed results regarding the impact of compensation on voluntary turnover in the nonprofit sector, according to the survey reports, compensation and benefits were the main reason people left their organizations in 2023. The interviewees also supported that practices regarding total rewards were essential in reducing turnover.

An interesting finding from the data collected is that the human resources management practices that nonprofit organizations are prioritizing the most are those that, according to the literature, are related to lower turnover and greater job satisfaction. The sector highly focuses on culture, employee engagement, and learning and development practices. Some of the nonprofit organizations' priorities are initiatives like influencing leadership to prioritize culture management and expanding investment in leadership development programs.

Despite compensation and benefits being some of the main reasons for voluntary turnover and most respondent organizations stating that one of the primary retaining strategies they apply are regarding total rewards, according to the data collected, fewer organizations indicated to be prioritizing practices related to those regards compared to other human resources management practices. One factor that could explain organizations prioritizing other human resources management practices over total rewards is that engaging in practices regarding culture, employee engagement, or learning and development could represent lower expenses for the organizations than expanding compensation and benefits initiatives. As the expert interviews and the talent management priorities surveys revealed, funding was a significant challenge when proposing new human resources initiatives.

Nonprofit organizations have been advancing in building a human resources management structure, as the percentage of organizations that expressed to have a person exclusively dedicated to talent management activities has risen over the years. However, most organizations still need to have a formal human resources management plan or strategy in place. This reality

calls into question how organizations are applying their human resources management priorities in practice.

Related to the previous point, there is an opportunity to develop strategic human resources management in nonprofit organizations to ensure that its practices align with the strategic and organizational goals. Strategic human resources management is defined “as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals” (Wright & McMahan, 1992, as cited in Ridder & Baluch, 2017). Usually, human resources practices are seen as administrative and not much connected to the organization’s goals, especially in small nonprofit organizations where the executive director oversees those functions (Ridder & Baluch, 2017).

Recommendations

Based on the data analysis, it is possible to provide recommendations on advancing human resources management practices in small nonprofit organizations. These recommendations are divided into tactical and strategic recommendations.

Tactical Recommendations

The tactical recommendations respond to the areas of talent management that, according to this research, affect voluntary turnover.

Tactical Recommendation 1: Foster a Positive Work Culture. Create a work environment that aligns with the organization’s vision and mission, emphasizing the shared values and purpose. Additionally, promote work-life balance initiatives, such as flexible

schedules or remote work options, to enhance employee well-being. Communication is vital; implement stay interviews to gather employee feedback and address their concerns and expectations. This initiative can help to determine what steps to take to persuade employees to stay in the organization (West, 2022).

Tactical Recommendation 2: Emphasis on Learning and Development. Provide employees with leadership and professional development opportunities, both internally and externally. Some internal programs could be mentoring or job rotations. Support employees to attend development programs outside the organization by helping with tuition or providing work flexibility. Another practice that can be applied is partnering with other organizations offering access to training workshops, conferences, retreats, and networking opportunities, expanding employees' skill sets and knowledge.

Tactical Recommendation 3: Focus on Competitive Compensation and Benefits. Conduct benchmarking studies to compare compensation and benefits packages, especially with other organizations in the nonprofit sector, similar in size and area, to ensure the organization offers competitive wages and benefits. Additionally, it is crucial to consider the living costs in the area when determining appropriate compensation and keep in mind that "livable salaries are a minimum" (L. Chen, personal communication, April 26, 2023).

Strategic Recommendations

The following strategic recommendations address the challenges that nonprofit organizations face when they want to progress in human resources management.

Strategic Recommendation 1: Leverage Capacity-Building Support from Funders. Getting support for capacity-building is possible. A recommendation would be to conduct research to identify grant opportunities that specifically support capacity building in nonprofit organizations. A vital element is to build a compelling and persuasive case for support that highlights the importance of investing in human resources for the long-term sustainability and effectiveness of the organization. Finally, it is also essential to cultivate relationships with funders who prioritize capacity building; regularly communicate with them, provide updates on your organization's progress, and demonstrate the impact of their support.

Strategic Recommendation 2: Explore Strategic Human Resources Management Development. Make human resources part of organizational strategy, ensuring that human resources staff is actively involved in strategic decision-making processes. Positioning human resources as a strategic partner that contributes to achieving organizational goals is vital. Another recommendation is to ensure that human resources management practices support the organizational goals; assessing them, measuring the impact of those initiatives, and adjusting them as needed to support the organization's overall strategic direction is essential. To advance toward strategic human resources management and be able to implement talent management practices, it is key that the organizations have at least one or two people dedicated exclusively to human resources responsibilities (L. Chen, personal communication, April 26, 2023).

Section 6: Conclusions

The analyzed data suggest that nonprofit organizations are progressing in prioritizing their employees' well-being and satisfaction through human resources management practices.

Organizations prioritize practices regarding learning and development, organizational culture, and total rewards, which are associated with lower turnover rates and greater job satisfaction among nonprofit employees.

However, it is important to note that despite nonprofit organizations expressing a commitment to these areas, there are still opportunities for improvement. A notable finding is that few nonprofit organizations have formal talent management and retention strategies in place. This raises questions about whether these organizations truly realize their stated priorities or if they remain mere intentions.

Small nonprofit organizations seeking to enhance their talent retention efforts should focus on fostering a positive work culture that promotes employee engagement and well-being. Emphasizing learning and development opportunities can also contribute to employee growth and job satisfaction. Furthermore, offering competitive compensation and benefits can be a strong incentive for talent retention. To ensure the sustainability of these practices over time, it is crucial to have the necessary structures in place. Small nonprofit organizations can leverage capacity-building support from funders to strengthen their human resources management capabilities. Exploring strategic human resources management development initiatives can also provide valuable guidance and resources.

By implementing these recommendations, nonprofit organizations can enhance their ability to attract, retain, and develop talented individuals, ultimately fostering a more engaged and satisfied workforce. This, in turn, will contribute to the overall success and impact of the organization's mission and objectives.

References

- Bastida, R., Marimon, F., & Carreras, L. M. V. I. (2018). Human Resource Management Practices And Employee Job Satisfaction In Nonprofit Organizations. *Annals of Public and Cooperative Economics*, 89(2), 323–338. <https://doi.org/10.1111/apce.12181>
- Bozer, G., Kuna, S., & Santora, J. C. (2015). The Role of Leadership Development in Enhancing Succession Planning in the Israeli Nonprofit Sector. *Human Service Organizations, Management, Leadership & Governance*.
<https://doi.org/10.1080/23303131.2015.1077180>
- Johnson, J. D., & Ng, E. S. (2016). Money Talks or Millennials Walk. *Review of Public Personnel Administration*, 36(3), 283–305. <https://doi.org/10.1177/0734371x15587980>
- Kang, C., Huh, S., Cho, S. M., & Auh, E. Y. (2015). Turnover and Retention in Nonprofit Employment. *Nonprofit and Voluntary Sector Quarterly*, 44(4), 641–664.
<https://doi.org/10.1177/0899764014553032>
- Kim, S. E. & Lee, J. V. (2007). Is mission attachment an effective management tool for employee retention? An empirical analysis of a nonprofit human services agency. *Review of Public Personnel Administration*, 27(3), 227–248.
- Nonprofit HR (2022). *2022 Social Impact Talent Retention Practices Survey Results*.
https://www.nonprofithr.com/wp-content/uploads/2022/10/2022-Retention-Survey-Infographic_Final.pdf
- Nonprofit HR (2023). *2023 Nonprofit Talent Management Priorities Survey Results*.

<https://www.nonprofithr.com/2023-tmps/>

Renard, M., & Snelgar, R. J. (2017). Positive consequences of intrinsically rewarding work : a model to motivate, engage and retain non-profit employees. *Southern African Business Review*; Vol. 21 (2017).

Ridder, H., & Baluch, A. (2017). Strategic Human Resources Management. In J. K. A. Word, & J. E. Sowa (Eds.), *The Nonprofit Human Resource Management Handbook: From Theory to Practice* (pp. 69–86). Routledge.

Romero, A., & Lassmann, H. (2017). Benefits of Mentoring Programs for Child Welfare Workers: A Systematic Review. *Human Service Organizations, Management, Leadership & Governance*, 41(3), 301–316. <https://doi.org/10.1080/23303131.2016.1267055>

Selden, S. C., & Sowa, J. E. (2015). Voluntary Turnover in Nonprofit Human Service Organizations: The Impact of High Performance Work Practices. *Human Service Organizations, Management, Leadership & Governance*, 39(3), 182–207. <https://doi.org/10.1080/23303131.2015.1031416>

Sowa, J. E. & Word, J. K. A. (2017). Introduction. In J. K. A. Word, & J. E. Sowa (Eds.), *The Nonprofit Human Resource Management Handbook: From Theory to Practice* (pp. 1–12). Routledge.

Stater, K. J., & Stater, M. (2019). Is it “just work”? The impact of work rewards on job satisfaction and turnover intent in the nonprofit, for-profit, and public sectors. *The American Review of Public Administration*, 49(4), 495–511.

<https://doi.org/10.1177/0275074018815261>

Wang, W., & Seifert, R. (2022). The End of Meaningful Work in the Not-for-Profit Sector? A Case Study of Ethics in Employee Relations Under the New Business-Like Operation Regime. *Journal of Business Ethics*, 181(1), 1–14. <https://doi.org/10.1007/s10551-021-04891-4>

West, A. (2022). Employee Turnover Is Impacting Not-for-Profits Too. *CPA Journal*, pp. 46–47.

Appendix A: Nonprofit HR Surveys Reports

Report Name	Year	Participants	Mission	Budget	States
2022 Social Impact Talent Retention Practices	2022	400+	50	<1M – 100M>	36
2021 Nonprofit Talent Retention Practices	2021	500+	30	<1M – 500M>	38
2019 Talent Retention Practices	2019	350+	12+	<1M – 40M>	44*
2023 Nonprofit Talent Management Priorities	2023	300+	25	<1M- 100M>	25+
2022 Nonprofit Talent Management Priorities	2022	400+	20	<1M – 100M>	38
2021 Nonprofit Talent Management Priorities	2021	420+	10+	<1M – 100M>	30+
Celebrating 20 Years Of Talent Management Capacity Building For Social Impact Organizations	2020	340+	10+	<1M – 100M>	30+
2019 Talent Management Priorities For Nonprofits	2019	480+	8+	<1M – 40M>	30+

**Including some Canadian states.*

Appendix B: Semi-Structured Interview Questions

- Do you perceive competition between the nonprofit and other sectors for the same talents?
- Do you perceive people working in nonprofits as looking for competitive salaries or living salaries?
- What human resources management practices do you think are the more effective in reducing turnover and attracting talent in the sector? And why?
- What human resources management practices do you think are the more challenging to apply in the sector? And why?
- What are the main challenges when proposing/applying new human resources management practices?

Author's Bio

Isabel, an analytics and finance expert, is pivoting her career to the nonprofit sector and is currently completing the Master of Nonprofit Administration at the University of San Francisco. With strong analytical skills, financial acumen, project management, leadership, and communication skills, she has already worked for and studied many nonprofit organizations in her native Chile and in the United States. She is willing to put her knowledge and skills developed in her professional experience and graduate school to the service of others. Isabel's professional interests are Finance and Strategic Planning. Isabel is originally from Chile and has lived in the Bay Area since 2021. She is fluent in Spanish and English.