

# **Performance appraisal practices in nonprofit organisations in Australia**

**by**

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Submitted in fulfillment of the requirements of the degree of

Doctor of Philosophy

College of Business

Victoria University

11 August 2015

*To my mum, husband & daughter*

*& in memory of my dad*

*in love and gratitude*

## **Declaration**

“I, Ancy Ramasamy, declare that the PhD thesis entitled ‘performance appraisal practices in nonprofit organisations in Australia’ is no more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work”.



Signature

Date: 11/08/2015

## **Acknowledgement**

This PhD would not have been possible without the support of a large number of people. Above all, I am thankful to Prof. Pauline Stanton and Dr. Annie Delaney for their intellectual input, encouragement, and patience. Despite moving to another university and acquiring additional responsibilities, Prof. Stanton continued supervising this work due to her passion for research and her commitment to students, and not on the basis of any pecuniary benefits. For this, I am extremely grateful. Dr. Delaney deserves credit for untiringly reading through drafts of the thesis, and patiently guiding me throughout the research process. Prof. Pauline Stanton and Dr. Annie Delaney were both generous with their time and wisdom, and helpful as critics of my work. Their endless encouragement and advice helped me endure this project, and their feedback significantly improved the quality of this thesis. I would also like to thank Prof. Donna Buttigieg for kindly agreeing to join the doctoral committee, intervening with her acquaintances to help me get access to one of the case study organisations, helpful feedback and encouragement. I am deeply indebted to all three supervisors, and express my heartfelt gratitude and appreciation to them.

I would like to express my sincere thanks to the gatekeepers who granted me access to their organisations. I am also thankful to all respondents who voluntarily took the time out of their busy work lives to participate in this study. Their input and rich comments constituted the key ingredients to completing this project.

This thesis bears the mark of Victoria University, and the friends and colleagues that I have met there. Special thanks go to Ms. Penny Bassett for encouraging me to do a PhD, to Victoria University for granting me a scholarship to undertake this project, and to Prof. Anne Marie Hede for kindly allocating additional funds for transcription purposes. I would like to thank Dr. Gitika Sablok for being a good friend and for her involvement in the peer debriefing exercise. A great expression of thanks goes to the staff of the Graduate Research Centre, specially Ms. Tina Jeggo, Dr. Lesley Birch, Ms. Rita D'Souza and Ms. Katie Batterham for their friendship and help in sorting the administrative aspects of my research in a timely manner. I am grateful to the librarians for occasionally expediting my requests for academic materials, and to all the friends that I have made while studying and working at Victoria University (including Adeng, Angeera, Amal, Ishani, Dana, Joe, Barbs, Simi, Lina and Evangelina).

Furthermore, I would like to thank SmartDocs for their professionalism, confidentiality and accuracy in transcribing part of the data.

On a personal level, this thesis could not have been completed without the love, encouragement and sacrifices of my family. During the time that has spawned this thesis, numerous challenges cropped up in my life – challenges that sometimes appeared so insurmountable that I even thought about giving up on my PhD. This piece of work would never have seen the light of day if it was not for my family who gave me the courage and willpower to push through. As such, I would like to express my gratitude to my mum for putting her life on hold on many occasions and coming to my rescue. Her dedication as a mother knows no bounds, and I hope that I will have the opportunity to show the same dedication to my daughter one day. I am also grateful to my Aunt Rada for travelling to Australia and bestowing upon my daughter the same love and tenderness that she gave me as a child. More generally, I thank my brother, sister-in-law, niece, nephew, cousins, aunts, uncles, and friends in Mauritius and elsewhere for their love and support.

Last but not least, I would like to express my heartfelt gratitude to two extremely important people in my life: my husband, Nilantha, who has stood by me through thick and thin, and my two-year old daughter, Miheli, who has taught me the true meaning of the words ‘commitment’ and ‘selflessness’. My PhD journey would have been a lonely one without you, and it is only memorable because you were both an integral part and a product of it.

## Abstract

This study sets out to examine performance appraisal practices (PA) in nonprofit organisations (NPOs) in Australia. The study draws together various theoretical approaches – namely institutional theory (DiMaggio & Powell 1983), the HR strength theory (Bowen & Ostroff 2004), the contingency and configuration approaches (Delery & Doty 1996), the process-based perspective on fit (García-Carbonell, Martin-Alcazar & Sanchez-Gardecky 2014), and the values (Burchielli 2006) and justice literature (Bies 2001; Folger, Konovsky & Cropanzano 1992; Greenberg 1986) – to construct an integrated approach to PA in the nonprofit sector. The research questions were formulated based on this integrated approach, and relate to an investigation into the impact of the external environment on NPOs' PA practices; the relationship between NPOs' core values and their PA practices; the horizontal and vertical integration of PA practices in NPOs; and employees' justice perceptions toward PA in NPOs. To address the research questions, a qualitative case study design was adopted. Two case study organisations – a community welfare agency (Dogood) and a trade union (Employee Rights Union) – were selected. Multiple sources of evidence, namely documentary evidence, semi-structured interviews, focus groups and observational evidence and field notes, were used. Data was also collected from multiple groups of individuals, namely senior managers, line managers and employees. The sample size for each case study organisation consisted of twenty-one respondents in the case of Dogood, and twelve respondents in the case of ERU. Thematic analysis was undertaken. Several rigour strategies were adopted by this study, namely data triangulation, the establishment of a case study database, peer debriefing, amongst others. The empirical findings indicate how external environmental forces influence the *content* and *process* of PA. They also show how NPOs are unable to align their PA practices with their core values, organisational strategy and other HRM practices due to the weakness of the PA and 'values' messages communicated by NPOs. Finally, findings highlight the mixed justice perceptions of nonprofit employees towards PA. In conclusion, this study makes a key contribution to theory and management practice by acknowledging the importance of giving context and meaning to HRM, and proposing a pragmatic and an inclusive way of thinking about PA in the nonprofit sector.

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## **ABBREVIATIONS**

ACTU	Australian Council of Trade Unions
CSWCF	Community Sector Workforce Capability Framework
ERU	Employee Rights Union
HPWS	High Performance Work Systems
HR	Human Resource
HRM	Human Resource Management
NGO	Non-government organisation
NPM	New Public Management
NPO	Nonprofit Organisation
PA	Performance Appraisal
PDR	Planning, Development and Review
PM	Performance Management
SHRM	Strategic Human Resource Management
VSE	Voluntary Sector Ethos

# CHAPTER ONE: INTRODUCTION

## 1.1 Aim and context of the study: The nonprofit sector

This study aims to explore performance appraisal (PA) practices in nonprofit organisations (NPOs) in Australia. Since the nonprofit terminology is plagued by semantic difficulties, it is worthwhile to clarify the types of organisations that fall under the scope of this inquiry. For the purposes of this study, NPOs are defined as organized, private, self-governing, non-profit distributing and voluntary entities (Anheier & Salamon 2006; Salamon & Anheier 1997) which serve the interests of its members or public members.

The importance of the nonprofit sector is increasingly being acknowledged, especially given the existence of a large number of NPOs and their contributions to the economy. A snapshot of the Australian nonprofit environment indicates the significant economic, political and social contributions made by NPOs. In 2006/07, the nonprofit sector contributed to 4.1% of the Australian economy (Australian Bureau of Statistics 2009a), and employed 889,919 individuals (Australian Bureau of Statistics 2009b).

In the light of the growing significance of the nonprofit sector, this field of study has a growing body of research. One thread in this rich body of nonprofit literature was to identify the distinctive characteristics of NPOs. Amongst these characteristics feature the value-expressive character of NPOs (Frumkin 2002; Lyons 2001; Mason 1996), the strong values orientation and commitment of employees working in NPOs (De Cooman et al. 2011; Light 2002), and the ideological approach of NPO boards (Drucker 1989; Steane & Christie 2001).

In relation to the first distinctive characteristic, scholars have investigated the organisational values of NPOs from different perspectives. While one strand of research examined the definitions, concepts and properties of values generally (Burchielli 2006; Rokeach 1973), another strand placed emphasis on the intimate relationship between values and NPOs. In the latter case, the value base of NPOs was associated to organisational legitimacy (Jeavons 1992; Moore 2000), employee commitment and organisational performance (Cheverton 2007; Granger 2006; Kerwin, MacLean & Bell-Laroche 2014). In contrast, a third line of research explored the drawbacks of NPOs' values commitment in terms of empty value statements (Cha & Edmondson 2006; Lencioni 2002) and value conflicts (Paton 2013).



With regards to the second distinctive feature of NPOs, it was found that employees in the nonprofit sector have stronger nonmonetary orientation and commitment (Borzaga & Depedri 2005; Borzaga & Tortia 2006). Nonetheless, this is not to say that nonprofit employees are not extrinsically motivated. Studies have demonstrated that nonprofit employees also desire financial security and benefits (De Cooman et al. 2011; Lyons, Duxbury & Higgins 2006). Finally, it has been argued that NPO board members are personally committed to the organisation's cause and have an ideological approach to governance, thereby leading to a more effective board (Drucker 1989; Steane & Christie 2001).

From the above literature, it is clear that NPOs are value-based organisations. They thrive on and are branded through their value-based culture which is translated in their mission. Their very existence and legitimacy can be threatened if they lose sight of these values. It can be safely presumed that stakeholders, such as employees, volunteers, service users, members of the public, donors, media and government, expect NPOs to foster values of social justice, equity and fairness in each and every aspect of their operations, whether external or internal. Such a presumption remains valid in the context of PA. In fact, one of the key premises of this study is that NPOs' core values of justice and equity ought to be reflected in the PA system.

At the same time, however, NPOs are subjected to external influences. Following governments' embrace of neoliberal policies under which public welfare services were contracted out to the nonprofit sector, NPOs pursuing a social mission were compelled to professionalise their workforce and board (Considine, O'Sullivan & Nguyen 2014a; Frumkin 2002) and adopt businesslike practices (Baines 2010; Considine, O'Sullivan & Nguyen 2014b; Knutsen 2013). In the case of trade unions, the move towards businesslike practices (Thomas 2013) was mainly triggered by plunging union membership and reduction in union power (Cooper & Ellem 2008). Whatever the dynamics driving the trend of corporatisation in the nonprofit sector, the point here is that NPOs face two main imperatives, namely the need for efficiency and professionalisation and the need to stay true to their mission and values. From this perspective, it is important to understand how NPOs' external environment affect their PA practices.

## **1.2 Integrated approach to performance appraisal in nonprofit organisations**

As was the case for the nonprofit terminology, there exists semantic difficulties with the definition and scope of the PA notion (Nankervis & Stanton 2010). To address this issue, PA

is conceptualised in this study as the range of activities conducted by organisations for employee evaluation, development, performance improvement and reward distribution (Fletcher 2001). Two salient approaches to PA have been identified in this study. These are the strategic human resource management (SHRM) approach and the organisational justice approach. Each of these approaches are briefly reviewed in the following paragraphs.

Central to the SHRM approach are the notions of best practice, vertical fit and horizontal fit. In simple terms, the best practice approach advocates for the adoption of universal best practices irrespective of the context (Brewster & Mayrhofer 2011; Delery & Doty 1996); vertical fit relates to the degree of alignment between Human Resource Management (HRM) practices and organisational strategy; whereas horizontal fit – also termed as High Performance Work Systems (HPWS) – represents the alignment of HRM practices with each other (Delery & Doty 1996; Kepes & Delery 2007). Although numerous studies have provided empirical support for horizontal fit, academics are still unaware of the exact mechanism behind the HPWS-performance relationship. In view of clarifying that grey area, attempts have been made to unpack the ‘black box’ (Nankervis, Stanton & Foley 2012; Woodrow & Guest 2014).

One such attempt was made by Bowen & Ostroff (2004) who proposed the HR strength theory. The HR strength theory is underpinned by the signaling theory which essentially stipulates that any form of communication by an organisation or its agents can be interpreted by the recipient who will then form a judgment on the organisation (Connelly et al. 2011). Drawing on the signaling theory, Bowen & Ostroff (2004) viewed HR practices as communications from the employer to the employee, and argued that a strong HRM system characterised by the ‘metafeatures’ of distinctiveness, consistency and consensus would increase the likelihood of employees hearing and interpreting messages in a similar manner and engaging in desired behaviours for the achievement of organisational goals. For Bowen & Ostroff (2004), the four characteristics of an HRM system that can foster distinctiveness are *visibility*, *understandability*, *legitimacy of authority* and *relevance*, while the features that contribute to the consistency of the HRM system are *instrumentality*, *validity* and *consistent HRM messages*. Furthermore, consensus among employees are influenced by two factors, namely the *agreement among principal HRM decision makers* and *fairness* (Bowen & Ostroff 2004). These ‘metafeatures’ are explained in detail in section 3.3.3.

Drawing on the work of Bowen & Ostroff (2004), García-Carbonell, Martín-Alcazar & Sanchez-Gardez (2014) argued that the successful vertical and horizontal integration of HRM

practices requires both a consistent design and the transmission of distinctive, consistent and consensual messages so as to foster employees' understanding of vertical and horizontal fit.

Turning now to the organisational justice approach to PA, the literature cites numerous studies on employees' justice perceptions. Organisational justice is made up of three dimensions, namely procedural justice (i.e. the extent to which the PA process is perceived as fairly structured and operated); distributive justice (i.e. the perceived fairness of outcomes resulting from the PA process) (Greenberg 1986); and interactional justice (i.e. the perceived fairness of employees' interpersonal treatment) (Bies 2001). In the context of PA, procedural justice has been associated to the due process model characterised by adequate notice, fair hearing and judgment based on evidence (Folger, Konovsky & Cropanzano 1992). Distributive justice was found to consist of the perceived fairness of the PA rating in relation to performance, the perceived fairness of rewards in relation to performance (Greenberg 1986), and the consistency in reward allocation (Narcisse & Harcourt 2008). Lastly, interactional justice was explored from an injustice angle, with four 'profanities' – derogatory judgment, deception, invasion of privacy and disrespect – being identified as generating injustice perceptions (Bies 2001).

Despite the proliferation of studies on the SHRM and organisational justice approaches, research that has brought these two approaches together with the organisational culture and nonprofit literatures is non-existent. This is quite surprising since performance management can only add value to the extent that contextual factors are taken into consideration (Ashdown 2014). This logic is even more salient given the distinctive characteristics of NPOs and the symphony of external pressures and challenges which they have face. For this reason, an integrated approach to PA is constructed in this study. This integrated approach, which serves as the conceptual framework of this inquiry, draws together the conceptual ideas of values, justice, horizontal and vertical fit, and external environmental factors. In other words, this integrated approach is built from a marriage of theories.

In summary, this study aims at exploring PA practices of NPOs in the Australia context. In particular, this inquiry will seek to address the gaps in literature by answering the following research questions:

*RQ 1. How does the external environment of NPOs affect their PA practices?*

*RQ 2. To what extent do PA practices fit with the core values of NPOs?*

*RQ 3. To what extent do PA practices fit with the organisational strategy and other HRM practices of NPOs?*

*RQ 4. What are employees' justice perceptions towards the PA practices of NPOs?*

### **1.3 Methodology**

Given the lack of research in the non-profit sector (Parry et al. 2005), the importance of considering context (Johns 2006), and the difficulty of quantitatively measuring internal and external fit simultaneously (Samnani & Singh 2013), this study embraces a qualitative multiple-case study design. Two case study organisations – a community welfare agency (Dogood) and a trade union (Employee Rights Union) – were selected. Data triangulation was achieved by using multiple sources of evidence, namely documentary evidence, semi-structured interviews, focus groups and observational evidence and field notes. Another layer of triangulation was added by collecting data from multiple groups of individuals, namely senior managers, line managers and employees. In the case of the Employee Rights Union (ERU), though key informants were not labelled as senior or line managers, they still performed duties approximating to those of senior and line management.

In terms of the sampling strategy, a combination of purposeful sampling strategies – criterion, nominated, snowball and opportunistic sampling strategies – was utilised to overcome the practical issues of access. The determination of the minimum sample size for each case study was based on the homogeneity of the population and data saturation. In the case of Dogood, the population from which the sample was drawn was quite heterogeneous due to the diversity of services offered by the organisation. As a consequence, the sample size consisted of twenty-one respondents, which is within the range suggested by Warren (2001). In contrast, it was considered that the population of a trade union was fairly homogeneous in terms of value orientation. According to Guest, Bunce & Johnson (2006), the minimum sample size for a group of relatively homogeneous individuals is twelve. As such, the ERU sample was made up of twelve respondents.

This study employed thematic analysis as the data analysis procedure. The flexible and organic thematic analysis approach propounded by Braun & Clarke (2006) was adopted. Data was analysed in two phases: the initial within-case analysis phase, and the subsequent cross-case comparison phase. Briefly, the data analysis steps consisted of data familiarisation, data coding,

theme development and revision, and theme comparison. As a final methodological point, it is important to stress that several rigour strategies were adopted by this study, namely data triangulation, the establishment of a case study database, peer debriefing, amongst others.

#### **1.4 Contribution of the study**

The contribution of this study to the HRM and nonprofit literature is significant, novel and innovative in several ways. First, this study takes into account the unique context within which the PA phenomenon occurs. As stated by Johns (2006, p. 388,-389), context is not only important to help researchers understand ‘person-situation interactions’, but it also contributes to the justification of ‘study-to-study variation in research findings’. More importantly, context enables researchers to better convey the applications of their research to managers and HR practitioners who are likely to care about and identify with research settings. Despite the significance of contextual features, HRM studies that have integrated such situational factors within their scope are fragmented and isolated from each other (Johns 2006). In the case of the nonprofit sector which is in itself under-researched (Parry et al. 2005), such contextualized studies are negligible (Akingbola 2013a). Within the PA literature, there are, limited empirical studies which have explored the impact of NPOs’ unique context on HRM practices, and, to the best of the researcher’s knowledge, none of these have specifically focused on PA. From this perspective, therefore, this study represents one of the first attempts to empirically examine the critical relationship between NPOs’ PA systems and their external environment. On a related note, this study also contributes to work conducted in the Australian context.

Second, although the assumption in the organisational culture literature is that ‘values are the core component of organizational systems and will directly influence its policies, practices, and procedures’ (O'Neill et al. 2011 p. 551), the PA literature has, to this point, been slow in empirically capturing the relationship between values and PA practices. This study closes this research gap.

Third, with the partial exception of research reported by a few scholars such as Heery (2006), Clark & Gray (2005) and Clark et al. (1998) – who, in brief terms, revealed the increasing use of PA practices in Canadian, British and American unions – no prior empirical investigations seem to exist that help understand the exact mechanisms (be it formal or informal) through which union officials are appraised in their roles and how the latter perceive such mechanisms,

how environmental factors and values interact with and shape unions' PA practices, and whether strategic PA is utilised by union administration. As mentioned by Rau (2012), the advancement of knowledge and research in trade unions require these political organisations to cooperate with researchers and reveal their practices and performance to them. This lack of PA research in unions seem to herald the idea that these organisations tend to jealously guard their sensitive internal HRM practices, such as PA, away from prying eyes. In any case, this inquiry provides instructive information regarding PA practices in unions and the challenges associated to the application of this managerial concept in a trade union context.

Fourth, in the course of determining employees' distributive justice perceptions towards PA, this inquiry sheds light on the disputed topic of performance-related pay systems in the nonprofit sector (Rau 2012). This inquiry also contributes to the few studies that report on the trends of corporatisation in the nonprofit sector (Bennett & Savani 2011; Considine, O'Sullivan & Nguyen 2014a; Considine, O'Sullivan & Nguyen 2014b; Dolnicar, Irvine & Lazarevski 2008; Thomas 2013).

Fifth, this study provides an important theoretical contribution. In terms of the conceptual framework, this study innovatively brings together the SHRM, organisational justice, organisational culture and nonprofit literatures to provide a richer, more accurate and holistic lens for exploring PA in the unique nonprofit setting. In doing so, this multi-level conceptual framework utilises a combination of theories to understand how firm-level factors (such as external environmental conditions, values, and organisational HRM strategies) interact with individual-level factors (i.e. employees' perceptions towards PA) to yield a strong PA system. More than this, while current theoretical models have a tendency to differentiate between NPOs with a social mission and trade unions (Akingbola 2013a; Rau 2012), this conceptual framework explicitly makes provision for both public-benefit and member-benefit NPOs. Additionally, this study answers the call for more qualitative studies in the HRM arena (Guest 1997; Lengnick-Hall et al. 2009), and for studies that adopt the HRM process approach within specific sectorial contexts (Sanders, Shipton & Gomes 2014).

Finally, evidence suggests that NPOs are gradually evolving into more professional and corporatised entities. Given their chronic problems of resource scarcity and increasing external pressures on their funding portfolios, NPOs do not have the luxury of experimenting with their HRM systems. They are expected to deliver results quickly and effectively if they wish to survive. From that vantage point, this study will equip HR practitioners with valuable, up-to-

date knowledge on issues, constraints and challenges NPOs have to confront in relation to their PA practices. As a result, HR practitioners can make informed decisions on how to better structure NPOs' PA systems so as to enhance employees' acceptance of and engagement with such systems and to take into account organisational values, contextual factors and strategies.

## **1.5 Roadmap through the thesis**

Chapter One (this introduction) explored the aim and context of the study and also identified the research questions this inquiry presents. In particular, the chapter underscored the distinctive characteristics of NPOs, and outlined some of the challenges faced by such organisations. The chapter also introduced the distinct, yet related, SHRM and organisational justice approaches to PA, before highlighting the need for an integrated approach to PA in the nonprofit sector. Finally, the chapter briefly discussed the study's research design, and presented the key contribution of this study.

Chapter Two explores the body of literature on the nonprofit sector. This chapter examines the various definitions and terminology that denote NPOs, and outlines their distinctive features (in terms of their centrality of values, the strong values orientations of their employees, and the philosophical approach of their boards). The chapter explores the dynamic forces at work in NPOs' external environment, and provides an account of the complex terrain upon which such organisations tread as well as the dilemmas that they confront. This chapter also presents historical and contemporary sketches of the Australian nonprofit sector.

Chapter Three introduces the concept of PA, and explores the benefits and criticisms associated to this business notion. The chapter thereafter examines the two main approaches to PA – the SHRM approach and the organisational justice approach. In the former case, the chapter discusses the concepts of 'best practice', 'vertical fit' and 'horizontal fit', together with the HR strength theory (Bowen & Ostroff 2004). In the latter case, the chapter reviews the existing literature on the dimensions of organisational justice – procedural, distributive and interactional justice – within the context of PA. As indicated in Figure 1.1, Chapter Three combines some of the concepts identified in the SHRM and organisational justice literatures with the concepts raised in the organisational culture and nonprofit literatures (outlined in Chapter Two) to construct an integrated approach to PA in the nonprofit sector. That integrated approach serves

as the conceptual framework of the study, and contributes to informing the final discussion in Chapter Nine.

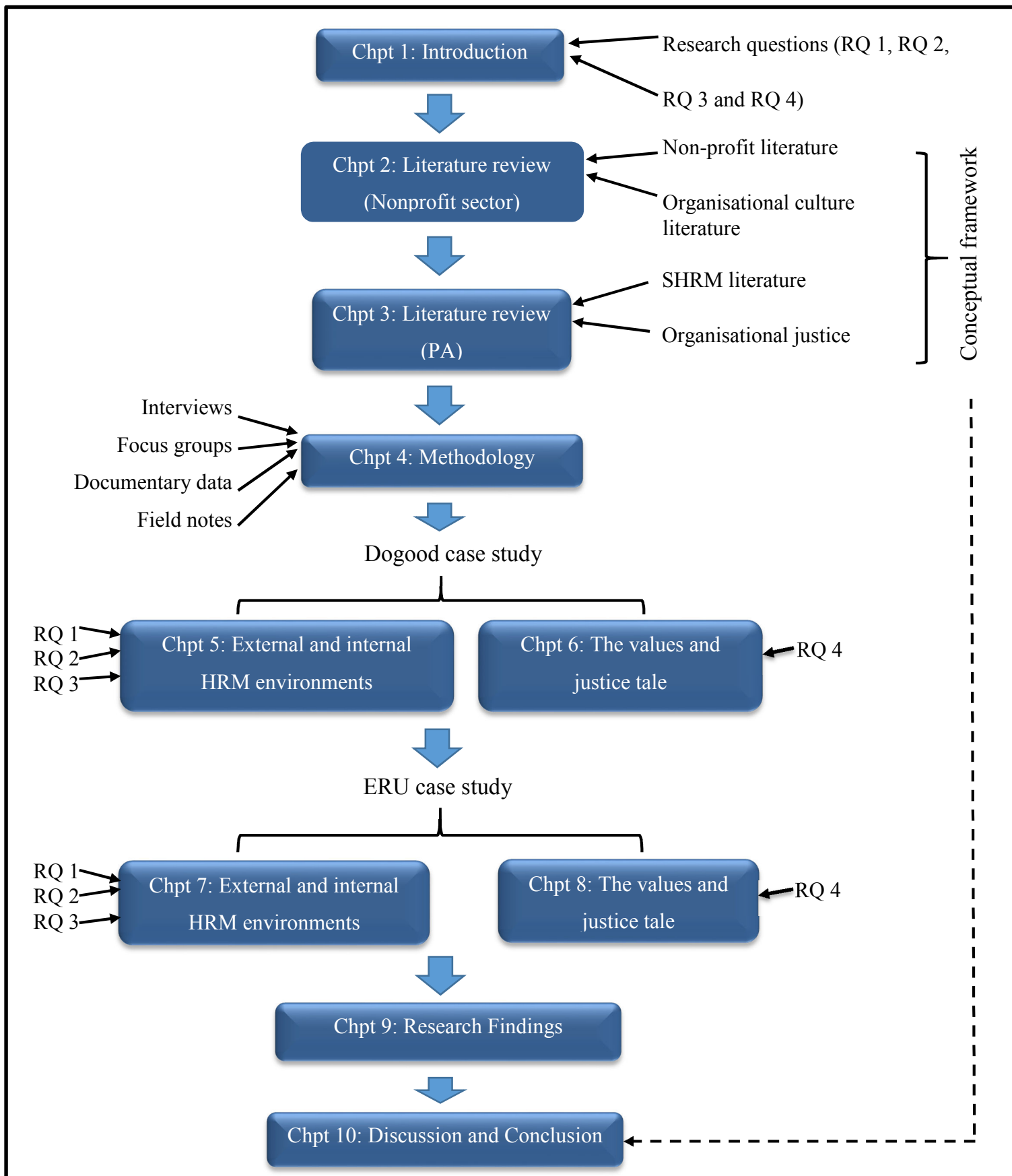
Chapter Four presents the research design and methods employed in this inquiry. This chapter outlines the paradigm underpinning the study and highlights the researcher's biases and self-interests in the chosen field. As part of its discussion of the methodological approach, the chapter discusses the reasons for using a case study approach, selecting Dogood and ERU as case study organisations, and determining sample size. The chapter further identifies the various data collection methods and sources used, and explains the data analysis procedures. Lastly, the chapter highlights the rigour and reliability strategies, and makes note of the ethical considerations of the study.

Findings pertaining to the two case studies are discussed in Chapters Five to Eight. Chapters Five and Seven present the external and internal HRM environments of Dogood and ERU respectively. These chapters situate the case study organisations within their wider external environment and examine the impact of external influences on these NPOs' internal organisational sphere. The chapters also describe the PA situation prevailing in each NPO, and explore the links between the PA practices, organisational values, organisational strategy and other HRM practices. As illustrated in Figure 1.1, these chapters aim at addressing the first three research questions of this study. In contrast, Chapters Six and Eight focus on the values and justice tales of each NPO. These chapters not only reveal respondents' varying degrees of commitment to organisational values, but more importantly examine employees' justice perceptions towards PA. In broad strokes, these chapters aim at addressing the fourth research question of this study.

Chapter Nine undertakes a cross-case comparison analysis. The chapter presents a summary of the findings of Dogood and ERU, and compares the two case studies by looking at the themes that cut across the cases. The chapter concurrently discusses the extent to which the empirical findings in this study confirm or detract from established literature.

The final chapter, Chapter Ten, provides a discussion and conclusion. The chapter undertakes a theoretical discussion of the findings, revisits the research questions, reflects on the limitations of the study and areas of future research, and discusses the practical implication of this study. A diagrammatic representation of the thesis's structure is provided in Figure 1.1.





**Figure 1.1 Structure of the thesis**

## **CHAPTER TWO: LITERATURE REVIEW (PART I)**

### ***The nonprofit sector***

#### **2.1 Introduction**

This study examines performance appraisal practices within the context of nonprofit organisations (NPOs) in Australia. Chapter One provided an overview of the aims and context of the study and identified the research questions and the key concepts that will be explored. Chapter Two reviews the current literature on the nonprofit sector, and is divided into four sections. The first section 2.2 highlights the various approaches and definitions of the nonprofit sector, and specifically identifies those NPOs that form the focus of this study, i.e. organisations that are organised, private, self-governing, non-profit distributing, voluntary (Salamon & Anheier 1997), and oriented towards providing benefits to its members or the public. The second section 2.3 outlines the key distinctive characteristics of NPOs in terms of their values, the nature of their staff and their governance structures. The unique features of trade unions are also underscored. The third section 2.4 examines the external environment of NPOs and presents the various tensions that emerge from NPOs' context. The last section 2.5 introduces the Australian nonprofit landscape whereby the general history and present-day situation of the nonprofit sector is briefly reviewed.

#### **2.2 What is the nonprofit sector? Approaches and terminology**

This section examines the approaches and terminology in the nonprofit sector. Section 2.2.1 introduces the various inquiry lenses employed by academics to delineate the boundaries of the nonprofit sector. Section 2.2.2 examines the disparate terminology used in relation to organisations operating within the sector. The preferred terminology and definition are also underscored in this section so as to enable readers to understand the types of organisations that are targeted by this study.

### 2.2.1 Approaches to defining the nonprofit sector

It is important to commence a literature review on the nonprofit sector by highlighting the heterogeneous nature of that sector. This then leads to the question on how to demarcate the boundaries of the sector. Corry (2011) has adopted two distinctive approaches, namely the traditional ontological approach and the epistemological approach. The former approach looks at the definitions of the sector in order to determine its scope and existence. In this case, definitions segregate the third sector from the state and the market. Essentially, an organisation is part of the third sector if it is not governed by a market logic of investment for profit or by a hierarchy logic of a chain of command (Corry 2011).

Within this ontological approach, therefore, multiple multidisciplinary definitions of NPOs exist to designate the nonprofit arena. Indeed, NPOs have been classified in terms of their legal definition, their economic definition (i.e. by considering the income structure of nonprofits), their functional definition (i.e. by focusing on the functions or purposes of organisations operating within the sector), and their structural-operational definition (Anheier 2005; Salamon & Anheier 1997). Under the structural-operational definition, NPOs are considered as entities that are '*organized*, i.e. institutionalized to some extent, ...*private*, i.e. institutionally separate from government, ... *non-profit-distributing*, i.e. not returning any profits generated to their owners or directors, ... *self-governing*, i.e. equipped to control their own activities, ... *voluntary*, i.e. involving some meaningful degree of voluntary participation, either in the actual conduct of the agency's activities or in the management of its affairs' (Salamon & Anheier 1997, p. 33-34).

In contrast, the epistemological approach defines the nonprofit realm as a kind of societal process. It acknowledges that third sector organisations are formed and function out of interaction and communication with different sectors, commonly the public and private sectors. This approach encompasses various perspectives. First, the Luhmann-inspired systems theory treats the third sector as a form of communication between different societal systems encouraging certain activities while hindering others (Corry 2011). According to Ferreira (2014), the systems theory views the relationship between organisations and society beyond the micro-, meso-, or macro-levels. For example, in the case of public-private partnerships, Akerstrøm Andersen (2008, p. 4-5) described these relationships as second-order contracts that 'represent a promise to subsequently give promises' and that 'link systems of communication in a way where new possible couplings are continually sought out'. In that same perspective,

NPOs can be regarded as ‘processes of negotiation between citizens and political or economic agents’ (Corry 2011, p. 16).

Second, the discourse-theoretical accounts theorise that the third sector acts as a tool for ordering people and ideas (Carrey 2008; Corry 2011). This perspective, which is based on the work of Michel Foucault, suggests that civil society and the third sector should neither be treated as a power-free zone nor a zone of contestation. Instead, they represent forms of power that curtail the existence and freedom of actors (Corry 2011). One example of such perspective is provided by Sending & Neumann (2006) who critically examined the concept of ‘governmentality’. The authors reflect on how the state has used non-government organisations (such as key women organisations) to implement international population policies.

Finally, as per the critical communicative civil society view, the third sector denotes a zone of contestation (whether cooperation or conflict) for various players and institutions. In this case, civil society is described as a zone of conflict in which social forces fight to dominate. This struggling process in turn brings about societal changes when one force manages to dominate over the others or when other forces unite themselves to counteract such dominance. In this context, the third sector is seen as a process of cooperation or conflict depending on the social forces at work (Corry 2011).

### **2.2.2 Defining the nonprofit sector**

Having mapped out the general surroundings of the nonprofit realm, it is now time to examine the myriad of terms and organisations in the field. As stipulated by Lyons (2001), the realm of the nonprofit sector is large and complex, and shelters a varied set of organisations ranging from multimillion-dollar companies to minuscule self-help groups. Over the years, a profusion of sector labels and terms has emerged to describe these organisations, with some terms being used interchangeably. Lorentzen (2010) stresses that sector labels are born from individuals’ motivation to join associations, and associations’ motivation to join forces and form a sector. One example provided by Lorentzen (2010) is the case of philanthropic organisations. These entities believe that they bear moral obligations that cannot be delegated to government through acts of taxpaying or voting, hence their initiative to belong to a common sector (Lorentzen 2010). Some of the terms that stand out from the nonprofit literature are briefly reviewed.

One key term that is frequently used is the voluntary sector which originates from the United Kingdom. Historically, the voluntary sector idea emerged in response to increasing provision of welfare services by the state and the integration of volunteerism in public services (Lorentzen 2010; Milbourne 2013). The voluntary sector benefits greatly from the voluntary participation of individuals, including the voluntary work of board members who are not offered any compensation or reimbursement for their expenses incurred (Tschirhart & Bielefeld 2012). According to Hudson (2009), the voluntary sector designates charities and other organisations that either do not meet the criteria for registering as charities or simply have not registered.

More than this, the voluntary sector is associated with the notion of charity – a notion which is rooted in religions such as Christianity and Islam. In many countries, acts of charity, benevolence and care are associated to helping poor, elderly, disabled or sick people as well as promoting education and religion, amongst others (Anheier 2005). It is noteworthy that the notion of charity is deeply connected to the idea of philanthropy, a concept which is based on ‘the ability of donors to use private funds to create social and political change’ (Frumkin 2006, p. 11). The main difference between these two concepts is the fact that philanthropy refers to gifts and donations from the wealthy or the legacy and from ‘ordinary people’ for charitable purposes whereas charity includes a broader range of purposes (Lorentzen 2010). In Australia, a statutory definition of charity is provided in the Charities Act 2013. A not-for-profit entity, which has charitable purposes for the public benefit, will be considered as a charity as long as the purposes are not disqualifying and the entity is not an individual, a political party or an entity (Government of Australia 2013). It should however be noted that there is a reticence in Australia to use that term due to a negative implication of the old welfare models (Hudson 2009).

Another term that has been compared to the voluntary sector is the nonprofit sector. The ‘nonprofit sector’ terminology is derived from America and refers to organisations that are prohibited from distributing profits and surplus assets after winding up (Anheier 2005; Hudson 2009; Lyons 2001). Accordingly, any profit made by the organisation goes back into the operation of the organisation to carry out its purposes and is not distributed to any of its members (Australian Taxation Office 2014). This rule applies to both public-benefit and member-benefit organisations (outlined subsequently), although in the latter case, benefits may be distributed by other means, such as discounts on membership costs (Lyons 2001). The success of this term, especially in America, can be explained by the fact that the birth and use

of the nonprofit approach in the 1980s coincided with the neoliberal practices adopted by government in downloading public welfare services to NPOs (Lorentzen 2010). While the host of changes triggered by the neoliberal movement is more fully explored in section 2.4, it should at least be briefly noted here that the cutbacks in the welfare state and the contracting out of public welfare services to NPOs pushed the latter organisations to adopt managerialist models such as New Public Management (NPM) and to become more businesslike (Baines 2010; Baines, Charlesworth & Cunningham 2014; Considine, O'Sullivan & Nguyen 2014b; Knutsen 2013).

The third sector label was coined by Etzioni (1973) in response to criticisms on the expanding state and market-based welfare. Etzioni (1973) believed that the third sector represented the perfect mix of efficiency and know-how from the private sector and the public interest and accountability from the public sector. The scope of the third sector was broadly defined, with organisations ranging from voluntary associations to government-private sector partnerships being included (Etzioni 1973). More recently, third sector organisations have been broadly defined by Lyons (2001, p. 9) as 'private organisations: (i) that are formed and sustained by groups of people (members) acting voluntarily and without seeking personal profit to provide benefits for themselves or for other, (ii) that are democratically controlled and, (iii) where any material benefit gained by a member is proportionate to their use of the organisation'. This definition *inter alia* differentiates between public-benefit organisations and member-benefit organisations (also known as self-help or mutual organisations) (Lyons 2001).

According to Lyons (2001), public-benefit organisations, such as community welfare agencies, relief aid agencies and nonprofit hospitals, are created for philanthropic purposes and serve the interests of individuals other than its members, such as the public and disadvantaged groups. The nonprofit sector has typically been associated to organisations seeking a public good or a public benefit (Taylor 2011). The notion of public good was crafted by Weisbrod (1975) who argued that government tries to satisfy the demands of the median voter, and provides a level of public good less than some citizens' desire. Since there is a gap between the level of public good provided and the desired level, public-benefit NPOs, financed by public donations, satisfy that unfilled demand (Kingma 2003).

On the other side of the fence lie member-benefit organisations, such as clubs, societies, churches and trade unions. In such NPOs, the recipients of the services are the members who have joined the organisation (Lyons 2001). Generally speaking, organisational revenues are

mainly derived from members in the form of membership dues. Furthermore, unlike non-membership organisations, where the leadership is self-perpetuating, membership organisations have a more bottom-up, representative governance structure, and usually offer opportunities for members to partake in direct elections on strategic and leadership matters (Nah & Saxton 2013). Despite the differences between these two types of organisations, many NPOs encompass aspects of both public-benefit and member-benefit organisations such that a clear cut distinction is not always possible in all cases (Lyons 2001).

Yet another label that has dominated the nonprofit sector is the civil society label (Lorentzen 2010). Civil society organisations have been defined as NPOs in modern democratic societies (Hudson 2009; Lyons 2001). The civil society idea was reborn in Eastern Europe as a result of confrontation between the Polish government and the Polish Solidary movement (Lorentzen 2010). Although the term has numerous connotations, there is a strong consensus that civil society nowadays means ‘the social space in which people voluntarily enter into social relationships which are not bound up with the institutions of government and the formal economy’ (Dekker 1998, p. 128). Therefore, the term is now used to promote the value of organisations that are independent of the state (Hudson 2009).

Finally, other recurrent terms used by scholars and practitioners include non-government organisations (NGOs) and community sector organisations. As far as NGOs are concerned, this term has widely been utilised in the international development context (Hudson 2009; Lyons 2001). In Australia, NGOs refer to ‘public-benefit nonprofits in the health and community services fields, though in government documents it often encompasses for-profit organisations as well’ (Lyons 2001, p. 9). The Australian term ‘community sector’ refers to geographical and common interest entities offering community services as well as small, local organisations that offer health, employment and legal services, community arts, amongst others (Hudson 2009; Kenny 2013; Lyons 2001).

### *Semantic dilemmas in the nonprofit terminology*

As indicated by the above range of terms used in the literature, there has been considerable lack of consensus on how to conceptualise and define organisations operating in the nonprofit sector. Such contested sector’s scope and definitions, together with the diversity of organisations in the sector and the fact that this field of research is relatively young, have made researching the nonprofit sector a challenging task (Milbourne 2013). Confronted by such definitional problems, scholars and practitioners have unsuccessfully tried to reach a consensus

on the nomenclature and definitive characteristics of NPOs. Some scholars have even wondered whether it is possible or desirable to have a universal terminology (Corry 2011; Gibbon 2011). The closest that the research community has got to in providing a generally-acceptable definition is by coming up with the structural-operational definition, with NPOs being viewed as organized, private, non-profit distributing, self-governing and voluntary entities (Salamon & Anheier 1997).

Nonetheless, even this attempt made by scholars to harmonise the nonprofit terminology has been challenged by Kenny (2013) who has criticised the structural-operational definition. Kenny (2013) argues that the designation and definition of the third sector still remains an elusive mass of contradictions and ambiguity for several reasons. First, drawing on arguments made by Laville (2011), Kenny (2013) argues that, in Europe, third sector organisations such as cooperatives and mutual aid societies can generate profit and distribute same to private individuals. Second, many third sector organisations overlap with the public and private sectors (Hudson 2009). This is the case, for example, when agendas of NPOs are set by government (Kenny 2013) or when social enterprise organisations trade goods and services on a non-profit basis in order to meet the needs of communities (Barraket & Archer 2010). Furthermore, it is quite common to witness the movement of organisations from one sector to the other (Hudson 2009), hence the emergence of the concept of ‘hybrid organisations’ (Billis 2010; Etzioni 1973; Evers 2005). Third, the structural-operational definition overlooks those groups that do not have an ‘institutional presence and structure’ such as small voluntary organisations (Kenny 2013; Van Til 2009). Finally, the use of the term voluntary is ambiguous because the definition does not clarify whether the object of the descriptor is the organisation, the activity, the participant or all of them (Kenny 2013).

Due to the grey areas that cloud the structural-operational definition, it appears that the debate on NPO characteristics and terminology is far from being settled. While Kenny (2013) questions whether it matters if definitions and language are not precise, Muukkonen (2009) warns that the absence of a uniform terminology can lead to misunderstanding between scholars with different disciplinary backgrounds. Another danger of having an ambiguous terminology is when concepts are imported into legislation. Once embedded in law, definitions ‘start to live their own life’, have ‘real practical consequences’ and treat ‘qualified organizations differently from those that do not qualify’ (Muukkonen 2009, p. 685). Irrespective of these debates, the reality is that the well-known and blunt description of the third sector as a ‘loose and baggy monster’ still holds valid (Corry 2011).



For the purposes of this study, the term ‘NPOs’ will be used to define those organisations that are *organized* (i.e. they have an institutional presence), *private* (i.e. they are neither part of or controlled by government), *non-profit distributing* (i.e. profits generated are plowed back into the organisation’s mission), *self-governing* (i.e. they have their own internal governance procedures), *voluntary* (i.e. they involve some voluntary input) (Salamon & Anheier 1997), and that *serve the interests of public members or organisational members*. In sum, organisations that form the focus of this study draw their characteristics from Salamon & Anheier’s (1997) structural-operational definition. As noted by Guo & Zhang (2013), the structural-operational approach appears to be the most commonly used definition among Western scholars. However, the definition also caters for both public-benefit and member-benefit NPOs. The reason for doing so is because the selected case study organisations in this study constitute examples of the two organisational types. Indeed, the first case organisation, Dogood, is a community welfare agency while the second case organisation, Employee Rights Union, is, as its name suggests, a trade union.

### **2.3 Distinctive characteristics of nonprofit organisations**

NPOs vary enormously from each other on many fronts, including in terms of their activities, age, size, structure, legal form, amongst others (Lyons 2001). These differences are further deepened when taking into account the wide range of industries and contexts they operate in as well as the diverse institutional constraints and objectives they are subject to (Tucker & Thorne 2013).

Notwithstanding the differences existing between NPOs, the examination of the nonprofit sector from an ontological perspective has led to the identification of distinguishing features of nonprofits (Corry 2011). The current literature offers a number of ways of articulating these distinctive characteristics. As stressed by Backman, Grossman & Rangan (2000), the distinctive features of NPOs include the nature of their mission, the importance of values, and their desire to reach a balance between upstream factors (e.g. fund raising and attracting professionals and volunteers) and downstream consumers. While providing an insight into the Australian third sector, Lyons (2001, p. 22) listed the defining characteristics of third sector organisations as being the ‘centrality of values; complexity of resource generation; reliance on volunteers; difficulties in judging organisational performance; lack of clarity about accountability; and conflict between board and staff’.

Adopting a comparative approach, Paton & Cornforth (1992) have identified and evaluated the reasons why NPOs are different from other organisations. At first glance, NPOs have distinctive purposes. In sum, NPOs pursue social goals which are difficult to measure in a meaningful way. The resource acquisition mechanisms of NPOs are also unique in that they rely mainly on funding. Moreover, the nature and involvement of stakeholders in NPOs as well as the governance structures are different in NPOs. Last but not least, NPOs have a distinctive culture and different ways of doing things. An NPO's culture is manifested through the prominence attributed to participative decision-making practices and to values which are closely related to the organisation's cause and mission. Paton & Cornforth (1992) concluded that, although some of these distinctive features are often overstated, taken together, these features make a convincing case for the distinctiveness of the nonprofit sector.

Recently however, the so-called 'distinctive features' of NPOs have been questioned on the basis of the richness, diversity and fluidity of the nonprofit sector. The sector is so diversified that no single theory has so far been successful in identifying the multiple characteristics of NPOs. Furthermore, the distinctiveness of NPOs is gradually disappearing as a result of the neoliberal movement. As will be explored in section 2.4, neoliberalism has compelled NPOs to embrace private and public sector strategies and entrepreneurial practices in order to survive (Baines 2010; Evans & Shields 2000; Knutsen 2013), thereby resulting in the blurring of the organisational identities of NPOs (Schmid 2013). Additionally, the emergence of the concept of 'hybrid organisations' (mentioned in section 2.2.2, which dealt with the nonprofit terminology) means that NPOs no longer belong to a single sector.

While not disputing the arguments on the changing nature of NPOs, generalisations can still be made, on a macro-level, about NPOs and the features that differentiate them from government and for-profit businesses (Tucker & Thorne 2013). What are the distinguishing features of NPOs? Although various characteristics have been identified, four critical precepts are apparent. In the first place, at the heart of the nonprofit sector lies the values-expressive character of NPOs which 'speaks to the need people feel to enact their values, faith, and commitments through work, prayer, philanthropy and volunteerism' (Frumkin 2002, p. 96), and which is critical for the success of the sector (Frumkin 2002). The second, closely related, distinctive characteristic of NPOs pertains to the strong values orientation and commitment of employees generally working in the nonprofit sector (Borzaga & Depedri 2005; Borzaga & Tortia 2006; Light 2002). Third, the governance structures of NPOs are traditionally inspired

by their philosophical approaches, with NPO directors being, very often, personally committed to the organisation's cause (Drucker 1989; Steane & Christie 2001).

Yet another feature that is intrinsic to NPOs is their reliance on volunteers. As Lyons (2001) outlined, about 6 per cent of Australian third sector organisations hire paid staff, but these organisations also use volunteers to get the work done. Although one needs to pay tribute to the valuable and crucial role played by volunteers in the nonprofit realm, this thesis is not the place for an in-depth discussion of the notion of volunteerism and its related theories. As such, this section 2.3 will examine the distinctive features of NPOs in terms of the centrality of their values (section 2.3.1), the strong values orientations of their employees (section 2.3.2), and the philosophical nature of their governance structures (section 2.3.4).

### **2.3.1 Centrality of values**

#### *Conceptualisation of values*

All organisations reflect, promulgate or disseminate values (Chen, Lune & Queen II 2013). This reality is even more pertinent in the case of NPOs which are value-based organisations. In terms of individual values, Padaki (2000, p. 422) has made a distinction between beliefs, attitudes and values: beliefs are used 'when there is evidence of cognitive organisation... but insufficient evidence of any feeling or emotion aroused'; attitudes are used 'when there is sufficient evidence that the individual can be placed on a dimension of emotional involvement'; whilst values are used 'when there is evidence of a relatively enduring behaviour pattern'.

Rokeach (1973), a long-time researcher of human values, described a value as 'an enduring prescriptive or proscriptive belief that a specific mode of behavior or end-state of existence is preferred to an opposite mode of behavior or end-state. This belief transcends attitudes toward objects and toward situations; it is a standard that guides and determines action, attitudes toward objects and situations, ideology, presentations of self to others, evaluations, judgments, justifications, comparison of self with others, and attempts to influence others' (Rokeach 1973, p. 25). Therefore, values make up an individual's personality and have a considerable impact on the person's choices and actions (Posner & Schmidt 1996).

As for organisational values, they have been described as 'evaluative standards relating to work or the work environment by which individuals discern what is 'right' or assess the importance

of preferences' (Dose 1997, p.227-228). Core values are an organisation's essential tenets, and should not be confused with the organisation's operating practices, business strategies and cultural norms. The former forms part of a sacred category that is resistant to change whilst the latter is open to change (Collins & Porras 1996). Since organisational values are regarded as a collection of individual belief systems, the identity of the organisation is manifested when significant consensus is reached among individual belief systems (Padaki 2000).

Organisation theory posits that organisational values are part and parcel of organisational culture (Mills, Boylstein & Lorean 2001) and contribute to its distinctiveness and identity (Robbins & Barnwell 2002). Moreover, values are deeply knit with the organisation's mission (i.e. the organisation's *raison d'être*) and the organisation's vision (i.e. the way in which the organisation pictures its success) through the organisation's overall purpose (Barnard & Walker 1994). Therefore, organisational values can be discerned, whether implicitly or explicitly, from policy documents, mission statements, organisational cultures and practices (Chen, Lune & Queen II 2013; Stewart 2007), reward systems, and management's value-positions (Stewart 2007). Besides, values can be detected in less noticeable ways, namely 'in the policy 'frames' that include some goals and exclude others, and in the inter-organisational relationships that define perspectives and construct interests' (Stewart 2007, p.73).

### *Values and NPOs*

The flourishing literature on the nonprofit sector is unanimous in profiling NPOs as value-driven organisations. A well-documented historical reality is that many NPOs have been incorporated as social or political movements in order to address the problems and anxieties that plagued communities. This is the case for the labour movement, trade unionism, environmentalism, feminism, amongst others (Paton 2013). The link between NPOs and social or political movements has also been acknowledged in the literature. For example, Clawson (2003) noted that new social movements such as racial equality, women's liberation, student empowerment, and gay and lesbian liberation led to the development of organisations. Another illustration of the relationship between the feminist movement and NPOs was provided in a study conducted by Hyde (2000). The latter found that the proliferation of nonprofit feminist social movement organisations was a critical factor in 'the movement's survival on local, regional and national levels of politics' (Hyde 2000, p.47).

Furthermore, as noted by Mason (1996), the expressive dimension of voluntary associations is an essential feature for examining such organisations. While talking about people's

participation in voluntary sector organisations as a means to satisfy both expressive and instrumental needs, Mason (1996, p.3-4) passionately advanced that the ‘expressive action need not seek anything beyond itself for gratification; it needs no extrinsic reward, promotion, or direct or indirect approbation. Actions such as the caring for the sick, the teaching of the student ... become ends in themselves. The work produces results, but the results are lagniappe, something extra. No extrinsic reward can substitute for the intrinsic rewards of the work itself’.

By the same token, Rothschild & Milofsky (2006) stressed the importance for NPOs to focus on the shared values, ethics and passions that engendered these organizations in the first place. They argued that staff and volunteers who form and join NPOs share a distinct vision of a just world and are animated by a professed desire to play a personal and substantial role in bringing that valued vision to life. Rothschild & Milofsky’s (2006) argument is reproduced in Borkman’s (2006) study of Alcoholics Anonymous. The latter showed how the beliefs and values of the founders and early members of the organisation, combined with the organisation’s history and leadership, created an NPO in which empathic and egalitarian values transcended the rhetoric and successfully influenced the organisation’s nonhierarchical structure and key method for helping alcoholics, i.e. the sharing circle. By resisting professionalisation, bureaucracy and the concentration of power, this organisation has become integral part of the North American culture and has inspired other self-help organisations (Borkman 2006).

In addition, the distinctive culture of NPOs resides on the significance attributed to those values that are linked to the organisation’s mission or cause (Paton & Cornforth 1992). Jeavons (1992) takes the view that the values-expressive character of NPOs not only distinguishes them from business and government organisations, but also creates a special context for their governance and management. The idea of the moral dimension of NPOs differentiating them from the state has been echoed by Frumkin (2002). Not surprisingly, therefore, an NPO’s core values has been said to embody the essence, purpose, spirit and heart of that NPO, and to embrace the philosophical and egalitarian approaches advocated by that NPO. The centrality of values in NPOs has so often been invoked by scholars that the value commitment of these organisations is now unquestionable, if not taken for granted.

### *Properties of values in NPOs*

Burchielli (2006), in exploring the role and purpose of trade union values, identified four salient properties of values, namely their subjectivity and inter-subjectivity, their diversity, their organisation into value-systems and their consequences. First, values are subjective (Mills,

Boylstein & Lorean 2001), are 'conditioned by power, interests and conflict' (Prilleltensky 2000, p. 140), and require endless clarification and justification. By reason of their subjectivity and inter-subjectivity, therefore, the range of interpretation and perceptions of values held by individuals or competing groups are so wide that the shared meaning of values cannot be assumed (Burchielli 2006).

The second property of values relates to the fact that a large number of diverse values exists (Burchielli 2006; Grunberg 2000). Grunberg (2000) argued that the list of values is endless, with new values being invented all the time. In the face of such diversity, it is reasonable to expect values to conflict or compete with each other (Rokeach 1973; Stride & Higgs 2013). For example, friction may be experienced between values serving individual interests (e.g. authority) and those fulfilling the collective interests (e.g. loyalty) of an individual (Stride & Higgs 2013). Another obvious example is the value-conflict element that governs contractual relationships between governments and third sector organisations (Stewart 2007).

The third property of values is that they are organized using value-systems (Burchielli 2006; Grunberg 2000; Rokeach 1973). Value-systems not only lead to the establishment of hierarchies of values (Grunberg 2000; Strickland & Vaughan 2008), but they also contribute to decision-making and conflict resolution processes (Prilleltensky 2000; Rokeach 1973). In the context of NPOs, the earliest study on the relationship between the significance of an NPO's work and its value-system was triggered by the concept of mediating structures. If one end of the spectrum was labeled 'private individuals' and the other end 'big impersonal structures of modern society', mediating structures, such as clubs, voluntary associations and churches, were located in the middle. Indeed, mediating structures 'mediated' by providing a forum through which individual beliefs and values were conveyed to large organisations. Mediating structures were thus beneficial to both the individual and the state: the former was protected from the alienations of modern life, whilst the latter gained legitimacy by being governed by values which were relevant to ordinary people (Berger & Neuhaus 1996).

There has been several attempts to establish a typology of value-systems. For instance, NPOs' organisational values have been grouped into four categories, namely Weltanschauung, temporal, terminal and organisational values (Kilby 2006). Values which identify and drive voluntary development agencies are Weltanschauung-based values. These symbolic values are deeply anchored in the organisation's DNA, and provides a general outlook on the world (Lissner 1977). By contrast, temporal values represent immediate concerns such as human

rights; terminal values represent an end point to be reached such as the end of poverty; whilst organisational values, once permanently integrated into work practices, drive the way work is undertaken (Kilby 2006). Other authors considered the concept of values in terms of outcome values (what NPOs do), instrumental values (how NPOs do it) and underlying ethical values (Nevile 2009; Parker & Bradley 2000).

Yet another set of value classification has viewed values as being functional, elitist (Wiener 1988) or humanistic (Rousseau 1990b). On one hand, functional values concern the mode of conduct of organisational members (Wiener 1988), and have been associated to the values of choice versus control. Control values valorize the structuring of job behaviours in accordance with explicit and predefined guides whereas choice values place emphasis on job enrichment, work/life balance and individual satisfaction (Granger 2006). On the other hand, elitist values are related to the status, superiority and importance of the organisation (Wiener 1988). They have been defined in terms of individualism – which focuses on finding and rewarding the best employees – versus collectivism, i.e. values that support and reward the group equally. Finally, humanistic values, also referred to as self-actualization values, represent a positive orientation to work, and view the nature of the work as satisfying and as a means of self-expression. Employees with humanistic values accept a reduced salary because they want more personal forms of compensation (Granger 2006).

Related to the concept of value-systems is the relative significance of values (Burchielli 2006). Drawing on the work of commentators who have acknowledged the disparity between values and the prevalence of some values over others (Grunberg 2000; Prilleltensky 2000; Rokeach 1973), Burchielli (2006, p. 136) stated that the ‘question of the relative significance of values is in itself a matter of the chosen value-system, or an ideological question’. The proposition that not all values are equal leads to a major question relating to the legitimacy of NPOs. How do NPOs decide which values are more important, and how do they justify their decisions to their stakeholders? The answer to this question might partly reside in Edwards’ (2013, p. 496) argument: ‘all NGOs and voluntary organizations must be explicit about which values are central to their claims to legitimacy, which values are more important than others if there are tradeoffs to be made between them (as there often are in real world management and decision making) and how these trade-offs are arrived at’. This view is shared by Stride (2006) who, while exploring the construction of NPO brands, found that the distinctive aspect of values in NPOs rested on the fact that some specific values are not optional or negotiable.

The fourth and final property of values is their consequences (Burchielli 2006). Values help to explain and motivate human behaviour, provide guidance, are used as a socializing mechanism and have a unifying effect (Rokeach 1973). Values also act as a moral compass. In order to be acceptable, values should not just reflect workers' preferences; they should also be morally legitimate (Prilleltensky 2000). Adopting an organisational theory view, values have been linked to organisational practices, activities, directions and outcomes (Mills, Boylstein & Lorean 2001; Robbins & Barnwell 2002). Values can also be used to evaluate an organisation's effectiveness (Robbins & Barnwell 2002) and justify its legitimacy (Jeavons 1992; Moore 2000).

### *Values and organisational legitimacy*

On a more normative level, core values have been associated to an NPO's legitimacy. Legitimacy refers to 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate, within some socially constructed set of norms, values, beliefs, and definitions' (Suchman 1995, p. 574). NPOs are under constant pressure to justify their legitimacy, especially given the competitive and resource-scarce environment in which they are evolving (Becker, Antuar & Everett 2011; Kaplan 2001). Therefore, there exists a normative argument that NPOs should build a rapport and legitimacy with their stakeholders and donors in order to secure adequate resources and funding (Moore 2000). It was even suggested that NPOs can only create a market and receive donations if their play for legitimacy is successful (Marwell & McInerney 2005). Moreover, the free expression of beliefs and commitments in NPOs has been described as a way of ensuring NPOs' independence and encouraging innovation (Frumkin 2002).

Moore's normative argument is echoed by Jeavons (1992) who has contended that if values-expressive organisations want to retain the privileges and support on which they depend for their survival, they have to pay special attention to the societal expectations about their place and functions. Taking this argument a step further, Jeavons claims that the only way for these organisations to build public credibility and trust and effectively communicate their core values, whether social, moral or spiritual, is by honoring these societal expectations. As such, value-based organisations must be mindful of what message their management approaches send about their values. In other words, a values-expressive organisation's effort to promote its cause can be diluted if it is not viewed as 'honoring a range of basic human, social, and professional values in the way that it operates' (Jeavons 1992, p. 409).



In this context, the value base of an NPO provides a justification for the organisation's very existence. NPOs' deeply held underlying ethical values can emerge from various sources including religious beliefs, feelings of solidarity towards the NPO's targeted customers, or a need to enhance social, economic or environmental practices for the greater good of the community (Lyons 2001). Ethical values in turn inspire values about what NPOs do (outcome values) and how they do it (instrumental values) (Parker & Bradley 2000). As maintained by Taylor & Warburton (2003), outcome and instrumental values represent the third sector organisation's primary line of accountability, and such organisations usually claim moral and political legitimacy through the adoption of values such as social justice and equity. Besides, Kilby (2006) claims that the main driving force behind the work of non-governmental organisations rests upon specific religious or ethical bases, i.e. their values.

In addition to their search for external legitimacy, NPOs should not relegate the significance of internal organisational legitimacy. Indeed, internal legitimacy is crucial for attracting the best employees and increasing their commitment, motivation, morale and loyalty, thereby resulting in enhanced organisational efficiency (Liu & Ko 2011). An organisational theory analysis suggests that values, transparency and ethics play a major role in promoting internal legitimacy. Indeed, some internal legitimisation tactics identified by Galaskiewicz & Bielefeld (2003) include placing emphasis on value rituals and traditions, enforcing a code of ethics, enhancing organisational transparency and implementing policies that further societal goals. By contrast, image marketing and sponsoring causes would constitute external legitimisation tactics (Galaskiewicz & Bielefeld 2003).

On top of normative reasons, the legitimacy of organisations is equally important for instrumental purposes (Elstud 2011). NPOs can actually achieve more success in their instrumental purposes if they harness and cultivate expressive behaviour. Rather than focusing narrowly on the task at hand, management must strategically encourage employees to view their work as a means to express their values and beliefs and translate them into concrete actions. When employees personally connect with their work, they will more likely be motivated to work for instrumental purposes (Mason 1996). In short, the nonprofit identity comes with a 'halo' that provides a wide range of benefits to NPOs, including donations, tax benefits and preferential contracts with government (Brody 2003). If NPOs lose their legitimacy 'as a guarantor of social change, the fall could hit hard' (Brody 2003, p. 243).

### *Values, employee commitment and organisational performance*

Another related strand of research that has captivated the attention of scholars is the impact of values on employee commitment and NPO performance. Core values not only attract new members to the third sector organisation, but have been likened to the glue that holds the organisation together (Lyons 2001). Enjolras (2009) highlighted that one of the most important factors that contribute to maintaining voluntary associations is the deep connection of members to organisational values. It was also argued that the commitment of NPOs to a set of core values not only swelled employee, management and board performance but also provided a benchmark for determining direction and effectiveness (Cheverton 2007). Similarly, Stride & Higgs (2013) concluded that values drive high levels of employee commitment. In examining the role of values in management practices in nonprofit social service agencies, Macy (2006) found that practices mirroring workplace values were more effective and yielded employee satisfaction and trust. More recently, in their study of a nonprofit sport organisation, Kerwin, MacLean & Bell-Laroche (2014) found that organisational values must be embedded into everyday HRM policy and practice if the organisation expect its values to be understood and 'lived' by its employees.

The role of values in promoting NPOs' performance was also examined through the notion of 'shared values' or 'value congruence'. The success of visionary organisations was associated to the strength of employee's shared values which would in turn influence organisational culture (Collins & Porras 1996). The process through which employees and organisations came to share similar values was described by the Attraction, Selection and Attrition theory (Schneider 1987; Schneider, Smith & Goldstein 2000). This theory states that the organisational culture and goals are a reflection of the founder's personal attributes. Furthermore, people choose careers and career environments based on their personalities, with the hope of working in an environment that will enable them to reach their valued outcomes. Employees who ultimately do not fit with the environment would usually depart from the organisation. Selection practices tend to limit the 'types' of employees who enter the organisation through a process that hires people who share common personal attributes with other members. These interrelated and dynamic attraction, selection and attrition processes result in a pool of employees who have taken the organisational culture onboard and who further contribute to shaping the organisation's nature, structure, processes and culture (Schneider 1987; Schneider, Smith & Goldstein 2000). However, this notion of 'shared values' was, in the case study of a for-profit organisation, found to result in 'clone-like' employees and

that individuals who had a different set of values could not survive in the organisation, regardless of their contribution (Truss 2001, p. 1134). The notion of ‘shared values’ was also criticised for adopting a unitarist view that ignores the plurality of interests normally found in organisations (Williams 1998).

### *The dark side of value commitment*

That said, even though core values form an integral part of NPOs’ raison d’être and constitute critical success factors for NPOs, some hurdles and criticisms concerning value commitment have surfaced. The centrality of values has been blamed for the instability and divisiveness of NPOs. The emphasis, sometimes overzealous, placed on values, beliefs, identities and enthusiasms in the nonprofit sector means that some disagreements, whether at member or board level, can remain unresolved. Moreover, some employees or board members find it hard to let go of old practices which embody the organisation’s central values, thereby resulting in a lack of flexibility and innovation, and a slow response to changing circumstances (Cheverton 2007; Lyons 2001).

Another warning that has been issued in the management of NPOs relates to the adoption of a statement of values. If management does not live the organisational values in practice, the harm that is caused to employee faith may be irreparable (Barnard & Walker 1994). For example, Cha & Edmondson (2006) demonstrated how employees’ perceptions of leader hypocrisy and empty value statements gave rise to employee disenchantment. Similarly, Lencioni (2002, p. 113) argued that ‘empty value statements create cynical and dispirited employees, alienate customers and undermine managerial credibility’. Also, disagreements may arise when members do not agree with some of the values set out in the statement and an exercise brought all values to the surface (Barnard & Walker 1994). The difficulty in managing mutual-support organisations has also been grippingly captured by Hudson (2009) in the following extract:

‘Unless values are fully acknowledged, as happens successfully in many hospices, anger, despair and resentment can spill over into the management of the organisation. Members can become angry with staff, and sometimes with each other as well. Debates and decisions become highly politicized and increasingly divorced from the facts.

The point is that values are central in mutual-support organisations, both explicitly and implicitly. Management’s task is to make things happen within the framework of the organisation’s values. Management may sometimes have to challenge the values, but

they must recognise that to achieve significant change they need to bring the members with them' (Hudson 2009, p. 429).

Finally, the drawbacks of value commitment have thoroughly been examined by Paton (2013). According to the latter, not only is the value-expressive character of NPOs overstated when compared to organisations operating in other sectors, but it is also unrealistic to expect organisations to consistently and reliably implement values. Thus, the application of values depends on the context, with core values being dominated by 'those of the people exercising power. Moreover, these commitments are constantly discovered, absorbed, reconstructed, elaborated, selectively emphasized, and above all *used* – with an eye to internal and external legitimacy' (Paton 2013, p. 263). The author further maintains that value-based conduct may, at times, be oppressive, and that value conflict between various stakeholder groups may cause the organisation to inadvertently tumble on a battlefield (Paton 2013).

### **2.3.2 Employees' strong values orientations**

#### *Employee commitment and organisation's mission*

It is a well-known fact that NPOs evolve in a competitive and resource-scarce environment (Becker, Antuar & Everett 2011; Kaplan 2001). For this reason, the nonprofit sector has, in comparison with the public and private sectors, long been characterised by poorer working conditions, namely low wages, long working hours, precarious job security and limited career development opportunities. The sectoral differences in remuneration structures are so substantial and visible that Mirvis & Hackett (1983) have even wondered whether the nonprofit sector actually attracts individuals who can 'afford' to work in NPOs or who cannot find jobs in other sectors. In the 1980s, the election of neoliberal governments led to deteriorating working conditions in the nonprofit sector. Since then, the neoliberalism tsunami that flooded the political, social and economic scenes of many developed nations did not spare the nonprofit sector. The sector was thereafter swept by waves of privatisation, contracting-out, rising service demands, new managerial models, reduced funding, amongst others. The introduction of such restructuring initiatives represented a major blow to a sector which was already hanging by a thread, and further eroded terms and conditions of nonprofit work (Baines 2010; Baines 2011; Cunningham 2010).

Despite the increasing pressure on working conditions, NPO workers continue to achieve more with less because they are ‘the most dedicated workforce’ (Light 2002). Such loyalty and commitment of nonprofit employees have long been acclaimed, admired and explored, with studies delving into the intangible, yet most powerful asset of NPOs – their committed and motivated workforce (Borzaga & Depedri 2005; Borzaga & Tortia 2006; Onyx & Maclean 1996). While accepting the resilience of nonprofit employees, it is also of note that commentators have recognised that nonprofit employees are increasingly dissatisfied with the restructuring and cost-cutting initiatives experienced by the sector. For example, cases of burn out and disillusionment among nonprofit employees have been reported in Canada (Baines 2004) whilst declining morale and commitment have been felt in the Australian third sector (Onyx & Maclean 1996).

In essence, numerous studies have revealed that nonprofit employees have different needs and motivations, indicating a stronger nonmonetary orientation and commitment (Borzaga & Depedri 2005; Borzaga & Tortia 2006; Light 2002; Mirvis 1992; Onyx & Maclean 1996). For example, nonprofit workers in the social welfare and educational services sector have the highest satisfaction with their decision-making autonomy, variety and creativity of work, professional growth, and recognition (Borzaga & Tortia 2006). The body of literature on the nature of employee commitment and motivation in the nonprofit sector also revolves around claims that an organisation’s cause and mission acts as an incentive to stimulate employee commitment (Cunningham 2001; Paton & Cornforth 1992; Thompson & Bunderson 2003). Employees are more committed to the cause than to the organisation itself. They expect to be involved in decisions that affect them and want to have an input in how the organisation goes about its work (Paton & Cornforth 1992). Voluntary sector employees have explained their attraction to the sector on the basis of the opportunity they have to work in organisations that are committed to values of social and individual care, social equity and fairness, and broader social justice (Cunningham 2001).

As per Brandl & Guttel (2007), the intrinsic motivation of voluntary sector employees has been linked to the organisation’s ‘spirit’. Put another way, intrinsic motivation is founded upon the organisation’s mission, objectives, activities and values. It is also presumed that employees in voluntary organisations are motivated by a desire to care, thereby resulting in the acceptance of smaller remuneration and less personal advancement and security (Paton & Cornforth 1992). This comes down to what was said earlier in section 2.3.1 about employees with humanistic values trading a reduced salary for more personal forms of compensation (Granger 2006).

Nonprofit employees generally view their low earning potential as a donation of part of their wages to support their organisation's values, mission and ideology (Nickson et al. 2008).

Studies comparing the sectoral differences in employee commitment have also demonstrated that nonprofit employees are more likely to exhibit higher levels of service and altruistic motivation than their for-profit counterparts (De Cooman et al. 2011; Schepers et al. 2005). For example, De Cooman et al. (2011) found that for-profit workers were more motivated by financial prosperity than nonprofit employees who valorise the delivery of meaningful outcomes, both personally and towards the wider community, as well as the achievement of a good fit with their organisational values. Nevertheless, as a note of warning, nonprofit employees should not be viewed as being only intrinsically motivated or of being more intrinsically motivated than extrinsically motivated (Chen 2014). Indeed, studies have shown that the desire of nonprofit workers for financial security and benefits can be rated as high as their altruistic motivation (De Cooman et al. 2011; Jaskyte 2014; Lyons, Duxbury & Higgins 2006). Therefore, even if nonprofit employees are 'not in it for the money', they still need wages for survival and may even 'interpret their pay as an indicator of their value within the organization' (Wright 2013, p. 88).

### *The psychological contract and the voluntary sector ethos*

From a theoretical perspective, the nature of employee commitment has typically been explored through the psychological contract. Although other motivational organisation theories have been applied to the nonprofit sector (Courtney 2001; Liu & Ko 2011), the psychological framework has been considered appropriate because it is based on the social exchange theory. The mutuality of employer and employee expectations in NPOs together with the strong sense of employee values contribute to making the nonprofit arena the ideal test-bed for psychological contract analysis (McDermott, Heffernan & Beynon 2013).

The notion of the psychological contract has been subject to a few refinements over the years. Early psychological contract research identified the existence of a set of unwritten reciprocal expectations between employers and employees, and focused mainly on aligning employees' and employers' expectations with each other (Schein 1977). Subsequently, the concept was expanded by Rousseau (1995, p. 9) who defined it as 'individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization'. Transactional and relational components of the psychological contract were then identified. The transactional component is based on short-term monetary exchanges:

employees must deliver the performance standards expected by their employer, with little emotional attachment involved. Conversely, the relational component is derived from socio-emotional, open-ended employment relationships characterised by a mutual employee-employer investment (Rousseau 1990a; Rousseau 1995). Under the relational continuum, the organisation makes significant promises and commitments to its employees in exchange for employee 'buy in' into the organisational culture (Rousseau 1990a). The relevance of distinguishing between the two types of contract lies on the differences existing between core and periphery workers (Boxall & Purcell 2011).

The failure to uphold psychological contracts was also investigated in terms of contract breach and contract violation. According to Morrison & Robinson (1997), contract breach occurs when there is a discrepancy between a promised obligation and a delivered one. The root causes of perceived psychological contract breach have been identified as being 'reneging' and 'incongruence'. The former takes place when agents of the organisation acknowledge the existence of an obligation but knowingly fail to meet that obligation. As for 'incongruence', it occurs when the employee and organisational agents hold different perceptions as to whether an obligation exists or on the nature of an obligation. Morrison & Robinson (1997) further emphasised the point that the perception of contract breach does not necessarily result in contract violation which represents a more intense emotional reaction. Violations occur when 'a failure to keep a commitment injures or causes damages that the contract was designed to avoid' (Rousseau 1995, p.112-113). A few reported outcomes of contract breach include violation, mistrust, turnover intention (Conway & Briner 2005; Zhao et al. 2007), turnover behaviour (Bunderson 2001; Clinton & Guest 2014), job dissatisfaction and loss of commitment (Raja, Johns & Ntalianis 2004). Relational contract breaches were also found to have greater ramifications on employee outcomes than transactional contract breaches (Restubog et al. 2008).

Although the influence of ethical values on the psychological contract has been explored – see for example O'Donohue & Nelson (2009) – the impact of sectoral context on the psychological contract has been neglected. Bridging this gap, Cunningham (2010) further refined the framework to cater for the unique value-driven and mission-infused features of the nonprofit sector. Accordingly, Cunningham (2010) added a 'voluntary sector ethos' (VSE) component which was inspired from the public sector ethos and which formed part of the relational continuum of the psychological contract. The VSE encompasses assumptions on employees' work orientations, including employee identification with the wider community; the perceived

value attributed to the nature of the job which is considered as being more important than monetary rewards; philosophical and religious commitments to encourage social change; and the need for work autonomy and participative decision-making (Cunningham 2010).

In parallel, other scholars have written about ideology-infused psychological contracts. Nonprofit employees work for an 'ideological currency', i.e. 'credible commitments to pursue a valued cause or principle (not limited to self-interest)' (Thompson & Bunderson 2003, p. 574). Therefore, in ideology-infused psychological contracts, employees' perceptions of their relationship with their employer are based on the belief that there exists a cause that surpasses the instrumental interests of both parties. Employees perceive that both parties should, by all means, work towards achieving this cause. Organisations should, at the expense of profitability, contribute directly to the cause. In exchange, employees should act as advocates for these ideological objectives, engage in societal citizenship behaviours and provide a positive image of the organisation to the external world (Thompson & Hart 2006).

Drawing on the earlier work of Meyer & Allen (1997), scholars have highlighted the relationship between the psychological contract and the various components of commitment. Continuance commitment is associated with the costs of leaving the organisation: individuals remain in employment because they need to do so. Due to their monetary nature, transactional psychological contracts have been associated with continuance commitment. On the other hand, employees who experience affective commitment are emotionally attached to and identify themselves with their organisation. They stay with their employer because they want to do so. As such, relational contracts are linked to affective commitment: employees expect stability and long-term commitments in exchange for their attachment and loyalty. Finally, employees have normative commitment when they feel obligated to continue employment: they remain in the organisation because they ought to do so. Employees with a VSE have strong normative commitment. They feel that they have to stay with the organisation possibly because of its mission, values and cause towards which they have empathy (Cunningham 2010; Cunningham 2012).

The key point is that, despite the often poor working conditions, employees willingly remain in voluntary organisations because of their strong values orientations and VSE. It is presumed that such employees have an altruistic orientation to work, have a greater degree of commitment to and affinity with the voluntary organisation's cause, and/or generally wish to contribute to the community/public good (Nickson et al. 2008). This is in line with Thompson



and Bunderson's (2003) argument that ideological commitment to a cause may increase employee loyalty and make restore employee devotion if traditional incentives fail. Furthermore despite violations to transactional and relational components, the presence of ideology-infused contracts may moderate the effects of breach and violation and help sustain high levels of commitment (Thompson & Bunderson 2003). Nevertheless, there are limits on the extent to which the VSE can compensate for other unfilled dimensions of the psychological contract (Cunningham 2010; Cunningham 2012).

### **2.3.3 Governance structure**

#### *Boards of large and medium-sized public-benefit NPOs*

Governance structures are the foundations on which organisations are built (Hudson 2009). The concept of governance plays a central role in the regulation, monitoring, operation and reporting of charities (Hyndman & McDonnell 2009). Cornforth (2003, p. 17) defines governance as 'the systems by which organisations are directed, controlled and accountable'. According to Hyndman & McDonnell (2009), governance refers to the distribution of rights and responsibilities among different constituents and their role in setting and achieving organisational objectives. Central to these definitions is the NPO's board or governing body.

NPOs vary widely as to the existence and composition of board committees (Callen, Klein & Tinkelman 2010). As stated by Ajayi (2010), most small NPOs have unconventional board models which make the adoption of traditional governance practices unrealistic. As such, the actual governance practices in small NPOs differ from the accepted 'best practice' model (Ajayi 2010) adopted by large and medium-sized NPOs.

It is generally agreed that NPO boards are inspired by their philosophical approach. Indeed, NPO boards differ from their corporate counterparts in terms of their structure, composition and value-base. In Australia, a study undertaken by Steane & Christie (2001) found that NPO boards provided a wider representation of their members as compared to corporate organisations. Fifty-three per cent of the study sample contained directors from minority groups, namely indigenous people, people with disabilities and people from non-English speaking backgrounds. Furthermore, directors on NPO boards came from various disciplinary backgrounds. The findings of this study indicated that nonprofit boards tend to prioritise a stakeholder approach to governance over a shareholder approach. Moreover, NPO board

members are often personally committed to the organisation's cause and may have volunteered in that organisation. Some may even be deeply knowledgeable about the organisation. This commitment and ideological approach of the board members to the NPO's mission may lead to a more effective board (Drucker 1989). Similarly, Judge & Zeithaml (1992) believe that a highly involved and committed board is beneficial to NPOs.

### *Professionalisation*

In recent years, one distinct trend that has been noted is the professionalisation of the nonprofit board, and more generally the nonprofit workforce (Considine, O'Sullivan & Nguyen 2014a; Frumkin 2002; Hwang & Powell 2009; Landsberg 2004). Under the contracting regime of the neoliberal ideology adopted by governments (Salamon 1993), NPOs have been required to comply with complex monitoring and reporting requirements (Siegel 1999). As such, NPOs had to recruit more professional staff in order to comply with these complex requirements (Guo 2007). Despite the benefits of professionalisation in terms of enhanced training, research and collaboration efforts and enhanced confidence in delivering services (Frumkin 2002), the submergence of NPOs by professional managers and board members has raised issues of mission and culture erosion. As acknowledged by Landsberg (2004), more and more board members with business backgrounds are recruited by NPOs by reason of their networks, business expertise and good financial standing. One source of organisational isomorphism has, for quite some time, been identified as being the increasing trend of hiring managers or board members who have worked in for-profit organisations or who have been educated in business schools (DiMaggio & Powell 1983). Nevertheless, the appointment of business-oriented board members has, in turn, undermined the ethos of altruism in NPOs and has led to psychological distancing between management and program staff. This is because business-oriented board members tend to focus on financial issues at the expense of the organisational mission and values. In the long run, public image suffers, with donors being less inclined to support NPOs that exhibit for-profit features (Landsberg 2004).

In a similar vein, Smith & Lipsky (1993) warned that the recruitment of non-value-sharing directors could damage NPO boards' identity as an archetype of community interests. Siciliano (1996), reflecting on an NPO's evaluation process of a YMCA program, described the tension among directors from different backgrounds as follows: business-oriented board members emphasised the cost-effectiveness of the program whereas other board members identified the value that it brought to the community. Similarly, Considine, O'Sullivan & Nguyen (2014a, p.

182) reported serious board conflicts and tensions due to the presence of board members who 'did not have real empathy towards the organization's missions or focus'. Interestingly, Considine, O'Sullivan & Nguyen (2014a) noted that a perfect fit between directors' values and organisation's values was not mandatory; only a certain alignment was needed.

Following this line of thought, Frumkin (2002) has identified three dangers of professionalisation in NPOs. First, the normalisation of the workforce and the diffusion of practices through networks of professionals mean that there is a greater tendency, or at least temptation, to replicate models of service delivery in NPOs. Such trend may in turn threaten NPOs' ability to respond to local needs and concerns with tailor-made programs. Second, professionalisation has resulted in the development of an increasingly specialized and disconnected range of services. A corollary of such fragmentation is that NPOs struggle to adopt an integrated model of service delivery. Finally, highly-professionalised NPOs may be affected by vision and value myopia as they lose sight of private values, commitments and beliefs which are central drivers of local innovation. Although nonprofit leaders lack formal training and technical expertise, they provide valuable insights on how to alleviate human suffering by virtue of their own experiences with poverty, drug addiction, and so on. By contrast, it is harder for business-oriented leaders to relate to victims of such problems, especially if they stick to their preconceived ideas of how work should be conducted (Frumkin 2002).

In order to overcome, or at least minimise, the deleterious consequences of professionalisation, McFarlan (1999) argues that business board members must understand the fundamental differences between NPOs and for-profit firms, and realise that not all their skills and expertise are appropriate for application in NPOs. Furthermore, leadership and management models must appreciate 'the special expressive and value-laden character' of NPO activities (Frumkin 2002, p. 102). On this account, leadership should not be defined in terms of authority and influence. Instead, nonprofit leaders should be viewed as individuals who, irrespective of their social backgrounds, are able to mobilise people for socially useful purposes. They must also be conditioned to face, appreciate and interpret competing value perspectives (Heifetz 1994). Similarly, Mason (1996) argues that nonprofit leaders should not only view the task at hand in terms of parameters of the job and efficiency. Instead, they should appreciate the fact that some work is an end in itself. This implies allowing employees to express themselves, their values and beliefs through their organisations.

### **2.3.4 The unique case of trade unions**

Despite being part of the nonprofit sector, trade unions are viewed ‘as a separate category of organization’ (Child, Loveridge & Warner 1973, p. 72). As such, unions have been dedicated a substantial and separate body of literature. The impulse of academics to differentiate unions from the rest of the nonprofit herd may be due to the complexity and uniqueness of such member-benefit NPOs in terms of their historical and political backgrounds. For this reason, this section will highlight some of the unique features of trade unions.

#### *Trade union values*

Trade unions operate in a uniquely complex environment marked by protest, organisation and political affiliations. In that regard, trade unions have been described as having distinctive cultures and values (Clark 2009). Surprisingly, the notion of values in trade unions has been the subject of scant research (Burchielli 2006; Contrepois & Jefferys 2004). For example, Contrepois & Jefferys (2004) found that British activists in the banking sector associated unionism with values such as justice and fairness while French activists mainly perceived unions as a mechanism to show solidarity with others.

Nonetheless, a large body of literature on union theory brims with references to union values. Indeed, most of the discussion on union purpose, structure, conflict, ideology, and union renewal strategies gravitates around the concept of union values (Burchielli 2006). For example, in terms of union goals, the literature is very much awashed on how unions have sought to protect the material lives of workers in terms of enhancing their wages and work conditions (Deery 1989; Gollan 1968; Lyons 2001). Unions have also tried to secure participation rights for workers (Crouch 1982). These ‘economic and political goals of unions ... are emblematic of union values, such as equality and social justice’ (Burchielli 2006, p. 137). Moreover, academics have situated their discussion about union values around the notion of activism. For instance, Toubøl & Jensen (2014) revealed that, in addition to instrumental motives, employees’ decisions to join unions were influenced by value-rational motives. Inspired by their political ideology, left-wingers had a tendency to join unions more often than right-wingers (Toubøl & Jensen 2014). In the same vein, Healy & Kirton (2013) found that women union leaders were attracted to activism due to their ideological influences (e.g. feminist beliefs and political views) which were reflected in unions.

Briefly, therefore, the general rule is that trade unions embrace values that are in synchronisation with the basic values of the labour movement – i.e., dignity, respect, democracy, social and economic justice, unity, voice and collective action (Clark 2009). Australian trade unions are no exception to this rule. Indeed, trade unions' history is deeply entrenched with the Australian Labor Party. As a consequence, Australian unions underscore values such as fairness, equity, justice and the welfare of the collective group. Having said that, however, it is worthy of note that union values and ideology differ across the trade union movement depending on the political factional position adopted by each union. Unions usually politically distinguish themselves as either being left or right. This distinction corresponds to factional groupings within the labour movement, and acts as a justification for unions' choices pertaining to methods, tactics and policy arena (i.e. industrial and political) (Gardner 1989).

Burchielli (2006) explores the values of Australian unions through the statement of union values issued by the Australian Council of Trade Unions (ACTU) – the labour movement's single peak council. Burchielli argued that although the ACTU statement makes a valuable contribution in terms of highlighting the values that drive unions' public work (such as community and workplace activity), the statement fails to identify those values that drive unions' intra-union activities, i.e. the private internal union processes and relationships (such as relating to members and developing objectives and strategy). She notes that given the complexity and unique history and characteristics of unions, the formulation of a common set of values for unions represents a challenging task. Finally, she concluded that the conflict of values that is inherent to unions (such as the conflict between members' immediate interests and long-term survival of the organisation) means that different stipulations and conditions must accompany any proclamation of values on unions' intra-union activities (Burchielli 2006).

#### *Union structure and strategy*

In terms of their structure, large Australian trade unions generally comprise of both federal/national structures together with regional/state branches. The extent to which this structure is centralised and emphasises on the national union varies from union to union. In most cases, however, trade unions are based around their state branches. As such, state branches represent the centre of industrial and political activities. It is also at this regional/state branch level that contestations for leadership are likely to occur (Matthews 1968). Despite these two distinct structures, a survey of trade unions undertaken by Plowman & Spooner (1989)

highlighted significant differences in union structures. They found that while half of the federal unions were national bodies with state branches, the other half were federations of state bodies. Hence, while the former type of structure was highly centralised, the latter structure retained a high degree of autonomy and authority at the state level. From that perspective, it was argued that unions are heterogeneous in nature (Plowman & Spooner 1989).

Moving on to union strategy, it has been argued that though union strategy is described in different terms from the corporate and nonprofit strategy, it is still important for union administration (Rau 2012). According to Budd (2005), there are four dimensions of union strategy. The first dimension is the business unionism-social unionism dimension which makes a distinction between unions that measure success based on membership levels and members' wages and unions that focus less on day-to-day business operations. The second dimension pertains to the servicing-organising dimension (outlined in subsequent paragraphs). The third dimension is the job control-employee empowerment dimension which distinguishes between unions that place emphasis on job classifications, detailed job descriptions and tightly controlled seniority and unions that focus on fair processes, skill development and voice through employee empowerment. The fourth dimension proposed by Budd (2005) relates to the industrial-craft dimension which makes a distinction between unions that represent workers in a specific industry and unions that represent workers in a single occupation.

#### *Administrative and representative functions of trade unions*

In essence, trade unions have two key functions – the administrative and representative functions – which pull them in different directions. Administrative rationality refers to the union's tendency to operate as an efficient bureaucracy characterised by routine processes, specialized functions, direct communications and quick decision-making processes. On the other hand, representative rationality requires unions to espouse their original form as an organisation of volunteers. In that regard, they are expected to adopt flexible operations to meet different members' needs, duplicate functions to build a system of checks and balances, multiply communications to collect various opinions, and delay decision-making until all opinions have been heard (Child, Loveridge & Warner 1973).

The ongoing tension between the administrative and representative rationales of union activity has been used in the literature to explain certain defining features of trade unions, such as union workforce and leadership structure. For instance, Burchielli (2008) has situated her discussion of the division of labour in unions around these two functions. The author noted that union

employees are classified as being either industrial workers or administrative workers. Industrial workers, also commonly referred to as trade union ‘officials’, consist of organisers who recruit and support members in the workplace, union secretaries (branch leaders) who manage branch staff and represent the union in media releases, and other ‘specialist staff’ who have expert knowledge in industrial laws, occupational health and safety or particular demographic groups. In contrast, administrative workers, who are generally viewed as having a lesser status, support industrial workers in their roles (Burchielli 2008). In broad terms, industrial workers form part of the representative rationale of union activity whilst administrative workers are associated to the administrative function.

Over and above the impact of the administrative and representative functions on unions’ labour division, it has been argued that the tension between these two functions has trickled down to unions’ leadership structures. Indeed, such tension has made the leadership situation in unions problematic (Boxall & Haynes 1997). Since unions historically stem from groups of workers acting collectively to defend their interests, democratic decision-making is unequivocally an integral part of a union’s DNA. However, as unions have grown in size, they have felt the need to develop an administrative structure dominated by hierarchical control (Child, Loveridge & Warner 1973). These two opposite leadership poles have in turn brought about two types of labour unionism, the service model and the organising model of representation (Boxall & Haynes 1997). The former encourages members to view unions as an external organisation providing them with services in exchange for their subscriptions while the latter attempts to empower members to further their interests by themselves (Fiorito, Jarley & Delaney 1995).

In many ways, the organising model was regarded as the answer to the prayers of unions which have, over the years, faced an alarming rate of decline in their membership. Union organising was viewed as the main revitalisation mechanism by which unions could expand the quality and quantity of membership and activism and eventually gain their power to influence employers and government (Freeman, Boxall & Haynes 2007). It was also argued that although most unions have adopted the traditional service model (Boxall & Haynes 1997), plummeting economic conditions and rising employer opposition (Clark 2009) have required unions to embrace a different approach such as the organising model (Gall & Fiorito 2012) as part of the union renewal strategy. Lastly, unions are hopeful that the re-establishment of union organising would partly help address Clawson’s (2003) criticism on how the practice of replacing workers with union staff undermined the interests, goals and power of union members. As Clawson (2003 p. 189) wrote:

‘The mechanism by which workers get together, decide on their interests, select representatives to speak for the collectivity, and mobilize worker solidarity/ power is a union. That’s what unions are. Unions in practice often fall short of this ideal: the staff substitutes for the workers and acts (as it sees it) on behalf of workers, few workers participate, the union is ineffective’.

## **2.4 External environment of nonprofit organisations**

### *Neoliberalism*

A growing stream of research recognises the significant impact that the external environment has on NPOs, especially following the rise in neoliberal ideology and influence on government policy (Baines, Charlesworth & Cunningham 2014; Considine, O'Sullivan & Nguyen 2014b; Dolnicar, Irvine & Lazarevski 2008; Lorentzen 2010; McDonald 2006). Neoliberalism is a set of political beliefs and values that place emphasis on the private market and individual (Khor 2001) and is characterised by the decrease of the welfare state and the adoption of policies to advance the interests of businesses (Salamon 1993). The 1980s hailed a new dawn for the nonprofit sector. Indeed, the neoliberal restructuring that took place in most English-speaking industrial countries at that time brought about significant transformations to the nonprofit scenery (Baines 2010).

Amongst these changes feature the adoption of management models such as the New Public Management (NPM) and other performance management models (McDonald 2006; Schmid 2013) in the face of rising expectations of NPOs’ enhanced performance and professionalism (Broadbridge & Parsons 2003; Conley Tyler 2005); a shift from block funding to project funding (Hall & Reed 1998) which resulted in funding scarcity (Baines 2010; Becker, Antuar & Everett 2011; Kaplan 2001); the contracting out by government of its welfare state services to the nonprofit and for-profit sectors (Considine, O'Sullivan & Nguyen 2014b; Hall & Reed 1998); the emergence of a highly competitive environment in which NPOs must compete with each other and with businesses to win government contracts (Baines 2010; Considine, O'Sullivan & Nguyen 2014b; Schmid 2013); and the creation of new partnerships between NPOs, government and the private sector (Evans & Shields 2000). In addition to changes brought about by neoliberalism, other factors such as the decentralization of power from the central government to local authorities, an ageing population, the information revolution,



globalization (Schmid 2013) and mounting media scrutiny (Hertzlinger 1996) have, at the same time, influenced the functioning of NPOs. In turn, such changing social and business contexts, competitiveness, complexity and government interventions have influenced the operations and the *raison d'être* of NPOs (Weerawardena & SullivanMort 2006) as well as the organisations' cultures, structures and routines (Dolnicar, Irvine & Lazarevski 2008). Taken together, all these changes have resulted in NPOs adopting businesslike practices.

### *Institutional theory*

Various theoretical approaches have been used in the literature to understand the relations between organisations and their environments (Schmid 2009). Amongst these feature institutional theory which has been employed to understand the motivations behind NPOs' actions as a form of response to their external environment. Institutionalists have focused on sociopolitical legitimacy, which, in essence, rewards organisations for behavioural conformity to or punishes them for violation of some law, norm or standard set by authorities, public or institutional gatekeepers (Hager, Ishio & Pins 1998). Institutional theory thus postulates that organisational behaviour is shaped by the institutional environment (DiMaggio & Powell 1983; Zucker 1987). Yielding to institutional pressures, NPOs conform to national or even global norms, regulations, values, beliefs and expectations endorsed by society. They do so in attempt to support their claims for legitimacy, even if it is to the detriment of their performance (D'Aunno, Sutton & Price 1991) or even when the changes are not supported by organisational needs (DiMaggio & Powell 1983).

Closely related to institutional theory is the concept of isomorphism suggested by DiMaggio & Powell (1983). The latter, arguing that organisations in a particular organisational field tend to become homogeneous over time, have distinguished between three mechanisms of institutional isomorphic change, namely coercive isomorphism, mimetic isomorphism and normative isomorphism. Coercive isomorphism occurs when an organisation is pressured, directly or indirectly, to conform to the demands of parties, such as the state or other funders, on which the pressured organisation depends (DiMaggio & Powell 1983). According to Miller-Millesen (2003), the failure of NPOs to abide by institutional expectations may lead to serious consequences on the organisation's legitimacy, including the loss of grants, contracts or tax-exempt status. However, as noted by the author, NPOs, which undergo coercive isomorphism, do not necessarily seek the benefits of the changes.

Mimetic isomorphism occurs when an organisation, faced by technological or environment uncertainty, tries to mimic other organisations that are perceived as successful or more legitimate (DiMaggio & Powell 1983). As relayed by Steckel, Simons & Lengsfelder (1989), as long as organisations are copying the best operational practices, organisational theory and mimetic isomorphism may be used to explain why NPOs are becoming more ‘business-like’ and less ‘value-laden’.

Normative isomorphism is derived from professional norms and standards that guide the work of professional employees, thereby shaping organisational behaviour (DiMaggio & Powell 1983). Two aspects of professionalisation that contribute to isomorphism are ‘the resting of formal education and of legitimation in a cognitive base produced by university specialists’ and ‘the growth and elaboration of professional networks that span organizations and across which new models diffuse rapidly’ (DiMaggio & Powell 1983, p. 152).

In light of the above literature, the next two sections will examine how NPOs have been cornered by two main tensions: first, the tension between embracing businesslike practices and pursuing their mission (section 2.4.1), and second, the tension created by their resource dependency status and again not losing sight of their original mission (section 2.4.2).

### **2.4.1 Going business in an anti-business environment**

#### *The case of NPOs with a social mission*

Baines (2010) argues that the changes brought about by neoliberalism have pushed NPOs to accept their new roles as social entrepreneurs. There is evidence that NPOs are increasingly embracing business and government-like practices and strategies (Baines 2010; Considine, O'Sullivan & Nguyen 2014b; Knutsen 2013), participating in market competition (Young 1998), and adopting values and operating mechanisms of the public and private sectors (Eikenberry & Kluver 2004). Vital and substantial though it is, neoliberalism is not the only factor explaining the rising commercialisation of NPOs. Other factors, such as the rise of ‘new philanthropy’ donors and NPOs’ intent to operate independently from donors by generating wealth via businesslike methods, have simultaneously encouraged NPOs to emulate private enterprise (Considine, O'Sullivan & Nguyen 2014b).

Whatever the dynamics driving the change, the reality is that NPOs are becoming more businesslike. There are two diametrically opposed views on the consequences of NPO marketisation. For some academics, NPOs must adopt businesslike behaviour in order to survive, provide sustainable solutions, generate income and meet their service recipients' needs more efficiently (Dees & Anderson 2003; Woolford & Curran 2013). The survival argument was reflected by Knutsen's (2013) study which demonstrated that, despite the presence of a self-sustaining mechanism which relied on the organisation's values to generate resources free of charge, the social service NPO under study was compelled to absorb business and government practices because this mechanism was insufficient to support its operations in its entirety.

Moore (2000, p. 192) looked at this debate in terms of the unintended consequences of 'mission stickiness', and argued that NPOs, which strictly adhere to their mission even when their task environment changes, risk misplacing their commitment to relatively low value purposes and may ultimately become irrelevant. He observed that while for-profit organisations are acclaimed for being 'dynamic, adaptive and value-creating' when they adapt to changing market conditions, NPOs, on the other hand, are accused of not being really committed to their mission when they emulate private enterprise. He added that the only way for NPOs to prove their fidelity to their mission is to go out of business when their mission is confronted with a change in the external environment that makes the mission irrelevant (Moore 2000).

For other academics, the inconsistency between for-profit and nonprofit value orientations means that commercialisation may hinder NPOs' ability to successfully and uniquely address social problems (Brainard & Siplon 2004; Eikenberry & Kluver 2004; Sanders & McClellan 2014). NPO values such as social justice and cooperation are incompatible with for-profit ideals which are competition-centered and economic-oriented (Brainard & Siplon 2004). Such incompatibility can threaten civil society's democratic values of justice and fairness and prevent NPOs from pursuing their social missions (Eikenberry 2009). For example, a church engaging in gambling activities may be perceived as transgressing its mission (Smith, Cronley & Barr 2012). Moreover, as discussed in section 2.3.3 (which dealt with nonprofit employees' strong values orientations), workforce professionalisation – a trend intimately linked to NPO commercialisation (Considine, O'Sullivan & Nguyen 2014b; Frumkin 2002; Hwang & Powell 2009; Landsberg 2004) – can distract NPOs from their intended mission and values, and prevent them from tailor-making their programs to local community needs (Frumkin 2002).

The above debate reflects the tension prevailing in the nonprofit sector: since being businesslike and engaging in nonprofit work are conceptually at odds with each other, how far should NPOs adopt businesslike practices without jeopardizing their social mission? (Sanders & McClellan 2014). In essence, this contradiction calls attention to the question of what does it mean to be businesslike in the nonprofit sector. This question has been the subject of various studies. Dart (2004) established a typology of businesslike activities as follows: businesslike goals, being a businesslike organisation in terms of service delivery, being a businesslike organisation in terms of management, and being a businesslike organisation in a rhetorical sense. Sanders & McClellan (2014) attempted to understand how nonprofit practitioners made sense of the businesslike features of their work. They found out that although business nomenclature was utilised by nonprofit practitioners in their daily work language, the business lexicon was in fact reinterpreted to suit the nonprofit world. One example provided by the authors was the term ‘return on investment’; this term was defined in terms of the number of lives the NPO changed rather than in dollar terms (Sanders & McClellan 2014).

More commonly, being businesslike in the nonprofit sector was framed in terms of the convergence of NPOs’ operations towards those of for-profit firms (Considine, Lewis & O’Sullivan 2011). For instance, it was found that NPOs were more professional in their approach: they were more profit-, strategy- and performance-driven and professed their inclination to try new business practices such as marketing and public relations. Interestingly, despite such process professionalisation, no correlation was found between NPOs’ profit-oriented disposition and the improvement rate of services for recipients (Considine, O’Sullivan & Nguyen 2014b).

### *The case of trade unions*

The above passages have predominantly reviewed arguments voiced out in the context of public-benefit NPOs pursuing a social mission, such as community welfare agencies. In the case of unions, the impact of the external environment on such member-benefit NPOs has mainly been studied in terms of the transformations in labour markets and demography, skill requirements, work organisation, technology and global influences (Ford 1989). The adoption of businesslike practices by trade unions, or what is more commonly known as the ‘managerialisation’ of trade unions (Thomas 2013) or trade union management (Dempsey & Brewster 2009), has not been extensively dealt with in the literature. Although this notion of ‘managerialisation’ is subtly discerned from the union renewal literature – for example, with

regards to the collaboration of unions with social movements (Clawson 2003) – there has been little interest in ‘unions as organisations and in internal trade union management practices’, and even less attention on the adoption by unions of ‘managerial rhetoric and practices from private sector companies’ (Thomas 2013, p. 21-22).

All of that said, a few academics have examined management practices in trade unions. Dempsey & Brewster (2009) provided an insight into how trade union officials in the United Kingdom accepted their managerial roles and implemented managerial practices to improve unions’ operations and achieve the goals of members. Weil (1994) presented several frameworks for strategic planning processes in trade unions. Heery (2006) found evidence of ‘managerial unionism’. The concept of managerial unionism is based on the view that union members must be treated as consumers who need to be attracted to unions, hence the need for unions to become more managerial in their functioning (Heery & Kelly 1994). According to Heery (2006), most union officers reported to a line manager, had their performance appraised and were set targets, especially with regards to member recruitment and organising. It was also revealed that performance appraisal was mainly undertaken for developmental purposes. Performance appraisals aimed at identifying training needs were found to be twice as common as those rating performance (Heery 2006).

More recently, Thomas (2013) found that the transfer of generic corporate rhetoric and practices by union officials and leaders into trade unions was already taking place in France and Germany at a much wider extent than what was recognised by the union renewal literature. He further noted that the roles of union officials and leaders have been redefined to include greater emphasis on specific managerial competences (such as communication skills and knowledge of managerial theories) at the expense of political and representational criteria. The author observed that such ‘managerialisation’ and role redefinition, in the long-run, challenge the idea of unions as ‘spaces of socio-political participation, as well as of social advance and upward mobility for working-class activists’ and can impact union government, in particular on ‘possibilities for local experimentation and policy development’ (Thomas 2013, p. 33). Finally, he argued that managerial emphasis on administrative rationality threatens the representative rationality of trade unions (Thomas 2013).

Another illustration of the negative impact of ‘managerialisation’ was indirectly provided by Bacharach, Bamberger & Sonnenstuhl (2001). The latter found that union members’ commitment dropped significantly when their unions changed from a mutual aid logic (in

which members were actively involved in the union as part of their familial duties) to a service logic (in which members assumed a passive role under the abovementioned business-type relationship). In other words, they argued that the organisation of unions around the service logic paved the way for values drift. In that regard, they advocated for building a ‘community of memory’ with normatively-oriented members who embodied unions’ values, who ‘remember when the terms “brothers and sisters” were more than a rhetorical flourish employed by union leaders’, and who ‘recall when unions were fictive families’ (Bacharach, Bamberger & Sonnenstuhl 2001, p. 9).

On the other hand, however, other scholars counter-argued that managerial professionalism is crucial to enable trade unions to face their hostile and challenging institutional environment. For example, while Thursfield (2012) argued that the prevalence of the organising model has shifted unions towards a professional managerial model characterised by notions of targets, efficiency and strategy, Thursfield & Kellie (2013) found that the acquisition of managerial skills was deemed important to senior trade union managers in order to counteract external contingencies.

#### **2.4.2 Resource dependency and mission drift**

##### *The case of public-benefit NPOs*

Different types of NPOs have different revenue sources to support their mission, including government grants and contracts, earned income, membership fees and donations (Tschirhart & Bielefeld 2012). Kearns et al. (2014) have identified the various theories used in the literature to explain NPOs’ funding choices. As such, they make reference to explanations offered by reputable scholars such as Weisbrod (1975) (i.e. the structuring of funding portfolios so as to maximise NPOs’ objectives and minimise risks), Kingma (1995) (i.e. the dominance of certain funding sources over time, and the ‘crowding out’ of other sources), Carroll & Stater (2009) (i.e. the diversification of funding streams to enhance stakeholder ‘buy-in’, organisational legitimacy, and financial stability), and Kearns, Park & Yankoski (2005) (i.e. the trend of NPOs with similar missions and values to access certain funding sources due to structural isomorphism).

Yet another common thread in the literature is to examine funding portfolios of NPOs using the resource dependence theory. Under this theory, organisations cannot control all the

resources they need to survive: they must manage their dependencies and strategically adjust to their environment (Pfeffer & Salancik 2003). From this perspective, NPOs have been pushed towards certain funding streams in response to changing political climates (Froelich 1999). Under the contracting regime of neoliberal systems, public-benefit NPOs have been mandated to provide public welfare services formerly offered by government while the latter has retained responsibilities for funding, quality assurance and accreditation (Baines, Charlesworth & Cunningham 2014). In that respect, NPOs derive the highest portion of their funding base from state funding (Evans, Richmond & Shields 2005).

The reliance of public-benefit NPOs on external financing has been the subject of a host of criticisms. Such reliance has been said to compromise NPOs' legitimacy (Kelly 2007), and to cause mission drift whereby NPOs are required to alter their priorities and activities to meet the funder's requirements (Bennett & Savani 2011). By reason of their reliance on government financing, NPOs have even been described as public agencies (Kenny 2013; Knutsen 2013). In the long run, mission drift might not only result in the distortion of activities as NPOs lose sight of their values, but it may also create difficult relationships with donors (Bennett & Savani 2011) who might withhold their donations once they realise that NPOs are using these gifts to subsidise government contracts (Jones 2007). Mission drift has been examined by Thompson & Bunderson (2003) in terms of 'goal displacement' – i.e. the NPO's primary focus on administrative objectives rather than on their espoused causes – and 'value interpenetration' – i.e. the NPO's engagement with other organisations that support different sets of values. These authors asserted that these two concepts represent alternative routes through which ideologically-oriented organisations may inadvertently depart from their mission.

Another criticism against funding arrangements of public-benefit NPOs has been emitted by Choudhury & Ahmed (2002). The latter contend that the fact that NPOs have to dedicate considerable time and resources to comply with funders' reporting requirements diminishes the accountability of NPOs to service recipients. Equally important, it has been found that governmental dependence not only pushes NPOs away from the community (Eikenberry & Kluver 2004; Guo 2007), but it also leads to fewer private donations (Brooks 2000). Briefly, what all this boils down to is that public-benefit NPOs are pulled in opposite directions by external forces that test their capacity to stay true to their social mission in the face of rising stakeholder demands.

### *The case of trade unions*

In the case of trade unions, resource dependency is played out in a different way. Unions are essentially funded by the subscriptions of their members (Lyons 2001). Such funding mechanisms have given rise to a business-type relationship between unions and members under the service model of representation (Fiorito, Jarley & Delaney 1995), with unions being viewed as providing services in exchange for membership dues. At the same time, neoliberal initiatives have stripped unions of their power (Cooper & Ellem 2008). Such reductions in union political influence meant that unions became less effective and therefore less attractive to potential dues-paying members (Jacobs & Myers 2014). Plunging union membership has required unions to undertake changes in their internal structures and to adopt private sector management practices (Thomas 2013). This leads back to the point made earlier in section 2.4.1 about the notion of managerialisation and its perceived consequences, particularly in terms of values drift (Bacharach, Bamberger & Sonnenstuhl 2001) and the threat to the representative rationality of unions (Thomas 2013).

## **2.5 The Australian nonprofit landscape: Historical and contemporary sketches**

The third sector in Australia has intricately been shaped by the country's history marked by eras of white colonisation, penal and free settlements and multicultural migration. While white settlement ignited the ideas and experience of British charity in the Australian context, ex-convicts brought with them the spirit of fighting for their beliefs and causes. Following the Second World War, the waves of migration that hit Australia altered its ethnic composition significantly and permanently. This resulted in the proliferation of NPOs in various fields including welfare, cultural, educational and religious sectors (Hudson 2009; Lyons 2001). In the specific case of trade unions, the Australian industrial relations system played a significant role in promoting the growth of unionism (Hancock & Rawson 1989; Lyons 2001). The conciliation and arbitration systems not only forced employers to recognise and deal with unions, but also enabled a preference to employment be granted to unionists over non-unionists (Hancock & Rawson 1989).

However, from there onwards, the growth of the third sector was somewhat stifled by several factors. The embrace of NPM by state and national governments, Labor and Liberal, impacted in various ways, mostly negatively, on the Australian third sector. NPM brought an era



characterised by service purchasing and competitive tendering by governments. This epoch led to increasing competition amongst NPOs and ultimately a deterioration of NPO-government relationships as well as reduced cooperation between NPOs (Lyons & Dalton 2011). For trade unions, this era was characterised by the state's attempt to decrease union power and shift to the individualization of the employment relationship (Cooper & Ellem 2008).

Furthermore, over the past two decades, globalization and the changing social and economic arenas greatly impacted on the Australian third sector. The globalization of financial markets led to the conversion of most mutual finance institutions into for-profit organisations (Lyons 2001). Structural changes in the economy (including the decline of employment in the highly-unionised manufacturing sector and the emergence of a less unionised service economy) resulted in the weakening of NPOs which were either slow or unwilling to adapt to new needs (Lyons 2001) and to the decline in union membership (Holland et al. 2007). Other factors that affected union power and membership density included the casualisation of the workforce (Spooner, Innes & Mortimer 2001), unemployment and the emergence of a more individualistic society (Holland et al. 2007).

In the present day, despite the weakening or disappearance of some parts of the sector, the Australian nonprofit sector is relatively strong (Lyons 2001). The Australian nonprofit sector has been the subject of considerable interest, but much of the discussion has been based on vague, inadequate and unsubstantiated information and assumptions. Indeed, the absence of a single regulatory body and Australia's three-tier system of government has made data collection so difficult that the research community has struggled to paint the true statistical or analytical picture of the sector. It is only recently that the sector's size and contributions has been revealed (Hudson 2009). Yet, as relayed by Lyons (2001) the figures provided are only indicative and do not depict the current state of affairs.

With these limitations in mind, the Australian third sector consists of around 700,000 NPOs, most of which are small and completely dependent on volunteers and members (Lyons 2001). In terms of their economic and social contribution, these organisations contributed close to \$43 billion (or 4.1%) to Australia's economy in 2006/07, as measured by GDP. When 623 million hours of volunteering were valued and added in, the sector's value added amounted to an excess of \$57 billion. The types of nonprofit institution activities that contributed to gross value added were education and research (27%), health and hospitals (17%), culture and recreation (16%) and social services (16%) (Australian Bureau of Statistics 2009a).

The nonprofit sector also constitutes an important employer in the Australian economy. At the end of June 2007, there were around 41,008 Australian NPOs employing 889,919 people. The workforce composition of these organisations consisted of permanent full-time employees (368,514 people), permanent part-time employees (305,332 people), casual employees (216,074 people) and volunteers (2,182,476 people) (Australian Bureau of Statistics 2009b). NPOs receive funding from a wide range of sources, including government, corporations and individuals (Maddison, Denniss & Hamilton 2004). During the 2006/2007 financial year, NPOs received approximately \$76 billion in income, with the main income source being federal, state and local government funding (Australian Bureau of Statistics 2009b).

## **2.6 Conclusion**

The purposes of Chapter Two were four-fold. The first was to underscore the heterogeneous nature of the nonprofit sector. This began with an outline of the diversity and extensiveness of terms used in the nonprofit arena. It then proceeded to identifying those NPOs that were targeted by the present study.

The second purpose was to explore the key distinctive features of NPOs. By framing the discussions around the significance of values, the altruistic orientation of nonprofit employees and the philosophical approach of NPO boards, the chapter attempted to make readers step into the unique and complex world of NPOs. Furthermore, since trade unions have historically been treated as a separate category of NPO, it was deemed important to highlight, in a separate section, some of the distinctive characteristics of these organisations.

The third purpose of the chapter was to explore the external environment within which NPOs operate. This part examined the effect of the neoliberal movement on NPOs and acknowledged the various tensions faced by NPOs in the modern world. An organisational theory perspective was *inter alia* employed to better understand the impact of context on NPOs.

The remainder of the chapter then proceeded with the final purpose – that of briefly walking readers through the history of the Australian nonprofit sector. The current status of the sector was also reviewed.

## **CHAPTER THREE: LITERATURE REVIEW (PART II)**

### ***The object of the play – Performance appraisal***

#### **3.1 Introduction**

Chapter Two has set the stage by reviewing the literature on nonprofit organisations (NPOs). This chapter explored the scope and definition of such organisations, presented their key distinctive characteristics, reviewed the external environment within which these organisations operate, and provided historical and contemporary sketches of the nonprofit sector.

Chapter Three presents the relevant research work in the HRM arena, with emphasis being placed on performance appraisal (PA) practices. This chapter also constructs the conceptual framework that guides this study. The chapter is divided into four sections. The first section 3.2 introduces the concept of PA. As such, the benefits, criticisms and definitions of PA (and its cousin, performance management) are highlighted. The second section 3.3 explores the notion of strategic HRM. The literature on best practices, best fit and High Performance Work Systems (HPWS) is outlined, the axiomatic ‘black box’ concept is reviewed and the HR strength theory (Bowen & Ostroff 2004) is examined. The third section 3.4 explores the dimensions of organisational justice (namely procedural, distributive and interactional justice) and the role that justice plays in organisational life. The final section 3.5 synthesizes the SHRM, organisational justice, organisational culture, and nonprofit literatures to construct a conceptual framework, which essentially represents an integrated approach to PA in NPOs. Distinct research questions are also concurrently formulated.

#### **3.2 Performance appraisal – Benefits, criticisms and definitions**

Section 3.2 provides a thumbnail sketch of the concept of PA. In section 3.2.1, the advantages and criticisms of PA are explored. Section 3.2.2 then proceeds with defining and differentiating the notions of PA and performance management from each other. This section also establishes the preferred definition of PA embraced by this study.

### **3.2.1 Performance appraisal – Does it really matter?**

The introduction of any paper on PA would be obliged to note the use of PA practices, and more generally HRM practices, in the nonprofit sector (Akingbola 2013b; De Waal, Goedegebuure & Geradts 2011; Rau 2012; Ridder & McCandless 2010; Rodwell & Teo 2004). An opening question to address therefore is why PA matters or seems to matter in the first place.

Before proceeding to the reasons why PA seems to matter in the nonprofit sector, it is important to draw parallels between PA practices in businesses and in NPOs. Traditionally, PA was designed as a business practice to evaluate employees' performance in "big" American for-profit businesses in the early twentieth century (Sillup & Klimberg 2010). However, as mentioned in Chapter Two, the neoliberal movement and the resulting changes in the nonprofit environment have brought about an increasing pressure on NPOs to adopt for-profit business practices such as PA. In this context, therefore, it is only reasonable to juxtapose the 'for-profit' literature on PA with the nonprofit field.

Turning now to the benefits of PA, an accumulating body of evidence suggests that PA matters as far as performance is concerned. The primary purpose of PA is to diagnose and remedy performance-related problems (DeNisi & Gonzalez 2009). PA not only improves organisational performance (Bevan & Thompson 1992; Cleveland, Murphy & Williams 1989; Huselid 1995), but also enhances employee involvement, motivation, commitment, and productivity (Bevan & Thompson 1992). Also, 'general' HR practices, including PA, have been found to have a positive influence on employee well-being (in terms of happiness and relationships) and performance (Van de Voorde, Paauwe & Van Veldhoven 2012). The benefits of PA have been felt by managers who have noted an upsurge in their skill levels (Hazucha, Hezlett & Schneider 1993) and performance (Smither et al. 1995).

Over and above performance-related advantages, PA has long been understood to fill administrative and development functions (Aguinis 2009; Budworth & Mann 2011). Cleveland, Murphy & Williams (1989), and Aguinis (2009) offer four additional purposes, namely strategic, communication, organisational maintenance, and legal documentation. As such, PA enhances other HR functions such as the recruitment, retention, deployment and development of employees as well as the identification of employees for redundancy (Bevan & Thompson 1992; Cleveland, Murphy & Williams 1989). One might also add perceptions of organisational justice to this list. Indeed, performance as measured by PA systems has been

recognised as a factor that impacts on both procedural and distributive justice perceptions (Colquitt et al. 2001).

In spite of the myriad of studies glorifying PA, its putative advantages have been questioned by many scholars. Smither, London & Reilly (2005) have shown that only small performance improvements can be expected from ratees after the latter have received multi-source feedback. PA has been criticised by Coens & Jenkins (2002) for being destructive. The latter favour the abolition of PA and propose alternatives such as coaching employees, and training managers and employees to become effective feedback recipients. Another fervent critic of PA is Deming (1986) who urged organisations to abolish PA on the basis that such systems cultivated performance mediocrity, annihilated employee morale and teamwork, nourished rivalry and politics, and nurtured the fallacy that fair rating was possible. McKenna (2011), reflecting on Deming's proposition to have a PA-free work environment, asked whether any organisation has, in practice, been courageous enough to try this experiment and with what success.

In the face of such extreme criticisms, Grote (2002, p. 10) argued that the adoption of Deming's approach would lead to 'seriously defective people management procedures'. He was not alone in trying to defend the legitimacy of PA. Graber, Breisch & Breisch (1995, p. 62) also maintained that a properly-designed and well-implemented PA system will still attain the purposes for which it was created. They believed that PA is the best option in the absence of a better alternative: 'Regardless of whether an organization conducts formal performance appraisals, we have yet to discover one that does not give promotions. Promoting one individual over another is, like it or not, an evaluation. Even worse, it is ranking. It is better to have formal criteria for promotions rather than an informal, subjective system' (Graber, Breisch & Breisch 1995, p. 62). In sum, it was argued that PA does not constitute a waste of time and emphasis should be placed on improving the process rather than abolishing it altogether (Kramar et al. 2011).

### **3.2.2 What is performance appraisal?**

PA has been in the spotlight for a few decades, with reviews of PA work being undertaken by scholars such as Arvey & Murphy (1998), Fletcher (2001), Fletcher & Perry (2001), Latham et al. (2005), and, more recently, Latham & Mann (2006). The extensive research on PA has, in effect, left, floating around, a set of different terms and meanings. The terms that have

dominated the HRM literature, however, are PA and performance management (PM). According to Fletcher (2001), the integration of strategic HRM considerations within the concept of PA has resulted in a shift away from traditional measurement issues towards social and motivational aspects of PA. This integration has widened the concept of PA and has led to the development of the notion of PM.

Although PA and PM are, by their very nature, interconnected, each concept represents a specific field in its own right. Traditionally, PA has been restricted to the basic process in which a line manager assesses and assigns a score to indicate the level of performance of an individual or group (Armstrong 2006; DeNisi 2000; Fletcher 2001), usually at an interview review meeting (Armstrong 2006; Fletcher 2001). Nevertheless, this limited view of PA has been replaced by a wider conceptualisation. As emphasised by Fletcher (2001), PA represents an array of activities conducted by organisations and ranges from employee evaluation and development, performance improvement to reward distribution. It sometimes forms part of the broader approach of integrating HRM strategies that is PM.

As for PM, it has been defined as ‘a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future’ (Armstrong 2006, p. 9). Therefore, PM encompasses a range of organisational activities targeted at enhancing both individual or group performance (DeNisi 2000; DeNisi & Sonesh 2011). A broader view of PM has been adopted by Yeo (2003) who contends that PM systems should be conducted at individual, process and organisational levels so as to ensure the alignment of employee, team and departmental goals and processes with the organisation’s strategic objectives. This line of thought is shared by Kramar et al. (2011) and Aguinis (2013) who stress the importance of having a PM process that aligns employees’ activities and outputs with organisational goals and strategy.

One significant distinction between PA and PM system lies in their focus. PA is centered around the evaluation of individuals and the generation of ratings, whereas PM concentrates on managing and improving the performance of individuals, teams and the organisation (Aguinis 2013; DeNisi 2000; Rao 2004). In that respect, PM systems can be classified into three models: PM as a system for managing employee performance, PM as a system for managing organisational performance and PM as a system for integrating the management of organisational and employee performance (Williams 1998).

Despite the documented differences, there are considerable semantic difficulties associated with the definitions of PA and PM. There are no definitive definitions and, very often, these terms are used interchangeably. As alluded to earlier, PA can either mean evaluating an employee at an appraisal interview, or it may encompass developmental, reward allocation and performance improvement goals (Fletcher 2001). Furthermore, as pointed out by Nankervis & Stanton (2010, p. 138) ‘definitions of performance management either encompass all organisational performance indicators or merely refer to individual employee performance outcomes and may be equated to performance appraisal, measurement, review and development activities, or may be perceived as an integrative umbrella term, which includes job design, staffing, learning and development, rewards and remuneration, employee counselling, discipline, and even termination’. In practice therefore, the use and meanings attributed to these terms depends on factors such as the theoretical framework or aim of the study (Nankervis & Stanton 2010) and the organisational, national or international context in which the terms are used (Rowley & Cunningham 2010; Stanton & Vo 2011).

In this study, the preferred definition of PA is the one articulated by Fletcher (2001), especially since the objectives of the study are inter alia to explore the degree of alignment between PA and other HR practices as well as employees’ distributive justice perceptions. Therefore, PA in this thesis refers to the activity through which an organisation seeks to evaluate its employees, develop their competence and ultimately enhance individual and organisational performance.

### **3.3 Strategic human resource management approach to performance appraisal**

The notion of strategic human resource management (SHRM) originated in the late 1970s in response to the challenges involved in managing employees in a fast-changing environment (Kramar 2014). Since then, there has been no dearth of SHRM research. Overall, it is agreed that SHRM falls under the rubric of HRM (Boxall & Purcell 2011; Schuler & Jackson 2005). SHRM, coupled with micro HRM and international HRM, have been said to constitute the three major sub-fields of HRM (Boxall, Purcell & Wright 2007). Specifically, three distinctive characteristics of SHRM help distinguish it from other lines of HRM research (Lepak & Shaw 2008). These characteristics are the operation of SHRM at a macro level of analysis such as business units and organisations, SHRM’s focus on internal and external fit, and its emphasis on organisational performance outcomes (Lepak & Shaw 2008). Nonetheless, a clear-cut

delineation of SHRM from HRM still remains a challenging task in practice (Samnani & Singh 2013; Wright & McMahan 1992).

This section 3.3 explores the SHRM approach to PA, and is structured in the following manner. The major approaches of SHRM are outlined in section 3.3.1, followed by a discussion of the ‘black box’ concept in section 3.3.2. Section 3.3.3 provides a detailed description of the HR strength theory developed by Bowen & Ostroff (2004). Considering that this study’s conceptual framework is detailed in these scholars’ work, an in-depth description of the HR strength theory is presented in Section 3.3.3. The final section 3.3.4 outlines the SHRM debate existing in the nonprofit sector.

### **3.3.1 Approaches to strategic human resource management**

Central to the SHRM field is the dilemma created by the universalistic-contextual debate, most commonly known as the ‘best practice’ versus the ‘best fit’ debate (Boxall & Purcell 2011; Brewster & Mayrhofer 2011; Guest 2011). According to Ashdown (2014), this debate has emerged from criticisms that HR has failed to understand and support organisational goals. Therefore, in order to understand how strategic PA can add value to NPOs and support their mission and objectives, the major approaches to SHRM, namely the best practice, best fit and configuration approaches, are considered hereunder.

In simple terms, the best practice approach, also known as the universalistic approach (Delery & Doty 1996), favours the adoption of best practices which appear to promise high returns in performance, irrespective of the context (Brewster & Mayrhofer 2011). This approach presupposes a linear relationship between variables (Delery & Doty 1996) and is based on Pfeffer’s (1994) simplistic ‘universal effect’ conception, i.e. HR practices improve performance irrespective of the circumstances. The logic of the universalistic argument is that there is, or there may be, strategic value in certain individual HR practices (Lepak & Shaw 2008). For example, Rodwell & Teo (2004) provided empirical support to the best practice approach by showing that SHRM is a key predictor of performance in both for-profit firms and NPOs.

Some of the reported advantages of this approach include the achievement of legitimacy claims, as suggested by the institutional theory (Gerhart 2012b), the transferability of practices across organisations (Pfeffer 1994) as well as mutual learning and ease of monitoring HRM



systems and expatriation in multinational enterprises (Brewster & Mayrhofer 2011). Nevertheless, this approach has been criticised on the ground that HR practices can easily be imitated by competitors and are not driven by organisational context (Becker & Huselid 2010), thereby undermining the organisation's ability to acquire a sustainable competitive advantage. It has also been argued that the universalistic perspective fails to take into account key variables, constructs and relationships (Martin-Alcazar, Romero-Fernandez & Sanchez-Gardey 2005).

In contrast, the best fit approach, also referred to as the contingency approach (Delery & Doty 1996), aims to understand what is contextually unique and why (Martin-Alcazar, Romero-Fernandez & Sanchez-Gardey 2005). Under this approach, HR policies and practices are effective if they are consistent with other aspects of the organisation (Delery & Doty 1996). Thus, context is central to this theory (Martin-Alcazar, Romero-Fernandez & Sanchez-Gardey 2005). Essentially, the contingency approach is based on the concept of external or vertical fit, i.e. the alignment of HR practices and policies with specific organisational context (e.g. the organisation's business strategy) (Combs et al. 2006; Delery & Doty 1996; Kepes & Delery 2007).

Although the vertical fit literature is rich with studies that have investigated the need to align HRM with organisational strategy, other contingent factors have been highlighted by scholars (García-Carbonell, Martin-Alcazar & Sanchez-Gardey 2014). Amongst these feature the need to align HRM with organisational context factors (sector, level of innovation, technology, structure or firm size) (Jackson, Schuler & Rivero 1989) and with the institutional contexts (Boon et al. 2009). Besides, Jackson & Schuler (1995) identified internal organisational factors (technology, structure, size, stage of life cycle and business strategy) and external factors (laws and regulations, culture, politics, trade unions, labour market conditions and industry characteristics) that need to be taken into consideration when exploring vertical fit processes.

Finally, the configuration approach, also variously known as horizontal fit, bundling, complementarity, HPWS, commitment-based HR systems, or high-involvement HR systems (Chaudhuri 2009; Jiang, Takeuchi & Lepak 2013), captures the idea of internal fit, i.e. the alignment of HR practices with each other (Delery & Doty 1996; Kepes & Delery 2007; Lepak & Shaw 2008). Under this approach, unique configurations of HR practices can improve organisational performance (Lengnick-Hall et al. 2009; Lepak & Shaw 2008). Furthermore, the assumption of 'equifinality' means that different bundles of HR practices that fit together

may be effective and yield the same outcomes (Delery & Doty 1996; Kepes & Delery 2007; Lengnick-Hall et al. 2009).

One problem associated to the conceptualisation of HPWS, however, is the fact that consensus on its terminology is palpably lacking (Boxall & Macky 2009; Chaudhuri 2009; Jiang, Takeuchi & Lepak 2013), with terms being used interchangeably (Zacharatos, Barling & Iverson 2005). Difficulties equally arise out of the fact that there is no consensus on the specific set of HR practices that should be included in the HPWS bundle (Chaudhuri 2009; Purcell & Kinnie 2007). For example, Zacharatos, Barling & Iverson (2005) mention eight HR practices, Chaudhuri (2009) lists fifteen HR practices while Paauwe (2004) considers thirteen HR practices as being relevant. In general, practices such as employee selection, training, PA, reward and teamwork are included in HPWS (Boxall & Macky 2007). In the face of such polyphony of 'HR bundles', Gerhart (2012a) ironically wondered whether performance is dependent on the number of HPWS practices adopted. In his own words:

'Based on the literature, it seems hard to go wrong if we just recommend that firms use more of any and all of the practices... Is it enough to say that more HPWP results in better performance? Would we be content with saying, if doing medical research that more surgery and more hospital stays should be implemented to achieve better health, without getting into more detailed recommendations?' (Gerhart 2012b, p. 158).

To complicate matters further, Ingvaldsen, Johansen & Aarlott (2014) recently questioned the premise that HPWS necessarily requires planned changes and a formal HRM strategy. In their case study of a department in an automotive company, the latter found that although the organisation did not intend to create HPWS practices, such practices still emerged from employees' self-organisation, thereby resulting in high employee commitment. These scholars identified the following factors as contributing to the emergent HPWS situation: a shop-floor culture of craftsmanship, employees' identification with the industrial community, jobs with high levels of task significance and task identity, and the absence of bad management. In the light of their findings, these authors suggested that organisations might find it more beneficial to build on their existing norms of craftsmanship and solidarity rather than introducing novel ideas (Ingvaldsen, Johansen & Aarlott 2014).

### 3.3.2 The ‘black box’

Despite the problems associated to the notion of HPWS, numerous studies have established a positive relationship between HPWS and performance (Boselie, Dietz & Boon 2005; Boxall & Purcell 2011; Collins & Clark 2003; Combs et al. 2006; Huselid 1995; Nankervis, Stanton & Foley 2012). Yet, far from providing a definite picture, this finding only discloses more questions which are fraught with difficulties and ambiguities. One such question relates to the mediating mechanism behind the HR systems-performance relationship. In that regard, scholars have unanimously proclaimed the need to unlock the proverbial ‘black box’ in order to clarify the process under which the HR systems-performance relationship unfolds (Boselie, Dietz & Boon 2005; Boxall & Purcell 2011; Guest 2011; Nankervis, Stanton & Foley 2012; Woodrow & Guest 2014).

Nevertheless, opening the ‘black box’ has not proved to be particularly useful. It has only demonstrated ‘association rather than causation’ (Nankervis, Stanton & Foley 2012, p. 2). As such, studies have only been able to identify mediating variables which, though have been conceded as being important elements of the ‘black box’, still fail to explain the causal chain linking HPWS to performance. Moreover, an overwhelming number of challenges, ambiguities and inconsistencies, including lack of theory, lack of solid empirical evidence support, certain methodological issues and researchers’ narrow perspectives, have been listed in relation to identifying the strategic contributions of HR practices to performance (Boselie, Dietz & Boon 2005; Combs et al. 2006; Guest 2011; Kramar 2014; Paauwe 2009).

In the race to discover the mediating factors between HRM interventions and performance outcomes, several dominant perspectives have been used to explain the ‘black box’ at three levels of analysis: firm-or unit-level, individual-level, and cross-level of analysis (Jiang, Takeuchi & Lepak 2013). First, according to McDermott et al. (2013) the firm-level view of SHRM calls attention to how HR systems, practices and policies should be deployed so as to trigger the behaviours required for achieving organisational goals and enhancing performance. The firm-level view is made up of two mechanisms, namely the use of the ‘human capital advantage’ (McDermott et al. 2013), and the behavioural perspective. Underpinning the former perspective are several theories such as the human capital theory, the resource-based view of the firm and the Ability-Motivation-Opportunity framework (Jiang et al. 2012; Jiang, Takeuchi & Lepak 2013). On the other hand, the behavioural perspective rests on the assumption that ‘employers use personnel practices as a means for eliciting and controlling employee attitudes

and behaviors' (Jackson, Schuler & Rivero 1989, p. 728), and that different strategies impose differing behavioural imperatives (Schuler & Jackson 2005). In terms of PA, this implies that organisations must provide feedback and incentives that reinforce the desired employees' behaviours and induce them to comply with organisational goals (Collins & Clark 2003).

Despite their contribution to knowledge, studies conducted at the unit-level of analysis were criticised on the ground that they oversimplified the relationship between HR practices and employee outcomes (Bowen & Ostroff 2004; Nishii & Wright 2008). For HR practices to have the desired consequences on employee behaviours and attitudes, they have to be consistently experienced and perceived by employees in the intended ways (Bowen & Ostroff 2004; Boxall & Purcell 2011). In line with this rationale, scholars adopted an individual-level of analysis (Jiang, Takeuchi & Lepak 2013) and plowed with the idea that employee perceptions are associated with employees' behaviours and attitudes, which, in aggregate, are associated with firm performance (Nishii & Wright 2008). In that respect, it was found that employees' experiences of HR systems differed not only from the experiences of their managers (De Vos & Meganck 2009; Liao et al. 2009), but also from the experiences of other employees exposed to the same systems (Nishii, Lepak & Schneider 2008).

Finally, the third dominant perspective that has been used to explain the 'black box' is the multilevel framework (Jiang, Takeuchi & Lepak 2013). Researchers, embarking on multilevel analysis, have basically answered the call for macro and micro approaches to be amalgamated within HRM theory development (Huselid & Becker 2011; Wright & Boswell 2002). As such, they have either adopted a top-down approach or a bottom-up approach. Studies using a top-down approach have examined how HPWS at the firm-level of analysis impact on individual employees' attitudes and behaviours. On the other hand, researchers employing a bottom-up approach have investigated how individual attitudes and behaviours influence unit-level outcomes (Jiang, Takeuchi & Lepak 2013). For the sake of parsimony, the next section will focus on one multilevel framework – Bowen & Ostroff's (2004) HR strength theory – which has predominantly shaped this study's conceptual framework (outlined in section 3.5.5).

### **3.3.3 The HR strength theory – Bowen & Ostroff (2004)**

Prior to the HR strength theory, SHRM research on HPWS focused only on the *content* of HR practices. Such a content-based approach was unsuccessful in solving the secrets of the black

box. After three decades of research, academics were still unable to explain exactly how HRM impacts on organisational performance. As a consequence, Bowen & Ostroff (2004) criticised this one-sided focus on the content-based approach and introduced the *process* approach (Sanders, Shipton & Gomes 2014). These two types of approaches have been differentiated in the following terms:

‘while content-based approach scholars focus on the inherent virtues (or vices) associated with the content of HRM to explain performance, proponents of the process-based approach highlight the importance of the psychological processes through which employees attach meaning to HRM in explaining the relationship between HRM and performance’ (Sanders, Shipton & Gomes 2014, p. 490).

By means of the process theory, Bowen & Ostroff (2004) managed to shift the attention of academics from the macro level to micro and meso levels of analysis (Sanders, Shipton & Gomes 2014). In their pioneering academic paper, these reputable scholars suggested that HR practices that are characterised by certain process features send consistent messages to members regarding the objectives, practices and behaviours that are desired and valued at the organisational and individual levels, and further the shared interpretation of HRM among employees. This gives rise to the emergence of a strong HRM system which in turn creates an organisational climate in which practices are more likely to have the desired effect (Bowen & Ostroff 2004).

Before focusing on the features of the HRM system that allow for the creation of a strong situation, one needs to take a step back and explore the basic concept of Bowen & Ostroff’s (2004) discussion. The logical place to start is with the notions of climate and strong situations. Bowen & Ostroff (2004) made a compelling argument suggesting that climate acts as a mediator of the HRM-firm performance relationship. In that regard, they made a distinction between psychological climate and organisational climate. The psychological climate is formed when employees engage in a sense-making process, made up of ‘filtering, processing and attachment of meaning’, about what they ‘see’ is happening to them (Schneider 2000, p. xvii). Within the organisational context, this involves employees’ perceptions of organisational objectives, management practices and the types of behaviours that are expected and rewarded (Schneider, Brief & Guzzo 1996). In contrast, the organisational climate is a ‘*shared* perception of what the organization is like in terms of practices, policies, procedures, routines and rewards

– what is important and what behaviors are expected and rewarded’ (Bowen & Ostroff 2004, p. 205).

Drawing from the works of other academics, Bowen & Ostroff (2004) argued that a strong situation induces conformity in the way individuals perceive events, in their expectations of a response pattern, in the distribution of rewards for the performance of the response pattern, and in the inculcation of skills for the execution of that pattern. They further based their conception of the strength of the HRM system in the communication and attribution literature. In that regard, they viewed HR practices as communications from the employer to the employee (Bowen & Ostroff 2004). This is in line with the signaling theory which is founded on the key tenet that organisations are still communicating their policies even when they think they are not (Connelly et al. 2011; Dries & Gieter 2014). In other words, HRM signals received by employees from the organisation and its agents are interpreted to form shared perceptions (Connelly et al. 2011; Farndale & Kelliher 2013) and to create a psychological contract (Connelly et al. 2011; Rousseau 1995).

Within that context, therefore, Bowen & Ostroff (2004) discussed the need for accurate reception and acceptance of the message, and noted that the message can only have the desired effect if HRM content and HRM process are effectively integrated in the HRM system. Finally, they presented the key ‘metafeatures’ of a strong HRM system – distinctiveness, consistency and consensus – and concluded that in a strong HRM system, employees are more likely to hear and interpret messages in a similar way and engage in a uniform response pattern that contributes to the achievement of organisational objectives (Bowen & Ostroff 2004).

#### *Distinctiveness of the HRM system*

Under the HR strength theory, the four characteristics of an HRM system that can foster distinctiveness are *visibility*, *understandability*, *legitimacy of authority* and *relevance*. With regards to the notion of visibility, Bowen & Ostroff (2004, p. 208) argued that HR practices must be ‘salient and readily observable’ to give employees the opportunity for sense-making. For understandability, the authors talked about the need for the content of an HRM practice to be unambiguous and clear so as to avoid the risk that different people ‘use different cognitive categories to attend to different aspects of the information’ (Bowen & Ostroff 2004, p. 209).

For HR legitimacy, Bowen & Ostroff (2004) noted that a legitimate HRM system would ensure that employees submit to performance expectations as formally sanctioned behaviours. Placing

the HRM system in an authority situation can be achieved by enhancing the perceived status and credibility of the HRM function. In essence, this requires top management to, significantly and in a visible way, support HRM in the organisation (Bowen & Ostroff 2004). It also requires HR managers to adapt their language and communicate HRM initiatives in a way that can easily be understood by other managers (Sheehan et al. 2014a) and employees. Furthermore, to build a shared HRM understanding amongst managers and employees, HR practitioners must be clear about their own priorities and roles (Sheehan et al. 2014b).

The last dimension that contributes to the distinctiveness of the HRM system is relevance. Relevance refers to whether a situation is defined in such a manner that individuals perceive the situation as relevant to the attainment of a significant objective (Kelman & Hamilton 1989). In the organisational context, this implies that the situation must be defined in such a way that it meets both individual and organisational objectives (Bowen & Ostroff 2004), that the desired behaviours are clear and suitable for goal achievement, and that the influencing agent, i.e. the HR practitioner or line manager enacting HR practices, has the personal power to affect goal achievement (Kelman & Hamilton 1989).

#### *Consistency of the HRM system*

According to Bowen & Ostroff (2004), the features that contribute to the consistency of the HRM system are *instrumentality*, *validity* and *consistent HRM messages*. First, instrumentality refers to ‘establishing an *unambiguous* perceived cause-effect relationship in reference to the HRM system’s desired content-focused behaviors and associated employee consequences’ (Bowen & Ostroff 2004, p. 210). Therefore, in order to influence cause-effect attributions, HR practitioners and line managers must, consistently and repetitively over time, link outcomes to behaviour or performance. Second, for HR practices to be perceived as valid, they must actually achieve what they initially set out to do. In doing so, they will not only signal to employees what knowledge, skills and abilities are valued, but they will also contribute to staffing the workplace with skilled employees. Validity also avoids HR practices being left open for individual interpretations (Bowen & Ostroff 2004).

Third, HR practices must send compatible and stable signals, with double-bind communications being avoided. In this dimension, three types of consistency are required (Bowen & Ostroff 2004). The first one is between espoused values (i.e. the organisation’s goals and values as relayed by senior management) and inferred values (i.e. the organisation’s goals and values based on employees’ perceptions) (Martin & Siehl 1983). The second one relates to

internal consistency among the HR practices, i.e. the internal fit between HR practices. The third dimension of consistency is stability over time (Bowen & Ostroff 2004). Simply put, HR practices that have been established for a long time in the organisation are more likely to attract stronger agreement among employees on what behaviours are expected of them and what they can expect in return (Bowen & Ostroff 2004; Rousseau & Wade-Benzoni 1994).

#### *Consensus of the HRM system*

As stated by Bowen & Ostroff (2004), consensus among employees are influenced by two factors, namely the *agreement among principal HRM decision makers* and *fairness*. In relation to the former, when there is an agreement among those sending the messages, this fosters greater consensus among employees by allowing visible, relevant and consistent messages to be conveyed to employees. Indeed, when top decision makers send similar messages, employees are not only made aware of the HR policies and practices, but they also ‘see’ that policy makers agree on the HR practice. This validates the legitimacy of authority of HR managers and line managers who enact such policies and facilitates consensus by highlighting the cause-effect relationship. In contrast, if there is a disconnect between HR messages, whether emanating from top management, or between top management and HR professionals, or even between HR managers and employees, such ambiguous and internally inconsistent messages lead to poor consistency in delivering practices (Bowen & Ostroff 2004).

In relation to the second factor, an HRM system is perceived as being fair when HR practices adhere to the distributive, procedural and interactional justice dimensions. Fairness dimensions are examined in detail in section 3.4. At this stage, suffice to say that fairness perceptions affect the capability of the HRM system to influence employee attitudes and behaviours. As such, perceived fairness of the HRM system by employees encourage the latter to use HRM. It also fosters consensus among employees by enhancing the transparency of the distribution rules. When employees share similar perceptions of what reward distribution methods apply for what situation (whether it is an equality, equity or individual-need rule), this creates agreement among employees (Bowen & Ostroff 2004).

#### *Studies on the HR strength theory*

Following the development of the HR strength theory, several threads were created in the literature either to test the model’s theoretical framework or to design scales to measure the dimensions listed in the framework. In the latter case, a group of scholars focused their attention



on developing scales for the nine features that make up the distinctiveness, consistency and consensus ‘metafeatures’. Research in this vein found some inconsistency in the HR strength theory (Sanders, Shipton & Gomes 2014). For example, while Coelho et al. (2012) found that the distinctiveness dimension captured the whole of the strength concept, Delmotte, De Winne & Sels (2012) found support for eleven constructs rather than nine.

Parallel streams of work have attempted to test the usefulness of the theory. Initial quantitative studies of the HR strength theory have yielded positive findings in that regard. Distinctiveness was found to enhance affective commitment (Sanders, Dorenbosch & De Reuver 2008), work satisfaction and vigour, and reduce intention to quit (Xiaobei, Frenkel & Sanders 2011) while consistency was found to be positively related to affective commitment (Sanders, Dorenbosch & De Reuver 2008). Likewise, it was established that the relevance, validity and intensity of the HRM process was positively related to employees’ creativity and core job performance (Ehrnrooth & Björkman 2012). Qualitative research was also undertaken against the backdrop of the HR strength theory as the conceptual framework. For example, Sumelius et al. (2014), who used the process features of visibility, validity, procedural justice and distributive justice to investigate employee perceptions of PA, found that the major influences affecting employee perceptions were top management internalisation of PA, the formal PA system design, the supervisor’s capability/commitment, and the attitudes of colleagues. Stanton et al. (2010), who explored the strength of the HRM system in the Australian public sector, emphasised the role of the Chief Executive Officer in providing HR legitimacy, leadership and resources.

Another body of thinking was put forward by Haggerty & Wright (2010) who questioned some of the dimensions of the HR strength theory. With regards to visibility, for example, they argued that given the complexity of organisations and the segmentation of employees along multiple lines, it is impractical to think that every practice can be made visible (or is in fact relevant) to all employees. Efforts to do so would only result in white noise. Similarly, the authors believed that the interaction between understandability and relevance should not be ignored. Nowadays, employees are exposed to a significant amount of information which makes it hard for them to pay attention to all messages concurrently. This calls for message ‘personalization’ which is, nonetheless, an unrealistic notion in today’s workplace. Moreover, according to Haggerty & Wright (2010, p. 107), ‘attempting to achieve consistency and consensus at the dynamic and changing level of practices is also problematic’. Finally, unlike Bowen & Ostroff (2004) who attributed equal importance to visibility, understandability,

relevance and legitimacy of authority, Haggerty & Wright (2010) commented that a legitimate HRM system was a condition precedent to the other three features.

#### *Studies related to the HR strength theory*

Closely related to the HR strength theory is Nishii, Lepak & Schneider's (2008) work concerning employees' internal and external HR attributions. The latter demonstrated that attributions that employees make about the motives of management in adopting and implementing HR practices have an impact on the relationship between HR practices and employee attitudes and behaviours and ultimately on commitment and customer satisfaction. In their study, they argued that such attributions relate to perceptions of the organisation's 'employee-oriented philosophy', i.e. whether the organisation focuses on service quality and employee well-being or whether it is more concerned with cost reduction and exploiting employees.

By the same token, the notion of employee attributions was taken up by Nishii & Wright (2008) in explaining the gap between actual and perceived HR practices. The latter theoretically distinguished between intended, actual and perceived HR practices. They proposed a causal chain in which HR practices, as intended by senior management and as embodied in policy documents, lead to actual HR practices that are implemented by line managers, which in turn lead to perceived HR practices that are shaped by the employee's experience. Perceived HR practices then lead to employee reactions and ultimately to organisational performance. According to their model, there is a disparity between what the organisation intends to do and what line managers actually do when implementing HR practices (Nishii & Wright 2008). Simply put, it is not enough that policies and practices are present and are of high quality; they must also be effectively implemented on the ground (Guest & Conway 2011; Guest & Woodrow 2012). On this account, the fundamental role played by line managers in 'bringing practices to life' has been discussed (Purcell et al. 2009, p. 59). Furthermore Nishii & Wright's (2008) model indicate that there is a gap between management intentions and perceived management actions (Boxall & Macky 2007; Nishii & Wright 2008). Irrespective of what senior management, the HR function or line management intended, employees form their responses according to their daily experiences and their own psychological perceptions (Ang et al. 2013; Boxall & Purcell 2011) – or more specifically their attributions – of both line management behaviour and HR practices (Alfes et al. 2013).

### **3.3.4 Strategic human resource management debate in the nonprofit sector**

As mentioned in Chapter Two, section 2.4.1 (which examined the tension faced by NPOs between embracing businesslike practices and pursuing their mission), given the pressures to become more businesslike impinging from their environmental contexts, NPOs face a weighty dilemma: whether, and to what extent, they should follow private sector practices? As also seen in section 2.4.1, the adoption of businesslike practices may result in NPOs distancing themselves away from their values-expressive dimension and mission (Brainard & Siplon 2004; Eikenberry 2009; Frumkin 2002). For this reason, academics have started questioning the SHRM approaches imported by NPOs from the for-profit sector. This emergent reflection on whether NPOs should blindly adopt private sector practices has, however, taken place mainly in the context of NPOs with a social mission (Beck, Lengnick-Hall & Lengnick-Hall 2008; Frumkin & Andre-Clark 2000).

On one hand, advocates of the outright emulation of private sector practices by NPOs have, in the 1970s, encouraged such organisations to use strategic management techniques employed in the private sector with the hope that such practices would enhance their efficiency and performance (Courtney 2001). On the other hand, critics of this approach have supported SHRM approaches that revolve around the values of NPOs. For example, according to Frumkin & Andre-Clark (2000), NPOs should implement an organisational strategy that draws on their mission and that takes advantage of the commitments and values of donors, employees and volunteers in order to address the copious challenges posed by rising competition from the private sector. Nonetheless, in appreciation of the need for ‘solid performance’, the latter academics suggested that such a strategy be accompanied by sophisticated techniques in monitoring performance (Frumkin & Andre-Clark 2000, p. 161).

Courtney (2001, p. 120) noted that NPOs are advised to adopt ‘inclusive and pragmatic approaches to strategic management ... which are closer to the culture and values’ of the organisation. Similarly, Lindenberg (2001) stressed on the importance of incorporating the sense of mission and strong value orientation of nonprofit employees into any private and public management frameworks imported by NPOs.

Besides, while investigating a small NPO, Beck, Lengnick-Hall & Lengnick-Hall (2008, p. 166) found that the application of the business tools and practices might not be suitable in the nonprofit context, thereby creating a ‘dysfunctional momentum’. In that regards, they cautioned NPOs from the extreme and narrow use of business tool as follows:

‘Policies and rules, technologies, and a concern with achieving departmental objectives are all useful organizational features. But if policies are used to avoid dealing directly with an idiosyncratic situation, if technology is used to preclude face-to-face conversation, or if concern with departmental accomplishments evolves into turf battles, the utility of these mechanisms is inverted’ (Beck, Lengnick-Hall & Lengnick-Hall 2008, p. 167).

In-between these two poles, lies a third perspective to this debate. Since private sector organisations have moved closer to the ethos of NPOs in terms of their values of social responsibility and ethics (Courtney 2001), it is safe to assume that private sector practices have transformed into the more values-oriented practices that are recommended in the nonprofit sector. From that viewpoint, the adoption of businesslike practices by NPOs might not create as much dysfunction as prophesized by Frumkin & Andre-Clark (2000).

### **3.4 Organisational justice approach to performance appraisal**

In broad strokes, organisational justice focuses on the processes by which employees determine whether they have been fairly treated in their jobs and the ways in which these perceptions influence other work-related outcomes (Pillai, Williams & Tan 2001). Studies falling under the umbrella of organisational justice have reached epidemic proportions, with research being conducted across several disciplines, including organisational psychology, organisational behaviour, HRM, occupational health psychology and education administration (Tessema et al. 2014). In a meta-analytic review of organisational justice research, Colquitt and other scholars (Colquitt et al. 2013; Colquitt et al. 2001) have revealed the diversity in theoretical approaches and construct focus used in the justice literature. While focusing their attention on the past decade, these scholars have noted the proliferation of justice studies that employed the social exchange theory (Colquitt et al. 2013). The remainder of this section will explore the dimensions of organisational justice (section 3.4.1) and the impact of justice on organisational life (section 3.4.2).

### 3.4.1 Dimensionality of organisational justice

#### *Procedural justice*

Organisational justice has commonly been associated to three dimensions: procedural justice, distributive justice and interactional justice (Colquitt et al. 2001). Procedural justice refers to the perceived fairness with which an allocation decision regarding the distribution of outcomes is made in an organisation (Konovsky 2000; Tessema et al. 2014). In sum, procedural fairness relates to the employees' perception that the PA process is structured and fairly operated (Bies & Shapiro 1988; Greenberg 1986). Stemming from the *process control model* (Thibault & Walker 1975), procedural justice was originally conceptualised in terms of the level of control ceded to individuals over processes that determined outcomes. In the organisational context, employees perceive PA as most fair when control is vested in them and when they can exercise that control over the evaluation procedures used to determine performance ratings (Kavanagh, Benson & Brown 2007; Konovsky 2000).

Over time, a wide range of theoretical approaches was developed to explain the notion of procedural justice. Amongst these theories, features the justice judgment theory which lists the criteria that a procedure should meet in order to be perceived as fair (namely consistency over time and across people, bias-free, accuracy of information, correctability through an appeal mechanism, ethical and representativeness (Colquitt et al. 2001; Konovsky 2000). In the context of PA, procedural justice was commonly explored under the rubric of the due process model. According to Thurston & McNall (2010), performance ratings are deliberately distorted by raters who wish to serve their political interests. In order to minimise these political interests, the due-process PA system was developed by Folger, Konovsky & Cropanzano (1992).

The due process model is characterised by adequate notice, fair hearing and judgment based on evidence. First, adequate notice involves the publication, distribution and explanation of performance standards to employees as well as the provision of regular and timely feedback. Second, fair hearing relates to the holding of a formal appraisal meeting where employees are informed of their performance and are given the opportunity to challenge the assessment. Third, judgment based on evidence requires organisations to apply performance standards consistently and to give employees the right to question evaluations and to appeal against appraisals perceived as unfair (Folger, Konovsky & Cropanzano 1992).

Research has shown that employees who were rated under a due process appraisal system not only perceived the system as being more fair and accurate than employees rated under a traditional system, but they also displayed higher levels of satisfaction, despite the fact that the former employees received lower ratings than the latter employees (Taylor et al. 1995). More recently, Narcisse & Harcourt (2008) identified three additional procedural justice factors that were deemed important for the due process model. These are PA frequency (which falls under the ‘adequate notice’ criterion), job relevant criteria, and rater and ratee training (which are both categorised under the ‘judgment based on evidence’ criterion).

### *Distributive justice*

In the context of PA, distributive justice refers to the perceived fairness of the appraisal rating or of the manner in which rewards are allocated amongst different categories of employees in relation to the actual work performed (Greenberg 1986). The conception of distributive justice emerged from Adams’ (1965) equity theory which stipulates that people are more concerned by the fairness of outcomes rather than by the absolute level of outcomes. Thus, individuals would formulate fairness perceptions by comparing the ratio of their perceived work inputs (such as education, intelligence, and experience) to their perceived work outcomes (i.e. rewards) in relation to the perceived input to outcome ratio of a comparison person like a coworker (Adams 1965; Colquitt 2001). To summarise, PA ratings and rewards would be perceived as fair if they reflect employees’ inputs (Deutsch 1975; Narcisse & Harcourt 2008). Additionally, the rater’s personal goals can influence the distributive justice perceptions of employees. A particular evaluation may be considered as being fair by employees where the rater is perceived as trying to motivate them and enhance their performance (Thurston & McNall 2010).

From a theoretical perspective, therefore, the two common factors that affect distributive justice are first, the perceived fairness of PA rating in relation to the employee’s performance, and second the perceived fairness of any reward (such as performance-related-pay increase, promotion, selection for further studies or training or any other administrative action) in relation to the rating (Greenberg 1986). Of late, a third distributive justice factor – consistency in the reward allocation – was suggested by Narcisse & Harcourt (2008) who found that distributive justice perceptions were influenced by how consistently rewards reflect PA ratings across all employees.

### *Interactional justice*

The latest justice advance that has cropped up in the justice literature is the concept of interactional justice (Bies & Shapiro 1987; Colquitt et al. 2001). It was argued that the quality of interactions amongst individuals at the workplace, be it in the course of enacting processes or while distributing rewards, influences fairness perceptions (Bies & Shapiro 1987; Thurston & McNall 2010). Therefore, in the context of PA, interactional justice focuses on the perceived fairness of the interpersonal treatment employees receive during the PA process (Bies 2001). It is generally agreed that interactional justice breeds the expectation that employees be treated with honesty, courtesy, respect and politeness during the PA process (Tessema et al. 2014). For example, it was found that, regardless of how favourable PA was in an instrumental sense (i.e. in terms of the administrative process used to allocate resources), employees conveyed more positive reactions to PA when they shared good working relationships with their supervisors (Pichler 2012).

Not that the conception of interactional justice has lacked debate. Indeed, there has been considerable discussions as to whether interactional and procedural justice should be incorporated together or whether they should be viewed as distinct justice dimensions (Bies 2001; Cohen-Charash & Spector 2001; Colquitt 2001). According to Bies (2001, p. 99), ‘it makes theoretical and analytical sense to maintain the distinction between interactional justice and procedural justice’. Furthermore, a different conceptualisation of interactional justice was put forward by Greenberg (1993) who regarded this justice dimension as being composed of two facets: interpersonal justice and informational justice. While interpersonal justice is concerned with the manner in which the rater treats the ratee, such as with dignity and politeness (Colquitt et al. 2001), informational justice occurs when information is imparted to employees namely for the purpose of explaining performance expectations and standards, providing feedback and justifying decisions (Thurston & McNall 2010).

Viewing interactional justice from the gripping angle of injustice, Bies (2001, p. 101) has identified four ‘profanities’ that have a negative impact on employees’ fairness perceptions of supervisors’ treatment. These include derogatory judgments, deception, invasion of privacy and disrespect. Derogatory judgments refer to wrongful or unfair accusations of employees’ performance. Deception occurs when a supervisor’s words and actions are inconsistent, in which case the employee feels a sense of grievance because the trust in the employment relationship has been violated. Invasions of privacy occur if the supervisor discloses

confidential information on the employee, asks improper questions or uses ‘spies’ for gossiping or back-stabbing purposes. Disrespect is felt when supervisors are abusive or inconsiderate in their words or actions, or when employees are coerced to take certain actions which place them under undue psychological or physical pain (Bies 2001). Although no study has revealed evidence of interactional injustice in the PA context (Narcisse & Harcourt 2008), the importance of this type of justice cannot be downplayed especially given the impact that organisational justice has on organisational life.

### **3.4.2 Effects of organisational (in)justice**

The current body of justice research has advanced an understanding of the impact of perceived organisational justice or injustice on organisational outcomes such as organisational commitment (Ohana, Meyer & Swaton 2013), employee productivity (Cohen-Charash & Spector 2001), organisational citizenship behaviour and feelings of anger, outrage and resentment (Bhal 2006), job satisfaction (Colquitt et al. 2001), employee safety behaviour (Gyekye & Haybatollahi 2014), trust (DeConinck 2010; Farooq & Farooq 2014), work engagement (Agarwal 2014), and turnover intention (Farooq & Farooq 2014). More recently, it has even been revealed that ‘the effects of organizational injustice can be reverberating, with unfair outcomes begetting further unfairness’, with managers and coworkers being more predisposed to rate the performance of organisational injustice victims less favourably than identical individuals who have been treated fairly (Skarlicki & Turner 2014, p. 43). This finding was explained on the ground that individuals were influenced by their belief in a just world in which people got what they deserved (Skarlicki & Turner 2014). At the end of the day, all these studies highlight the key role played by perceived organisational justice in organisations.

Notwithstanding these advances, the bulk of the justice literature has been skewed due to academics’ attraction to certain approaches. Some of these preferred approaches include an employee-focus approach which places emphasis on justice perceptions of employees (Johnson, Lanaj & Barnes 2014; Skarlicki & Kulik 2005) and a first-person approach which explores how individuals’ perceptions of how they themselves are treated affect their attitudes and behaviours (Dunford et al. 2015) at a personal level (Schminke, Taylor & Arnaud 2014).

In recent times, however, a small but growing stream of theoretical and empirical enquiry has departed from the above traditional approaches and embraced new perspectives. In that regard,



one line of research explored the impact of organisational justice on managers. For example, Johnson, Lanaj & Barnes (2014) investigated the effects of justice behaviours on managers' self-regulatory resources, i.e. the resources that enable individuals to override impulses and block distracting cognitions and emotions in order to exert self-control. These scholars found that procedural justice behaviours depleted managers' self-regulatory resources which in turn hindered the performance of organisational citizenship behaviour. They, nevertheless, noted the positive effect of interpersonal justice behaviours on self-regulatory resources. In sum, this study provided support to Patient's (2011) contention that fairness could come at a cost for actors.

At the same time, another line of research that encompassed a third-party perspective on organisational justice was developed. Such third-party justice research was essentially divided into two main threads: inwardly focused justice concerns and externally focused justice concerns (more commonly known as corporate social responsibility). With regards to the former, it was argued that third parties (such as co-workers, friends, arbitrators, judges, etc.) form a discrete group of stakeholders who can evaluate organisational justice through the objective lens of how an organisation treats its employees. In the event of an employee's (mis)treatment by the organisation or its agents, these third parties can react meaningfully and their actions can even lead to widespread organisational change (Colquitt 2004; Skarlicki & Kulik 2005). Such a third-party justice approach has been supported by several studies which have established that third parties are willing to incur costs to punish a transgressor even if they are not directly affected by the mistreatment (Kray & Lind 2002; Turillo et al. 2002). In relation to corporate social responsibility, it has been argued that employees make fairness judgments based on the organisation's treatment of external stakeholders (Moon et al. 2014). Several studies have found that employees' positive perceptions of corporate social responsibility have heightened their perceptions of organisational justice (Aguilera et al. 2007; Collier & Esteban 2007; Tziner et al. 2011).

Parallel streams of work have investigated collective justice perceptions, hence the appearance of a literature on procedural, distributive and interactional justice climates (Whitman et al. 2012). Justice climate has been defined by Whitman et al. (2012, p. 777) as 'a distinct unit-level cognition regarding shared fairness perceptions of treatment by organizational authorities'. Despite recognising the importance of collective fairness perceptions, empirical evidence on the concept of overall justice is extremely thin (Schminke, Taylor & Arnaud 2014). The few studies that have taken an aggregate approach to justice perceptions have

predominantly focused on overall justice perceptions at the individual level (Holtz & Harold 2009; Jones & Martens 2009; Patel, Budhwar & Varma 2012). Even fewer studies have examined overall justice perceptions at the collective level. Two notable exceptions include the studies undertaken by Priesemuth, Arnaud & Schminke (2013) and Schminke, Taylor & Arnaud (2014). While the former study indicated a positive relationship between injustice climate and deviant and political behaviour when functional dependence between employees was low, the latter study revealed that collective values influence perceptions of both procedural and overall justice climate.

### **3.5 Integrated approach to performance appraisal in nonprofit organisations**

For performance management to deliver any value, it must take into account the context within which this HR practice takes place (Ashdown 2014). In the case of NPOs, the distinctive characteristics of such organisations and the sociopolitical world in which they are embedded call for a tailor-made and integrated approach to PA. In the light of the literature review displayed in Chapters Two and Three, it stands to reason that the conceptual ideas of values, justice, horizontal and vertical integration, and external environmental factors are clearly important in any discussion about PA in the nonprofit sector.

This section 3.5 explores each of the abovementioned concepts within the context of PA, and eventually draws together these distinct, yet related, concepts to provide a complete picture of PA in NPOs. Seeing that ‘it is a direct step from conceptual framework to research questions (Miles, Huberman & Saldana 2014, p. 25), section 3.5 concurrently proceeds to formulating distinct research questions. Section 3.5 is organised as follows: section 3.5.1 examines the relationship between PA and the external environment of NPOs; section 3.5.2 explores the relationship between PA and organisational values; section 3.5.3 examines the vertical and horizontal integration of PA; while section 3.5.4 explores the notion of organisational justice within the PA context. Finally, section 3.5.5 draws together these concepts (and their related theories) to construct the conceptual framework of this study.

### **3.5.1 Performance appraisal and the external environment**

As argued in Chapter Two, NPOs are highly dependent on their external environment for resources, legitimation and accreditation, while at the same time being subjected to external pressures (such as neoliberal forces, and demands from those parties which control their resources). Taken together, these power-dependence dynamics have forced NPOs to adapt to their changing environment (Schmid 2013). From this account of how the external environment impacts on NPOs, it is clear that HRM in the nonprofit sector is driven by contextual factors. Indeed, according to Batt (2000) and Sosin (2012), the strategy and practices of NPOs are influenced by the organisational context.

Despite the heightened effect of context on NPOs, research on such organisations' HR practices, strategy and structure, in particular research that places emphasis on their context and environment, is still at an embryonic stage (Akingbola 2013a). Indeed, only a handful of studies have established theoretical HRM frameworks in which the unique characteristics of NPOs are reflected. For example, Ridder & McCandless (2010) crossed the HR base (i.e. employees' needs and motivations) with the strategic orientation (i.e. the NPO's values, mission and goals) to develop the HRM architecture for NPOs. This framework was used by Walk, Handy & Schinnenburg (2014) to unpack the black box between performance and HRM practices. The latter found that funding variations and the increased competition for funds negatively influenced the implementation of HRM practices in German NPOs. Another framework was developed by Akingbola (2013a) who drew on the resource-based view and the resource dependence theory to identify the determinants of SHRM in NPOs. Both of these theoretical models were nevertheless designed for NPOs with a social mission.

In the case of trade unions, Rau (2012) developed a theoretical model to investigate the determinants of effective HRM practices in unions. As such, she differentiated between external environmental factors (legal environment, industry, and representation environment) and internal organisational characteristics (size, proportion of exempt staff, unionization of staff, level and stability of revenues, centralization of administration, union strategy, human capital characteristics, and democratic processes), and explained how each factor could either constrain or encourage the adoption of 'best' practices by unions (Rau 2012).

At this point, while recognising the significant value of all the above frameworks in advancing knowledge on the relationship between contextual factors, organisational characteristics and HR practices in the nonprofit sector, it is important to explain why none of these frameworks

were deemed suitable for this inquiry. As seen above, the frameworks existing in the literature differentiate between public-benefit NPOs and member-benefit NPOs rather than universally catering for the nonprofit sector as a whole. Furthermore, none of these frameworks took into account the process-based approach to HRM (i.e. the HR strength theory).

Having just talked about the importance of context on NPOs' HR practices and established that, due to the early stages of HRM research in NPOs, empirical HRM studies in the nonprofit sector are scarce, it is now time to reflect on the relationship between the external environment and NPOs' PA practices. Under the institutional theory (examined in Chapter Two, section 2.4), NPOs are facing isomorphic pressures (DiMaggio & Powell 1983). NPOs are responding to such institutional pressures and seeking legitimacy by becoming more professional and businesslike and trying new business models (Considine, O'Sullivan & Nguyen 2014b), including in terms of their PA system. Already, there is evidence that the differences between for-profit organisations, NPOs and public sector organisations have become blurred in terms of employees' value orientations and desire for financial benefits and rewards (De Cooman et al. 2011; Lyons, Duxbury & Higgins 2006). As a result, it is more than likely that NPOs are changing the nature of their PA practices to respond to structural forces in the external environment and to employees' new-found values and motivational expectations. Along this line, it is crucial to understand the manner in which NPOs shape their PA practices in response to institutional pressures. This leads to the first research question of this study:

*RQ 1. How does the external environment of NPOs affect their PA practices?*

### **3.5.2 Performance appraisal and nonprofit organisations' core values**

Without rehashing the arguments of section 2.3.1 relating to the centrality of values in NPOs, it is worth repeating the obvious: organisational culture and values influence how an organisation is structured and operates (Spencer 2011), making values essential constructs in the study of HR practices (Meglino & Ravlin 1998). This is especially true for NPOs which are underpinned by a strong sense of duty and values (Frumkin 2002; Lyons 2001).

Surprisingly, as of this writing, only a sparse body of literature has exclusively focused on the connections between values and HR practices. Out of this thin arena, a few studies have explored the role of individual values in the HRM context. For example, Florea, Cheung & Herndon (2013) theoretically considered the impact of specific human values (namely altruism,

empathy, positive norm of reciprocity and private self-effacement) on HR practices and organisational sustainability. They argued that planning and implementing effective HR practices and organisational sustainability require organisations to be sincerely concerned with the values employees bring. Moreover, in examining the nature of HRM values of Chinese managers working in Western-based multinational enterprises in China, Li & Nesbit (2014) found a close relationship between HRM values and managers' preferences for specific HR practices.

Another small group of researchers have adopted an SHRM approach and have examined how organisational values and human resource philosophy are related to HPWS (Lepak et al. 2007; O'Neill et al. 2011). For instance, O'Neill et al. (2011) found that achievement values drive the implementation and adoption of HPWS in American for-profit organisations. Their findings therefore provided support for the assumptions embraced by the organisational culture and values literature – assumptions pertaining to how values are the core component of organisational systems and directly influence organisations' policies, practices, and procedures (O'Neill et al. 2011).

Ultimately, what realistically transcends from this small pond of studies is that organisational values represent the determining factor that can make or break HRM systems. In the specific case of PA, it has been argued that any disconnect between an organisation's culture/values and the behaviours the performance management system is aiming to encourage, will make it difficult for the system to achieve its objectives (Ashdown 2014). Nonetheless, despite recognising the importance of organisational values, noticeably absent from the nonprofit literature is the empirical consideration of how organisational values relate to PA practices. One is left to ponder about this gap in the literature, especially if one considers that the strong sense of organisational values in NPOs together with the altruistic orientation of nonprofit employees contribute to making the nonprofit sector the ideal test-bed for such research. In summary, therefore, because values occupy an important place for NPOs and because of the dearth of empirical information, this study will explore the relationship between NPOs' core values and PA, thereby resulting in the second research question:

*RQ 2. To what extent do PA practices fit with the core values of NPOs?*

### **3.5.3 Performance appraisal, organisational strategy and other human resource management practices**

There exists extensive and matured SHRM literature – theoretical and empirical – relating to horizontal fit and vertical fit. As mentioned earlier in this chapter (section 3.3.2), numerous studies have provided empirical support for horizontal fit. In one such study, it was argued that the universalistic and contingency perspectives are not mutually exclusive (Youndt et al. 1996). In other words, universal ‘best practices’ provide a solid foundation for SHRM activities while the consideration of contingent factors contribute to enhancing the performance of such activities (Lengnick-Hall et al. 2009). Furthermore, other studies have found a positive relationship between HPWS practices and employee attitudes such as job satisfaction, trust in management, commitment and psychological identification with the organisation (Macky & Boxall 2007), intention to remain employed in the organisation (Ang et al. 2013; Macky & Boxall 2007), and subjective well-being (Fan et al. 2014).

In the case of vertical fit, in addition to empirical studies demonstrating the relationship between organisational context and HRM practices (Jackson, Schuler & Rivero 1989), the literature has also discussed the competing notions of fit and flexibility. Indeed, it was argued that fit may not always be desirable, particularly during times of transition when the need for flexibility is high and the organisation has to adapt in a timely and effective manner (Lengnick-Hall & Lengnick-Hall 1988; Milliman, Von Glinow & Nathan 1991). In that regard, Wright & Snell (1998) advised organisations to view fit and flexibility as complementary concepts, and to design an organisational strategy that fits with HRM practices, employee skills and employee behaviours. Wright & Snell (1998) defined flexibility on two levels: first, as the repertoires of skills and behaviours available so as to allow the organisation to pursue strategic alternatives in response to the external environment; and second, the extent to which relevant HRM practices can be identified, developed and implemented quickly to maximise the flexibilities of employees. They further differentiated between resource flexibility (i.e. adaptability of resources across various situations) and coordination flexibility (i.e. the speed with which HRM practices can be reconfigured and redeployed) (Wright & Snell 1998). Similarly, Ordonez de Pablos (2005) supported the view that both flexibility (resource and coordination) and fit (internal and external) must be achieved to enable organisations to respond quickly to external environmental conditions.

Amidst this rich body of SHRM literature, some gaps are noticeable. The first gap in the literature is of a methodological nature. Indeed, quantitative research methodologies have been popular amongst SHRM scholars bent on unpacking the ‘black box’. Here, it should be noted that the importance of qualitative research designs in the HRM area has been proclaimed by Lengnick-Hall et al. (2009). The latter also made a call for more research on horizontal and vertical fit that takes into account the consistency of messages sent by HRM systems.

Second, the majority of studies have broadly covered HRM practices as an all-encompassing set, and few studies have focused exclusively on the individual HRM practice that is PA (Farndale & Kelliher 2013; Pichler 2012; Sumelius et al. 2014). In the case of horizontal fit, such an all-encompassing approach is justified since this notion is concerned with the ability of organisations to create an internally aligned bundle of HRM practices. Having said that, however, there is still some value in slightly pivoting the focus of research towards an approach that explores the individual PA practice first, and then its degree of alignment with other HRM practices.

Third, empirical SHRM studies in the nonprofit sector are quite limited (Akingbola 2006; De Waal, Goedegebuure & Geradts 2011; Rodwell & Teo 2004), and very few studies have examined the combined phenomena of horizontal and vertical fit in the nonprofit sector. One such study pertains to the work of Akingbola (2013b) who provided evidence of vertical integration in two Canadian community welfare agencies. The latter author also identified three factors that contributed to fit and flexibility in NPOs, namely senior management’s emphasis on HRM, the use of professional managers, and organisational structures that facilitated communication channels within NPOs (Akingbola 2013b).

In any case, coming back to the gap in the literature, no research has been undertaken to specifically focus on the vertical and horizontal integration of PA in NPOs. Once again, this dearth of research is surprising since the notions of vertical and horizontal integration bear the utmost importance in the area of performance management (Ashdown 2014). Furthermore, it has been argued that PA is a ‘core’ practice (Biron, Farndale & Paauwe 2011; Purcell & Kinnie 2007) which is intrinsically strategic because it is one of the most human capital-enhancing practices of the ‘HR bundle’ (Takeuchi et al. 2007). As such, it is, by nature, ‘designed to link individual and strategic business objectives and align interests and attitudes’, and is ‘tactical since it provides input into a number of HR-related decisions and practices (e.g., pay, promotion, and talent pool inclusion)’ (Sumelius et al. 2014, p. 570). For all these reasons,

much-needed empirical light must be shone on the vertical and horizontal integration of PA practices in the nonprofit sector, thereby leading to the third research question:

*RQ 3. To what extent do PA practices fit with the organisational strategy and other HRM practices of NPOs?*

### **3.5.4 Performance appraisal and organisational justice**

To fully appreciate the link between PA and organisational justice, one must understand that PA is one of the most prominent HR practices that has real-life consequences for employees – such as the immediate impact of specific decision outcomes on employees’ goal achievement, promotions and wages (Fox, Spector & Miles 2001) – and that it can arouse a deep of injustice and frustration if it is perceived as being unfairly or inaccurately conducted or utilised. Within that context, therefore, the importance of employees’ fairness perceptions of PA is well established in the HRM literature (Akhtar & Khattak 2013).

Although the general impact of (un)fairness perceptions on organisational life has already been outlined in section 3.4.2, the effects of perceived (in)justice bear repeating in the context of PA, particularly since justice (being an organisational value) constitutes a fundamental part of this study. While Jawahar (2007) argued that employees’ fairness perceptions of PA have substantial impact on the success and further development of the PA system, Lawler (1967) noted that the key to a successful PA system lies in employees’ justice perceptions which are in turn linked to trust in and acceptance of PA. Similarly, Gabris & Ihrke (2000) believed that employees’ acceptance of PA is centrally founded on whether PA is perceived as procedurally fair and valid. The significance of procedural justice for PA was echoed by Ilgen, Fisher & Taylor (1979) who suggested that the use of PA as a tool for employee motivation and development depends on whether employees perceive the process as being fair and accurate. Likewise, Levy & Williams (2004, p. 890) added that ‘even the most psychometrically-sound appraisal system would be ineffective if ratees (and raters) did not see it as fair, useful, valid and accurate, etc.’. The literature is also awashed with empirical evidence of how perceived fairness, satisfaction with PA practices and the quality of PA practices can influence employees’ organisational commitment (Brown, Hyatt & Benson 2010; Cropanzano, Bowen & Gilliland 2007; Kuvaas 2006), organisational citizenship behaviour (Cropanzano, Bowen &



Gilliland 2007; Zhang & Agarwal 2009), and intention to quit (Cropanzano, Bowen & Gilliland 2007).

In the midst of the outpouring of studies glorifying the importance of employees' fairness perceptions of PA, it is clear that PA practices are doomed to fail if they harness feelings of dissatisfaction, unfairness in the process and inequity in evaluations (Palaiologos, Papazekos & Panayotopoulou 2011). Indeed, it has been suggested that a PA system which is perceived as biased, political or irrelevant may become a source of dissatisfaction and frustration for employees (Skarlicki & Folger 1997). PA exercises that are perceived as unfair have even been found to reduce employees' work attitudes and performance (Latham & Mann 2006).

Having said this though, it is important to note that some commentators have recognised the negative connotations of PA as an intrinsic motivator (Kim & Rubianty 2011). For instance, Deci (1971) found that intrinsic motivation tended to wane when money was used as an external reward. Oh & Lewis (2009) argued that explicitly linking external rewards to performance could potentially demotivate federal employees who are chiefly intrinsically motivated. In the nonprofit sector, the link between PA and financial incentives has been hotly debated (Rau 2012). Deckop & Cirka (2000) indicated that the implementation of a merit pay program in an NPO led to a decline in intrinsic motivation for those employees who were highly motivated intrinsically. (Brandl & Guttel 2007) found that NPOs operating in competitive environments and which had clear strategic objective, strategic freedom, managerial expertise and a supportive organisational culture were more likely to adopt financial incentives. More recently, Speckbacher (2013), distinguishing between explicit incentives (which are specifically defined under an enforceable contracts) and implicit incentives (which are based on trust and form part of relational contracts), argued for the more deliberate use of implicit incentives rather than the enhanced use of performance contracts. Finally, it is equally important to note that other studies have suggested counterarguments to the above studies, stating that procedural justice perceptions would positively affect intrinsic motivation (Kim & Rubianty 2011).

In any case, the key point here is that the conceptual ideas of organisational justice and PA cannot be dissociated from each other, particularly in the nonprofit sector. It can be safely argued that nowhere do organisational justice perceptions have greater importance than in the context of value-driven organisations that are NPOs. The obvious reason for this assertion is that justice not only constitutes a 'fundamental organizational value' (Konovsky 2000, p. 490),

but it also serves as a heuristic that enables employees to assess the trustworthiness of an authority – in this case, the NPO and its agents – to whom they are required to cede control (Konovsky 2000). Moreover, since nonprofit employees are attracted to NPOs on the basis of the organisational values of justice and equity (Cunningham 2001) and at the same time justify their low earning potential on the basis of such values (Nickson et al. 2008), it would stand to reason that these employees would expect and would valorise the institutionalisation of justice values within the internal organisational environment. In other words, the claim that nonprofit employees are intrinsically motivated and committed to the organisation's cause and mission (Cunningham 2001; Paton & Cornforth 1992; Thompson & Bunderson 2003) can only make sense if the organisation is 'seen' as practicing what it preaches in terms of justice and equity values. In the context of PA, therefore, it is not sufficient that NPOs design, implement and conduct PA (and other HR practices for that matter) in a fair and equitable manner; they must, more importantly, be perceived as doing so, failing which employees with strong values orientation and 'voluntary sector ethos' (VSE) might experience a breach, or even violation, in their psychological contracts.

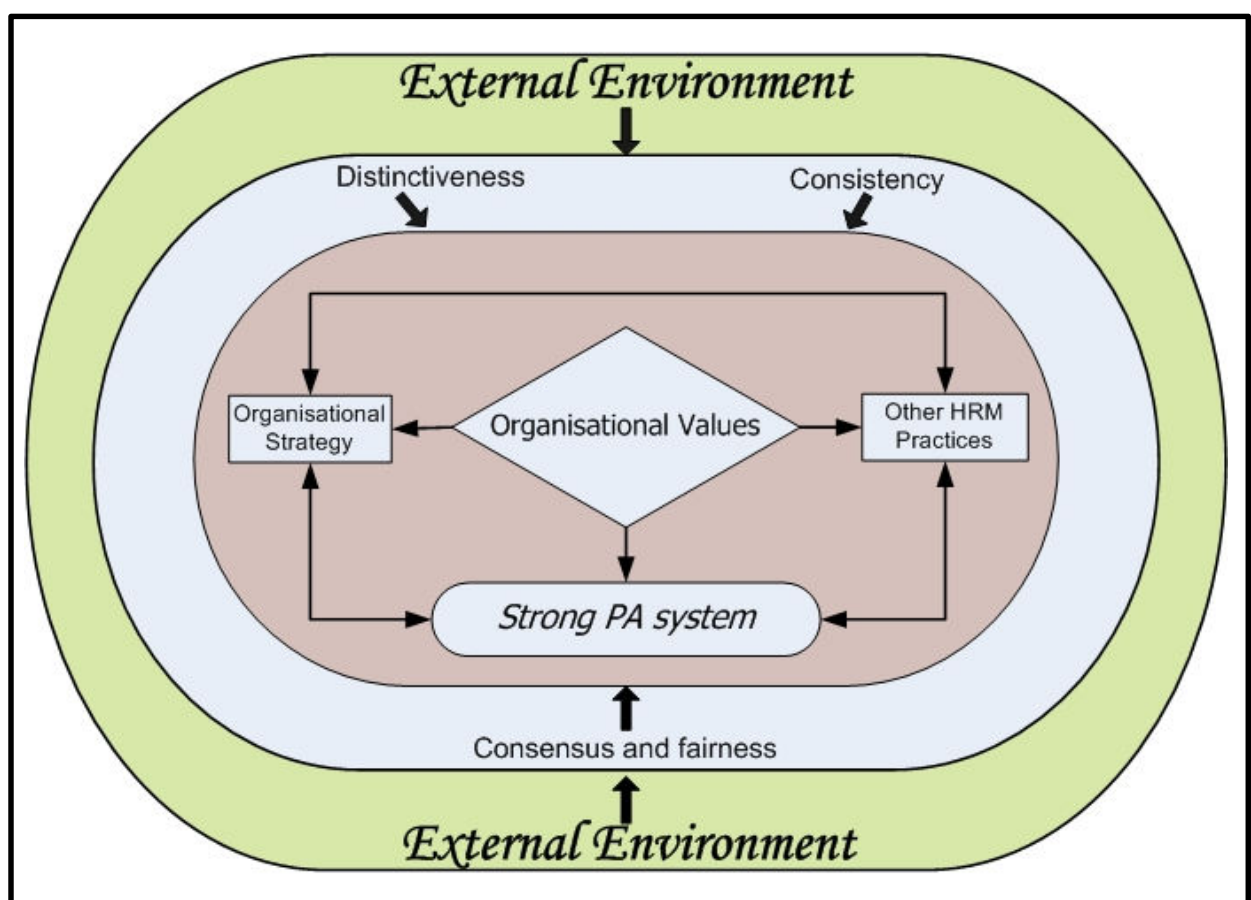
Turning now to the current state of the literature, it has been made clear, up to now, that there exists a plethora of research on employees' justice perceptions of PA practices. However, setting aside the case studies of Narcisse & Harcourt (2008) and Sumelius et al. (2014), research that brings PA and organisational justice under one umbrella has been dominated by quantitative studies. More than this, such research has been negligible in the nonprofit sector. Following the above line of reasoning and in light of the paucity of qualitative PA-justice research in the nonprofit sector, this study will qualitatively explore the justice perceptions of employees towards the PA practices of NPOs. On this basis, the fourth and final research question is formulated as follows:

*RQ 4. What are employees' justice perceptions towards the PA practices of NPOs?*

### **3.5.5 Conceptual framework**

Having reviewed the interrelationships between this study's main conceptual ideas and formulated pertinent research questions, there is no better place for graphically mapping these relationships. In that regard, Figure 3.1 introduces the conceptual framework used in this study. This framework represents an integrative approach that draws upon several theories – the HR

strength theory (Bowen & Ostroff 2004), the contingency and configuration approaches (Delery & Doty 1996) and the process-based perspective on fit (García-Carbonell, Martín-Alcazar & Sanchez-Gardey 2014), institutional theory (DiMaggio & Powell 1983) – and also borrows from the values (Burchielli 2006) and justice literature (Bies 2001; Folger, Konovsky & Cropanzano 1992; Greenberg 1986). This conceptual framework attempts to shed light on how the main conceptual ideas advanced so far in this study affect the strength of PA systems in NPOs. To address the gaps in the sparse literature on the connections between HRM practices, organisational strategy, NPOs and their values, and the institutional environment, this section will proceed to a description of the conceptual framework.



**Figure 3.1 Conceptual framework**

The key theoretical premise of this conceptual framework is that a strong PA situation can be achieved in NPOs provided that the following conditions are met:

1. Drawing on the HR strength theory (Bowen & Ostroff 2004), PA practices must be characterised by the ‘metafeatures’ of distinctiveness, consistency and consensus;
2. Drawing on institutional theory (DiMaggio & Powell 1983), PA practices must take into account the dynamics of the external environment (thence the formulation of the first research question, RQ 1);
3. Drawing on the values literature (Burchielli 2006) and the process-based approach of Bowen & Ostroff (2004) – which is in turn derived from the signaling theory – PA practices must be aligned with the core values of NPOs, including the values of justice and equity (thence the formulation of the second research question, RQ 2). This *inter alia* implies the transmission of visible, understandable legitimate, and consistent ‘values’ messages as well as a uniform agreement among senior managers as to the NPO’s espoused values;
4. Drawing on the contingency and configuration approaches (Delery & Doty 1996) and the process-based perspective on fit (García-Carbonell, Martin-Alcazar & Sanchez-Gardecky 2014), PA practices must be aligned with organisational strategy and other human resource management (HRM) practices (thence the formulation of the third research question, RQ 3); and
5. As articulated by Bowen & Ostroff (2004), PA practices must be perceived as fair by employees so as to generate a consensual PA system (thence the formulation of the fourth research question, RQ 4).

In constructing and interpreting this framework, an important starting point is with the HR strength theory developed by Bowen & Ostroff (2004) and outlined in section 3.3.3. Since these scholars’ work is fundamental to this study, their arguments bear repeating. In brief, Bowen & Ostroff (2004) stressed the importance of transmitting distinctive, consistent and consensual HRM messages in order to build a strong HRM system which attracts a shared interpretation among employees. On this account, the ‘metafeatures’ of distinctiveness, consistency and consensus are included in Figure 3.1. More importantly, the conceptual framework applies the *process-based* approach of Bowen & Ostroff (2004) to the notions of fit, values and organisational justice (as more fully explained in the following paragraphs).

Next is the consideration of the centrality of values in the nonprofit sector. As discussed in section 3.3.4, scholars are increasingly advocating for inclusive and value-based approaches to SHRM in the nonprofit sector (Beck, Lengnick-Hall & Lengnick-Hall 2008; Courtney 2001; Frumkin & Andre-Clark 2000). In terms of the conceptual framework, this implies that NPOs’

core values should drive their organisational strategy. Following this logic, the link between ‘organisational values’ and ‘organisational strategy’ is graphically represented in Figure 3.1 by a one-directional arrow from the former to the latter.

Likewise, with regards to the relationship between organisational values and HRM practices, the empirical evidence adduced so far in the literature suggests that organisational values have an impact on organisations’ policies, practices, and procedures (O'Neill et al. 2011), and they have to be embedded into HRM policies in order to be understood (Kerwin, MacLean & Bell-Laroche 2014). In Figure 3.1, this influence is represented by one-directional arrows from ‘organisational values’ to a ‘strong PA system’, and from ‘organisational values’ to ‘other HRM practices’.

At this juncture, it is clear that NPOs need to align their PA practices (and more generally their HRM practices) with their core values. What is perhaps less clear is the *process* through which such PA-values alignment can be achieved. This therefore deserves some treatment. Drawing on the works of Burchielli (2006) and Bowen & Ostroff (2004), the conceptual framework suggests that such alignment requires the simultaneous transmission of strong PA and ‘values’ messages. In the former case, it has already been established that a shared meaning of PA can be created by NPOs through the transmission of distinctive, consistent and consensual PA messages. In the latter case, because of the diversity and subjectivity and inter-subjectivity of values (Burchielli 2006), organisational values should be understandable to give employees the opportunity for sense-making. In addition, the classification of values into value-systems (Burchielli 2006) means that NPOs must consistently send compatible signals about which values are, as Edwards’ (2013, p. 496) put it, ‘central to their claims to legitimacy’. This not only requires consistency between espoused values and inferred values, but also requires consensus amongst senior managers. Indeed, being regarded as culture creators (Schneider 1987; Schneider, Smith & Goldstein 2000) and guardians of organisational values, senior managers must show a coherent and visible façade when it comes to demonstrating the core values of the NPO. By doing so, they will not only ensure that consistent, visible and relevant messages regarding organisational values be conveyed to employees, but they will also validate the legitimacy of these values. Furthermore, values can only be accepted if they are perceived as being morally legitimate (Prilleltensky 2000) and fair. On basis of this discussion, the conceptual framework suggests that a shared meaning of values can be created provided that distinctive, consistent and consensual ‘values’ messages are emitted by NPOs. Taken together, such collective interpretation of PA and values constitute the building blocks for PA-values

alignment. Indeed, the conceptual framework proposes that employees cannot perceive values congruency in PA practices unless they hear the same PA and ‘values’ messages, in a combined form and as they were intended, and accept these messages prior to choosing an appropriate response (i.e. by shaping their attitudes and behaviours accordingly).

Moving on to the vertical and horizontal integration of PA, the literature on the contingency approach (Delery & Doty 1996) (outlined in section 3.3.1) typically advocates for the external alignment of HRM practices (including PA practices ) with organisational strategy. In Figure 3.1, this requires the presence of two-direction arrows between ‘organisational strategy’ and ‘strong PA system’, and between ‘organisational strategy’ and ‘other HRM practices’. Similarly, the literature on the configuration approach (Delery & Doty 1996) (examined in section 3.3.1) provides evidence of a positive relationship between HPWS and organisational performance (Boxall & Purcell 2011; Nankervis, Stanton & Foley 2012). In Figure 3.1, such horizontal integration is graphically represented by a two-directional arrow between ‘strong PA system’ and ‘other HRM practices’.

Following the same line of reasoning as for PA-values alignment, the *process* for achieving vertical and horizontal fit needs to be clarified. Drawing on the HR strength theory (Bowen & Ostroff 2004), García-Carbonell, Martin-Alcazar & Sanchez-Gardey (2014) argued that employees’ perceptions of the strength of the HRM system have a moderating effect on vertical and horizontal integration. In other words, consistently designed bundles of practices will fail if the HR function is perceived as irrelevant, if the HRM strategy is inadequately communicated and if employees receive inconsistent HRM signals (García-Carbonell, Martin-Alcazar & Sanchez-Gardey 2014). From this perspective, this study’s conceptual framework proposes that successful vertical and horizontal integration of PA not only requires a consistent design at the outset, but it also requires distinctive, consistent and consensual SHRM messages to be transmitted so as to foster employees’ understanding and acceptance of vertical and horizontal fit. In Figure 3.1, this argument once again confirms the positioning of the ‘metafeatures’ (Bowen & Ostroff 2004).

Up to now, it has been suggested that the strength of the PA system in NPOs will depend on three inter-connected factors: first, the levels of distinctiveness, consistency and consensus of PA messages; second, the extent to which organisational values are embedded within the PA system (through the transmission of strong PA and ‘values’ messages); and third, the ability of the PA system to be externally aligned with organisational strategy, and to be internally aligned

with other HRM practices (through the transmission of strong SHRM messages). The next step in the interpretation of Figure 3.1 is to look at how the external environment of NPOs fits within this framework. As explained in Chapter Two (section 2.4), according to institutional theory, NPOs are shaping their organisational behaviour and values in response to isomorphic pressures in their external environment (DiMaggio & Powell 1983). Already, various studies have reported on the impact of the institutional environment on NPOs' structures, routines (Dolnicar, Irvine & Lazarevski 2008), values and HRM practices (Considine, O'Sullivan & Nguyen 2014b; Dart 2004; Knutsen 2013; Thomas 2013). On this basis, the conceptual framework acknowledges that NPOs operate within a wider institutional context which not only serves as a constraint on what NPOs can realistically do with PA, but which also influences the operations, practices and values of NPOs. More precisely, the framework suggests that the external environment has an impact on the PA systems of NPOs, and that a strong PA system is one which takes into account the underlying forces of this external environment. Hence, Figure 3.1 makes mention of the wider external environment at its peripheries.

Turning now to employees' justice perceptions, Bowen & Ostroff (2004) argued that a HRM system that is perceived as fair by employees will positively influence employees' attitudes and behaviours and encourage them to use HRM. For this reason, Bowen & Ostroff (2004) included organisational justice (procedural, distributive and interactional justice) as part of the consensus 'metafeature'. Therefore, Figure 3.1 expands the consensus 'metafeature' to explicitly make reference to the notion of fairness.

At this stage, it should be highlighted that the conceptual framework adopts a *process* perspective to the notion of organisational justice. Hence, in terms of procedural justice, the framework proposes that to create a strong procedural justice climate, NPOs must not only design 'due process' PA practices (Folger, Konovsky & Cropanzano 1992), but they must, above all, transmit distinctive and consistent 'procedural justice' messages regarding the fairness of the PA process and its implementation. In terms of distributive justice, the conceptual framework suggests that to create a strong distributive justice climate, NPOs must transmit distinctive and consistent 'distributive justice' messages regarding the fairness of the PA outcomes. It is only then that employees can share collective perceptions of fair PA ratings in relation to performance and collective perceptions of fair rewards in relation to PA ratings (Greenberg 1986). Similarly, in terms of interactional justice, the conceptual framework suggests that to build a strong interactional justice climate, NPOs must transmit distinctive and

consistent ‘interactional justice’ messages by showing how the four ‘profanities’ identified by Bies (2001) – derogatory judgments, deception, invasion of privacy and disrespect – are avoided.

In summary, the conceptual framework suggests that, in NPOs, a strong PA system must not only be characterised by the ‘metafeatures’ of distinctiveness, consistency and consensus (and fairness) – as proclaimed by Bowen & Ostroff (2004) – but must also take into account its horizontal and vertical integration as well as the NPO’s core values and external environment. More importantly, the framework proposes that the communication of messages relating to each of these elements is key to creating a strong situation in the form of shared meaning, and to ultimately enhancing organisational performance. In other words, in the nonprofit sector, a strong PA situation as envisioned by Bowen & Ostroff (2004) requires the transmission of distinctive, consistent and consensual PA, SHRM, ‘values’ and ‘justice’ messages. In closing, it is worth remembering that the conception of this conceptual framework makes an innovative and novel contribution to theory.

### **3.6 Conclusion**

In summary, Chapter Three served two main objectives and was divided into four sections. The first objective of the chapter was to examine the relevant PA literature. As such, the first section of the chapter (section 3.2) was dedicated to exploring the definition of PA and reviewing the benefits and criticisms voiced out in relation to this concept. The second and third sections (sections 3.3 and 3.4) respectively sought to examine PA from the SHRM approach and the organisational justice approach.

The second chief objective of this chapter was to construct the study’s conceptual framework. It was argued that PA can be a valuable exercise in NPOs provided that it takes into consideration the context within which PA takes place. As a result, an integrated approach to PA for the nonprofit sector was designed in the fourth section (section 3.5) of this chapter. In doing so, the study combined the notions of organisational values, justice, vertical and horizontal fit, and external environmental forces with the ‘metafeatures’ of the HR strength theory (Bowen & Ostroff 2004) to construct the conceptual framework. To conclude, the aforesaid research concepts have been refined into the following research questions which have, so far, been under-exposed in the literature:



*RQ 1. How does the external environment of NPOs affect their PA practices?*

*RQ 2. To what extent do PA practices fit with the core values of NPOs?*

*RQ 3. To what extent do PA practices fit with the organisational strategy and other HRM practices of NPOs?*

*RQ 4. What are employees' justice perceptions towards the PA practices of NPOs?*

## **CHAPTER FOUR – METHODOLOGY**

### **4.1 Introduction**

Chapters Two and Three have respectively reviewed the literature on nonprofit organisations (NPOs) and performance appraisal (PA) practices. Chapter Three also introduced the conceptual framework that will be used to explore the four research questions of the study which are: an investigation into the impact of the external environment on NPOs' PA practices; the relationship between NPOs' core values and their PA practices; the horizontal and vertical integration of PA practices in NPOs; and employees' justice perceptions toward PA in NPOs.

Chapter Four discusses the research design and methods employed in this study. The content of the chapter is presented into three sections. The introductory section 4.2 outlines the general paradigms of researching PA and identifies the epistemological approach underpinning this study. Moreover, the researcher's biases and self-interests are discussed as part of a reflexive process. Section 4.3 provides a detailed description of the methodology used during fieldwork, in particular the rationale for choosing participant organisations and specific qualitative research and analysis methods. The strategies adopted to enhance the rigour of the study are also included in this section. Section 4.4 considers the ethical practices implemented in this study.

### **4.2 Paradigms of performance appraisal and positioning of the researcher**

This section begins by outlining the general paradigms within which research on PA has traditionally been undertaken. The section thereafter proceeds to highlighting the research paradigm that underpins the current research process. The section also presents the researcher's inherent cultural and idiosyncratic biases that might have swayed the manner in which the data was collected and findings interpreted.

#### **4.2.1 Paradigms of performance appraisal**

In Donoghue's (2011, p. 46) words, 'The choice of lens through which we view an object must itself be carefully considered and open to critique, otherwise that which is hidden from view may never come to light'. Hence, researchers need to reflect on their ontological assumptions (about human nature) and their epistemological assumptions (about the nature and purpose of knowledge) prior to choosing their research methods (Morgan & Smircich 1980). For this reason, it is important to orient the reader by acknowledging the inquiry lens that I have used to think about qualitative research. Sections 4.2.1 and 4.2.2 will attempt to do just that.

A paradigm is a set of beliefs and principles that influence an individual's view of the world, and is based on ontological, epistemological and methodological assumptions (Guba & Lincoln 1994). Organisational research embraces a diversity of paradigms such as positivist, critical, interpretative, feminist and postmodern perspectives, amongst others (Buchanan & Bryman 2007). According to McKenna, Richardson & Manroop (2011), the three main paradigms within which research on PA has been conducted are positivist, interpretivist and critical.

Briefly, positivism is associated to a rigorous structure in empirically observing human behaviour with the aim of discovering causal laws which can in turn predict general trends in human activity (Neuman 2011). As such, positivism is based on the realist ontological assumption that reality is 'out there' and is waiting to be discovered through the application of established scientific methods (Braun & Clarke 2013; Neuman 2011). PA scholars adopting this paradigm assume that they can systematically predict human activity and measure 'reality' by using statistical testing, linear thinking and cause-effect relationships. So far, the positivist epistemology has been the main driver of HRM research and research funding (McKenna, Richardson & Manroop 2011; Shields 2007). The positivist approach has, however, been criticised on the ground that the universal application of 'scientific' laws to performance management does not always yield accurate results and predictions due to factors such as rating errors, legal ramifications, political context of organisational life, and so on (McKenna, Richardson & Manroop 2011).

In sharp contrast, the interpretative paradigm invites an opposite view of the world: it is concerned with analysing socially meaningful action by examining and interpreting how people create and maintain their social worlds (Braun & Clarke 2013; Neuman 2011). In that regard, interpretative researchers acknowledge multiple realities since they work from the assumption that reality is constructed from individuals' interactions and beliefs (Bazeley 2013; Braun &

Clarke 2013; Neuman 2011). In the context of PA, interpretative researchers appreciate the mystery of this HR activity and aim to unveil its evolution by considering the complex array of contextual and individual processes (McKenna, Richardson & Manroop 2011). For instance, Beard (1997) has acknowledged the need to evaluate people by taking into consideration the context and the micro-level circumstances of the organisation. In this, she is not alone. Murphy & Cleveland (1991) have also argued in favour of an approach that takes into account the social and situational context.

Last but not least, the critical paradigm adopts a critical process of inquiry that scratches the surface layer to unveil real structures in the material world in order to make the world a better place. As such, this paradigm is inspired by the critical realist assumption that reality consists of several layers: the empirical, the real and the actual (Neuman 2011). The critical approach to performance management has been developed from the tradition of structuralism and post-structuralism. Structuralism is related to the idea that power and control are ingrained in the structures of society (McKenna, Richardson & Manroop 2011), whereas post-structuralism rests on the belief that ‘forms of power are exercised through subjecting individuals to their own identity or subjectivity’ (Knights & Willmott 1989, p. 553). Consequently, PA scholars working within this paradigm challenge tacit ideological assumptions regarding the purpose of PA. In fact, they posit that PA is a tool used by management to retain control on the labour process and on work methods. They further add that, rather than serving neutral and unitarist purposes, PA serves managers’ interests by removing control from employees (McKenna, Richardson & Manroop 2011; Shields 2007).

#### **4.2.2 Positioning of the researcher**

This study is grounded in the interpretative paradigm. As such, the study was underpinned by a qualitative research methodology that relied on participants’ explanations of situations and behaviour to establish local meanings grounded in social and organisational practices. The interpretative position adopted in this study rejects the idea that qualitative works represent a definitive truth (Amis & Silk 2008). In a conscious effort to demonstrate how this study ‘constitutes an interpretation of a set of events, not a definitive truth’ (Amis & Silk 2008, p. 465), I must engage in some reflexive admissions of how my background might have impacted on the collection and interpretation of my data. First, I need to acknowledge that my personal interests in the nonprofit sector have partly influenced the context in which the study was

undertaken. Indeed, I have, for more than six years, been actively volunteering in an NPO in my home country, Mauritius. After moving to Australia, my continuing interests and involvement in that organisation have been limited to providing informal, friendly advice to committee members.

Second, being raised and educated in a developing, non-English speaking country, it is likely that my understanding of data was construed within certain boundaries. For example, there is a probability that I might have misread some of the Western norms, body language or spoken data of participants, or that I might not have utilised the most spontaneous and relevant probes during interview and focus group sessions due to language barriers. In other words, my perceptions, experiences and value biases stemming from my past volunteering role and my cultural background might have, despite my best intentions, partly influenced, if not perhaps dominated, my sense-making and knowledge construction processes.

Nonetheless, in order to minimise bias, I have implemented several strategies to enhance the rigour of the study (outlined in section 4.3.7). Furthermore, by positioning myself at the beginning of this chapter and through the aforesaid rigour strategies, I hope to have partly answered the call for personal reflexivity (Harper & Thompson 2012) in making and reporting decisions related to research methods (Buchanan & Bryman 2007; Creswell 2007). Finally, a perceptive reader might already have noted the use of the first-person writing style in this study. This is intentionally done to indirectly remind readers that, in spite of my best efforts to provide a neutral and fair account, I cannot deny the impact of my idiosyncratic baggage on data collection and interpretation. As insinuated by Amis & Silk (2008, p. 465), ‘the first-person writing style clearly positions the authors as the decision makers within the analytic process and the conduit through which interpretations of the data were made’.

### **4.3 Methodology: Overarching research strategy**

This section is devoted to discussing the methodological approach and the design of the empirical research undertaken in this study. Amongst other considerations, the section sets out, in detail, the research methods chosen during the planning stage, the setbacks encountered during fieldwork, the methodological trade-offs made to overcome emerging problems, and the benefits offered by the emergent research design. Data analysis procedures and rigour strategies are also presented.

#### **4.3.1 Design framework: a case study approach**

There exists various approaches of inquiry that can be utilised by qualitative researchers, including without limitation narrative research, phenomenology, grounded theory, ethnography and case study (Creswell 2007). This thesis embraces a qualitative case study design for several reasons. Since it aims at examining the concept of PA in the relatively under-researched nonprofit sector (Parry et al. 2005), the study makes use of a qualitative research design to better understand the unique context within which the PA phenomenon occurs. Here, it should be reminded that NPOs are not only different from public and for-profit organisations (Rau 2012), but they vary enormously from each other on many fronts (Lyons 2001; Tucker & Thorne 2013). From this perspective, an awareness of the context is key in identifying and understanding the sources of variations in findings across case study organisations (Johns 2006). Moreover, a case study approach aims to capture the complexity of PA and provide a holistic view by incorporating multiple viewpoints and actual lived experiences (Neuman 2011).

Besides, the case-based approach adopted by this thesis lends itself particularly well to address the various methodological limitations associated to ‘pure’ quantitative studies (Purcell & Kinnie 2007), answers the call for more qualitative research designs in the HRM area (Guest 1997; Lengnick-Hall et al. 2009), addresses the concern that researchers have ignored the subtle and powerful effects that context has on research results (Johns 2006), and addresses the difficulty of quantitatively measuring internal and external fit simultaneously (Samnani & Singh 2013). For all these reasons, therefore, rather than measuring relationships between defined variables, qualitative data was deemed more appropriate to understand how the concepts of PA, values, justice, and organisational and HRM strategies interacted with each other in NPOs.

Case study research can focus on a single case or a number of cases depending on the purpose and resources available for the investigation (Miles, Huberman & Saldana 2014; Neuman 2011; Yin 2014). In the interest of ensuring the transferability of findings, a multiple-case design was adopted in this thesis. Not only do multiple-case designs provide better analytic benefits than single-case designs, but they also help researchers counteract criticisms inherent to single-case studies, specifically criticisms regarding the uniqueness of the selected case (Miles, Huberman & Saldana 2014; Yin 2014). Moreover, although the study does not assert direct transferability

and although a 'two-case' case study design is by no means representative of the nonprofit sector, it was considered that a single-case design would fail to honour the heterogeneous nature of the nonprofit sector. In short, a qualitative multiple-case design was deemed the most appropriate approach to address the specific research questions in the thesis.

#### **4.3.2 Selection of participating nonprofit organisations**

At the beginning of the study, my intention was to examine NPOs operating in the community and welfare sector in Victoria, Australia. The reason for restricting the study to a particular industry and geographical location was to reduce some of the variability inherent to the diverse nonprofit sector (Brown & Guo 2010), and hence magnify the likelihood of identifying a unique pattern of rules, resources, challenges and/or constraints applicable to the selected industry. The candidature proposal thus catered for the examination of three community welfare agencies in Victoria. A list of community welfare agencies was established and validated by my supervisory team. A formal letter was thereafter sent to the identified organisations to secure their agreement to participate in the research project. Nevertheless, attempts to gain access to these organisations were largely unsuccessful, with only one Victorian NPO (pseudonymously called Dogood) expressing its interest in the project. The remaining organisations declined participation mainly on the basis of time constraints and limited resources.

Given my unsuccessful attempts to enlist other NPOs, I eventually decided to broaden the scope of the project to other industries in the nonprofit sector as well as get rid of the geographical restriction. At the same time, I developed a stronger rationale for investigating two different types of NPOs, namely public-benefit and member-benefit organisations, which were identical on the most important respect, i.e. the strength of their culture and value-base. In order to assist in accessing a suitable second research site, my supervisors intervened with their acquaintances. This intervention resulted in the second pseudonymous national case study organisation, The Employee Rights Union (ERU), which, as its name indicates, was a trade union. Far from contaminating data, the contribution of acquaintances in providing access to organisation as research sites has been said to yield interesting organisational research (Dutton & Dukerich 2006). Coincidentally, both Dogood and ERU were at different stages of PA implementation.

In sum, therefore, the selection and number of case study organisations were influenced by practical issues of access. The trade-off in the research design actually proved itself to be beneficial in three ways. First, it enabled the examination of a sensitive issue (i.e. PA) in an NPO with a strong political value-base (i.e. a trade union). This point was listed in section 1.4 as one of the major contributions of this study. Second, by narrowing the breath of the study, I was able to focus in greater depth on the two cases by paying more attention to detail, nuance and context (Patton 2002). Third, despite their affinities in terms of their strong sense of values, the selected case organisations essentially represented two types of NPOs with different missions, histories, operations, resource acquisition mechanisms, customer groups and geographical locations. These variations contributed to representing multiple perspectives about the cases, and supported Stake's (2000, p. 447) argument that 'selection by sampling of attributes should not be the highest priority. Balance and variety are important; opportunity to learn is of primary importance'.

#### **4.3.3 Sampling strategy**

In qualitative studies, a nonprobability or purposeful sampling method is often chosen because it fits the purpose of the study better (Neuman 2011). Purposeful sampling consists of selecting information-rich cases strategically and purposefully depending on research purposes and available resources (Patton 2002). This study employed a combination of purposeful sampling strategies in order to meet the circumstances of each case study organisation. The rationale for selecting respondents from management and employee groups (as part of the triangulation strategy – see section 4.3.5) is explained in the following paragraphs.

At Dogood, once the gatekeeper, who was also the Senior HR Manager, consented to collaborating to the project, face-to-face discussions ensued in order to clarify the manner in which sampling and data collection would be crafted. Since I was not given the permission to directly approach respondents with requests to participate in the research, it was decided that the Senior HR Manager would nominate the management sample based on the criterion that participants should be key informants who have had firsthand experience with PA. Furthermore, during fieldwork, an opportunistic strategy was endorsed on one occasion when I was introduced to a line manager who, according to other participants, should be interviewed because of her work on 'reflective practices'. The management sample, which hence combined the criterion, nominated and opportunistic sampling strategies, consisted of five line managers



and three senior managers. Table 1 (in Appendix I) provides an overview of the sampling strategy, participants' attributes, and data collection methods for each case study organisation.

Similarly, for the employee sample, it was expected that a criterion sampling method would best suit the purpose of the study. Therefore, employees holding a wide range of positions and who have had their performance appraised were considered as information-rich cases. In the case of employees, the agreed *modus operandi* for recruiting participants was for the Senior HR Manager to send a global email to all employees to inform them of the scope of the study and to provide them with my contact details so that interested respondents could approach the researcher directly. The reason for this strategy was to reach out to the maximum number of employees in geographically dispersed locations, and to ensure that I could directly liaise with interested employees and build the sample without the intervention of the Senior HR Manager.

During fieldwork, however, these sampling choices and procedures were not observed in their entirety. Since repeated global emails sent by the Senior HR Manager generated very low response rates, the latter eventually nominated a few employees. Moreover, a snowball sampling strategy was endorsed: participants were asked to promote the study to other employees who would fit the criteria and who would be interested in the project. By word of mouth, I was approached by other respondents with requests to participate. Finally, a convenience sampling method was utilised on one occasion because two employees who agreed to participate in a focus group failed to show up on the day of the exercise. In that case, I decided to make an emergent sample by allowing three other participants, who were on the spot, to join the study at their requests. In summary, therefore, the employee sample at Dogood, which was made up of thirteen respondents, was constituted through a combination of criterion, nominated, snowballing and convenience sampling strategies (see Table 1 in Appendix I for a detailed breakdown of the sample).

According to Patton (2002), the weaknesses of sampling frames must be highlighted in order to enable readers to contextualise reported findings. At Dogood, the nomination of respondents implied a certain degree of bias. Indeed, it appeared that out of the four nominated line managers, two of them (namely the Project and Contracts Manager and the IT Manager) were part of the team responsible for setting up and automating the new PA system. In turn, it was reported by the Project and Contracts Manager that such intimate involvement with the system might have clouded her judgment and led her to perceive the system as being flawless. The point here is that nomination might not have yielded the best data-rich respondents for all cases.

Furthermore, without disputing the integrity of the Senior HR Manager, the fact that the latter was responsible for proposing and developing the new PA system and at the same time nominated participants for a project aimed at examining that system raises a question of conflict of interests and political motivations, particularly when the Senior HR Manager expected a report on the study's findings in exchange for access to Dogood.

In the case of the second case study organisation, ERU, the *modus operandi* was slightly different from that of Dogood. Following an initial face-to-face meeting with the gatekeeper, who was the union's National Secretary, I was referred to the HR Manager and was required to liaise with the latter via electronic communication methods or telephone conversations for the purpose of gaining access to respondents and information. Once again, considering that I was not granted direct access to respondents, it was decided that the HR Manager would nominate both the management and employee samples based on the same criteria as Dogood, i.e. their experience of PA and their positions. An additional criteria that was considered for the ERU sampling strategy was the geographical location of respondents. Since ERU was nationally established, it was agreed that respondents should emanate from various states to enable access to a wider range of issues.

However, during fieldwork, given the low participation rate, it was ultimately established that a snowballing sampling strategy would also be employed. The combination of criterion, nominated, and snowballing sampling strategies yielded a sample of five managers and seven employees (see Table 1 in Appendix I for information relating to the sample). Here, it should be stressed that because trade unions do not have the typical organisational structure as for-profit organisations and other NPOs and because management respondents simultaneously undertook senior management and line management duties, it was not appropriate to classify the management respondents as senior or line managers.

As far as the sampling frame's weaknesses are concerned, two main flaws were perceived for the ERU case study. First and foremost, the same bias criticism that was voiced out in the case of Dogood equally applied for ERU. The absence of a formal PA system at ERU combined with the National Secretary's keen intent to formalise the process catapulted PA considerations at the forefront of the union's agenda. In that context, the 'filtering' of respondents by the HR Manager to participate in a study that dealt with the sensitive and hotly debated issue of PA at a time where such a delicate issue was under the spotlight questions the study's ability to access

the most salient data-rich cases under the nominated sample. Second, only four out of five State Branches were represented in the sample.

Notwithstanding the aforesaid sampling weaknesses and although the sampling choices at the start of the study had to be reviewed and trade-offs made, such compromises paid off in terms of enabling the study to be pursued at the selected organisations. Moreover, the snowballing and opportunistic samples shed light on some of the tensions experienced by both case study organisations. In short, the emergent sampling methodology did enable me to go beyond the ‘usual suspects’ (Braun & Clarke 2013, p. 58), and as Miles, Huberman & Saldana (2014) advised, sharpen the depth of the study.

#### **4.3.4 Sample size justification**

As stated by Patton (2002p. 244), ‘there are no rules for sample size in qualitative inquiry’. This is so because qualitative inquiry generally attempts to make sense of findings and the transferability of theory rather than inference about a specific population (Patton 2002). As a result, sample size depends on research questions, available time and resources, what is useful and credible, amongst other considerations (Baker & Edwards 2012; Patton 2002). In this thesis, the justification for the sample size is based on three concurrent factors. To start with, the flagrant issue of access, which jumps out from the above account of how respondents were made to participate in the research, was a practical factor that impacted on the sample size. Moreover, in the case of ERU, access to participants was curtailed following an insurgent election and a change of leadership in the union. The removal from office of the National Secretary who, as gatekeeper, agreed to the union’s involvement in this study resulted in ERU deciding to cut short access to additional respondents. Overall therefore, restrictions imposed by both organisations and the lack of willing subjects shaped my decision to settle for the minimum sample size requirements.

This brings me to the second main factor – determining the minimum sample size for each case study. In the case of ERU, the population was considered as being fairly homogeneous in terms of value orientation. Given the politically-impregnated history of trade unions, it is legitimate, in my view, to assume that the workforce of such NPOs is usually made up of individuals who share a common set of personal and political values. Besides, the limited positions occupied by union labour – classified in terms of industrial or administrative roles (Burchielli 2008) –

contributed to the homogeneity of the population. According to Guest, Bunce & Johnson (2006, p. 79), the minimum sample size that is deemed sufficient 'to understand the common perceptions and experiences among a group of relatively homogeneous individuals' is twelve. In this regard, the ERU sample was made up of twelve respondents.

Paradoxically, although Dogood was a regional organisation, it was considered that the population from which the sample was drawn was quite heterogeneous due to the diversity of services offered by the organisation and hence the variety of positions occupied by respondents. Moreover, the trend of workforce professionalisation that transpired as data collection progressed tempted me to assume that there might be disparate value orientation within this group. Endorsing Warren's (2001) suggestion that the minimum number of respondents needs to be between twenty to thirty for an interview-based qualitative study to be published, I managed to secure a sample size of twenty-one respondents for the Dogood case study.

The third and final factor that determined the study's sample size is the issue of saturation. According to Bryman, one of the contributors of the discussion paper on sample size written by Baker & Edwards (2012, p. 18), saturation is achieved when 'no new theoretical insights are being gleaned from the data'. In this study, the repetition of somewhat similar arguments by respondents was an indication that saturation point was reached.

#### **4.3.5 Data collection sources and methods**

As part of the strategy to enhance the rigour of this study, data triangulation was undertaken to achieve a more detailed picture of the situation (Yin 2014) and to enhance confidence in findings through the development of converging lines of inquiry (Yin 2014). Hence, the sources of evidence that were used in this research consisted of documentary evidence, semi-structured interviews, focus groups and observational evidence and field notes. Another layer of triangulation was added by collecting data from multiple groups of individuals, namely senior managers, line managers and employees. In that way, this study answered the call for providing a comprehensive picture through the use of multiple data sources, including assessing employees' perceptions (Khilji & Wang 2006; Tregaskis et al. 2013; Truss 2001). Table 4.1 provides a summary of the various data sources and data collection methods employed in this study.

**Table 4.1 Sources of evidence and data collection methods**

<b>Source of evidence</b>	<b>Dogood</b>	<b>ERU</b>
<b>Documentary data</b>	Internal documents Public sources	Internal documents Public sources
<b>Senior management</b>	Face-to-face interviews	Telephone interviews Face-to-face interviews
<b>Line management</b>	Face-to-face interviews	Telephone interviews
<b>Employees</b>	Face-to-face focus groups	Telephone interviews One virtual focus group (video conference)
<b>Observational evidence and field notes</b>	Informal and direct observations during interviews and focus groups	Informal and direct observations during face-to-face interviews and virtual focus group

*First source of evidence: documentary evidence*

First, documentary evidence was derived both from public sources and directly from the organisations. In the former case, information was extracted from the organisations' websites whilst in the latter case, confidential documents were communicated by the organisations. In the case of Dogood, a wide array of documents, in the form of mission and value statements, annual reports, information booklets and brochures, HRM policies, processes and guidelines, strategic plans, organisational charts, strategy maps and staff engagement surveys were delivered by the Senior HR Manager. In ERU's case, the union's strategic plan and the induction booklet – which was made up of the vision and value statement, organisational structure, decision-making and communication procedures, and employment terms and conditions – was transmitted by the National Secretary.

### *Second source of evidence: data collected from key informants*

A second source of evidence consisted of conducting semi-structured interviews with key informants, i.e. senior and line managers. Key informants were provided with an information sheet about the study (see Appendix A) as part of the research protocol. Those who agreed to participate were required to execute a consent form (see Appendix B).

Although interview guides together with relevant probes were prepared in advance (see Appendices C, D and E), I did not strictly adhere to them. Instead, enlightened by the works of Braun & Clarke (2013) and Shuy (2001), a progressive, participant-led approach was adopted. This approach entailed the use of spontaneous and unplanned questions to follow up with unanticipated issues raised by respondents, open-ended questions so as to encourage respondents to provide in-depth and diverse responses in their own words, and an informal conversational style which brought a degree of naturalness to the data collection exercise. For example, in an attempt to recontextualise questions to the familiar language of respondents, the term 'PA' was substituted with 'PDR' when interrogating Dogood's respondents, whereas the adjectives 'formal' and 'informal' were repeatedly utilised when referring to ERU's PA practices. Furthermore, as data collection progressed throughout the study, issues raised by prior participants were used to inform and guide subsequent interviews. In that way, interview questions were refined with time to tease out meaty issues. For example, in the case study of ERU, tensions between managerial practices and trade union values were found at the early stages of data collection. To better understand this tension, respondents were subsequently asked whether PA practices belong in trade unions.

It was decided that face-to-face interviews would be best suited for key informants because it would enable me to build rapport with interviewees and entice them to share their intimate knowledge and experience of the subject area. It was also considered that face-to-face contact would contribute to gathering observational evidence in the form of body language and physical settings. As mentioned by Shuy (2001, p. 548), the physical presence involved in face-to-face data collection methods provides 'communicative clues to the respondent's confusion, reluctance to answer, or discomfort', thereby allowing the researcher to rephrase questions. Also, face-to-face communications set the stage for 'contextual naturalness' which leads to open expression and comfort (Shuy 2001). However, considering that 'methodological frameworks do not apply neatly to the studied context' (Gibbert & Ruigrok 2010, p. 730), the method of conducting interviews was adapted to the circumstances of each case study.

In the case of Dogood, the initial objective of face-to-face interactions was successfully achieved. As such, face-to-face interviews, lasting approximately one hour, were conducted at the organisation's offices with key informants. Follow-up interviews were undertaken with the Senior HR Manager. By contrast, in the case of ERU, with the partial exception of two face-to-face interviews with the National Secretary, all other key informants were interviewed via virtual telephone interviews which lasted on average forty-five minutes. The reason for choosing virtual interviews was mainly motivated by the geographical location of respondents. As explained earlier in this chapter, the initial plan was to examine community welfare agencies based in the Victorian state, hence the suitability of face-to-face interviews. Nonetheless, with the expansion of the study's geographical scope and the participation of the nationally-based ERU, face-to-face interviews with dispersed groups of respondents were deemed, from a resource perspective, unreasonable. In this context, virtual interviews were perceived as the 'next best thing' to face-to-face interviews.

To be fair, I need to admit that the absence of visual clues and my limited ability to engage with respondents through nonverbal communication were deeply missed during telephone interviews. However, I attempted, to the best of my abilities, to make good these shortcomings by opening interviews with a brief introduction of my background and my study so as to project the 'human face' of the study. I also tried to make respondents feel at ease by clearly highlighting my role as an independent researcher, and by providing reassurances that data would only be disclosed to the supervisory team.

Despite the above limitations, the departure of the data collection method from the original plan in the ERU case study proved itself, down the line, to be a blessing in disguise. Indeed, virtual interviews offered the additional benefits of convenience and partial anonymity. As commented by Braun & Clarke (2013, p. 98), virtual interviews empower participants who lack the confidence in talking face-to-face or who wish to preserve their anonymity by confiding in a 'non-judgmental machine rather than directly in another person'. This appeared to be the case at ERU whereby respondents seemed to be comfortable disclosing sensitive information over the phone, particularly during the emotional period following the announcement that the National Secretary's office was contested. Indeed, during that period when the fate of the trade union was unknown, respondents appeared to be even more concerned about issues of anonymity.

### *Third source of evidence: data collected from employees*

In addition to documentary data and key informant interviews, this study employed a third source of evidence in the form of data collected from employees. As was the case for key informant interviews, employees were required to read an information sheet (see Appendix F) and execute a consent form (see Appendix G). Once again, a progressive, participant-led approach was endorsed by allowing participants some freedom in directing the flow of questions rather than rigidly complying with the focus group schedule (see Appendix H), and by using past data collection sessions to inform future data collection.

At the start of the study, it was decided that focus groups would be the most suitable method for enabling employees to talk about in-depth and sensitive issues (Wilkinson 1998b) while interacting with each other. This would in turn produce elaborated accounts (Wilkinson 1998a; Wilkinson 1998b) in which participants talk to each other using their own vocabularies (Wilkinson 1998a). In brief, it was expected that focus groups would help identify the ‘typically unspoken social norms, expectations and cultural understandings that emerge from deeper analysis of conversational exchanges’ (Massey 2011, p. 21) as well as collect data that emanates from both the individual, and from the individual as part of a larger group (Massey 2011).

Nonetheless, similar to the case of key informant interviews, this decision had to be reconsidered in the field to take advantage of serendipities and overcome emerging problems, particularly since the study ultimately branched out to national NPOs. At Dogood, three face-to-face focus groups sessions were undertaken, with one focus group being held in a site located far from the head office. In the case of ERU, however, data was collected from employees by virtual modes, and mainly via telephone interviews. According to Braun & Clarke (2013), focus groups are not the best methods for people who are geographically dispersed. Instead, as mentioned earlier, the use of virtual telephone interviews were a convenient method that partially maintained the anonymity of employees. This improvised method worked to the advantage of the study because ERU employees seemed more prepared to talk openly and share their fears, frustration and insecurities when they were given the opportunity to do so without being visually identified. This method was particularly helpful to tease out employees’ feelings on the sensitive issues of PA and the contestation of the National Secretary’s position. Besides, telephone interviews were the only way I could access workplace organisers who were virtually always in the field for member recruitment purposes.



Having said this though, one virtual focus group was also conducted at the ERU's national office by video conference. The group consisted of three administrative staff members from different state branches. Since participants were allowed to contribute to discussions at the same time, this virtual focus group mimicked a face-to-face group (Braun & Clarke 2013), thereby reaping the benefits associated to face-to-face methods.

Before moving on to the final source of evidence, I feel compelled to come back to two points in order to contextualise the data collection process at ERU. The first point relates to the inconsistent manner in which employees were made aware of the union's intent to formalise PA and its impact on the data collection process. Indeed, it was found that this information was informally communicated to some employees and not to others. In this tangle of inconsistency, I had to indirectly assess, at the beginning of each interview, the knowledge of participants so that I could frame my questions accordingly. This balancing act of carefully listening to the speech and tone of participants over the phone while at the same time being acutely mindful of my own choice of words to avoid being the bearer of 'bad' news made the data collection process at ERU a challenging exercise.

The second point relates to the contest for the office of National Secretary. The key aspect that needs to be highlighted here is that, though I was not a direct witness of this political episode, its effects seeped through the study in several ways, including in terms of the interactions (or lack thereof) with the gatekeeper and the HR Manager who were both largely unreachable during that period; the timing of data collection (with interviews being held on a fragmented basis since I had to rely exclusively on snowball samples during that period when the HR Manager was busy campaigning); respondents' emotion-filled responses; and generally accessing data (with one respondent pulling out of her participation and with the union eventually stopping additional data collection).

#### *Fourth source of evidence: informal, direct observations and field notes*

Finally, supplementary field notes were taken in this study as a result of informal, direct observations. This was mostly the case for Dogood where I spent considerable amount of time within the organisation's work environment, observing office settings and participants' behaviours and interactions during face-to-face data collection methods. As indicated by Ulrich & Brockbank (2005), physical settings not only send powerful messages about an organisation's values, culture and management style, but can also be read as an indication of the value attributed to its people. Hence, such visual snapshots of Dogood's organisational life

enabled me to make better sense of my findings. As far as ERU was concerned, the opportunity for collecting observational evidence was limited because of the prevalence of virtual modes of data collection.

To summarise this section and to answer the call for a more open enunciation and reflexivity of the basis of research method choices (Buchanan & Bryman 2007; Creswell 2007), it would be disingenuous to deny that my personal preference for the interpretative paradigm has partly shaped the choice of data collection methods. Seeing that one of my objectives was to capture social meaning in context, what better way to achieve this than through interviews and focus groups? This is not to suggest that these methods were inappropriate for addressing the research questions, far from it. In fact, all the arguments laid out in this chapter point in the other direction, i.e., the chosen research methods fitted with the purpose of the study.

#### **4.3.6 Data analysis procedures**

##### *Transcription*

All interviews and focus groups were digitally recorded and transcribed word for word. While most of the transcriptions were undertaken by the researcher, it is noteworthy that part of the transcription process was also outsourced to a professional transcription company. The ethical aspect of such outsourcing is examined in section 4.4. All transcripts were checked against the tapes for accuracy purposes.

##### *Thematic analysis*

This study used thematic analysis as the data analysis procedure. Thematic analysis is ‘a method for identifying, analysing and reporting patterns (themes) within data’ (Braun & Clarke 2006, p. 79). Different scholars have used thematic analysis in different ways and within different epistemological approaches. For example, while recommending the use of coding frames and multiple independent coders, Guest, MacQueen & Namey (2012) contended that ‘applied’ thematic analysis is more suitable for positivist frameworks. Despite making similar recommendations as Guest, MacQueen & Namey (2012) in terms of coding frames and multiple coders, Boyatzis (1998) discussed thematic analysis as a coding process that acts as a bridge between positivist and interpretative social science. In contrast, though claiming the universal application of thematic analysis to all epistemological approaches, Joffe (2012) still

argued that the process fits well with the assumptions of social phenomenology and the weak constructionism of social representations theory, which falls under the critical realist position. She also contends that ‘verbal interview (or focus group) data or textual newspaper data tend to be at the root of thematic research’, and that thematic analysis is most suited to address research questions that aim to elucidate ‘the specific nature of a given group’s conceptualization of the phenomenon under study’ (Joffe 2012, p. 212).

Given this wide variety of approaches, Braun & Clarke (2006) made a compelling argument regarding the flexibility of thematic analysis as an analytical tool. They argued that there is no ideal method or theoretical framework for conducting qualitative research. Instead, theoretical frameworks and methods should be consistent with what researchers want to know, and researchers must acknowledge chosen methods as decisions they have made to yield the observed results (Braun & Clarke 2006). In that regard Braun & Clarke (2006, p. 86) stated that ‘the exact form and product of thematic analysis varies ... there are no hard-and-fast rules ... and different combinations are possible. What is important is that the finished product contains an account – not necessarily that detailed – of what was done, and why’. On this account, this study has embraced a flexible thematic analysis approach, as propounded by Braun & Clarke (2006). Data was analysed in two main phases: the initial within-case analysis phase, and the subsequent cross-case comparison phase. The data analysis procedures are summarised in Table 4.2.

**Table 4.2 Research audit process**

Stage	What was done?	Why was it done?
1. Data familiarisation (within-case analysis)	Reading transcriptions; compiling transcript summary; noting preliminary ideas	To get a feel of the data, thereby informing the subsequent coding process
2. Data coding (within-case analysis)	Deductive data coding; inductive data coding and simultaneous revision of initial deductive codes	Hybrid coding was undertaken to strike a balance between existing theoretical arguments and novel ideas
3. Theme development and revision (within-case analysis)	Identification and revision of themes at the 'latent' level, and development of a thematic map (see Figure 1 of Appendix K)	To produce conceptually-informed interpretations of data
4. Theme comparison (cross-case comparison)	Comparing the themes across the cases	To acquire enhanced understanding of data

*Source: Adapted from Braun & Clarke (2006)*

#### *Within-case analysis*

In the initial within-case analysis phase, I started by reading through the transcriptions to develop a general understanding of data for each case study organisation. To contextualise and inform the interpretation of the data, a summary was compiled at the beginning of each transcript. The summary included information about the respondent's own account of current position in the NPO, number of subordinates (if the respondent is in a managerial position), tenure, prior experience in other sectors, and state branch (in the case of ERU).

Upon completion of the above 'data familiarisation' step described in Table 4.2, I proceeded to the coding step. On basis of Braun and Clarke's (2006, p. 84) statement regarding how 'researchers cannot free themselves of their theoretical and epistemological commitments' while coding, I employed a hybrid approach of deductive and inductive coding. This hybrid approach served two purposes. First, deductive thematic analysis acted as an acknowledgement that any coding process inherently involves some form of theoretical considerations, and that data analysis does not occur in a vacuum. Thus, deductive coding enabled me to focus on pertinent theoretical concepts. Second, inductive thematic analysis enabled me to stay true to

my epistemological commitment, remain flexible in my approach, and discover emergent understandings.

In terms of the coding steps, deductive codes that were inspired from the research questions (and hence the conceptual framework) were initially generated. Examples of deductive codes included 'PA system', 'external environment', 'values', 'fit', and 'justice'. At the same time, inductive codes that were strongly linked to the data were identified. For instance, it was clear that professionalisation and corporatisation were important factors that influenced the case study organisations' value-base, operations and HRM strategies. Therefore, an inductive code 'corporatisation' was created to capture this emergent finding. Similarly, as data analysis progressed, it became clear that respondents made a distinction between organizational values and their individual values. As a result, inductive codes 'values commitment/myopia' and 'core values' were created to capture this distinction. In sum, the inductive thematic analysis process resulted in the revision of the set of deductive codes initially identified. At this data analysis stage, a peer debriefing strategy was applied to ensure the suitability of the coding and interpretation procedures. This strategy is examined in section 4.3.7.

The next step that I undertook pertained to the identification and revision of themes (as shown in Table 4.2). This step was conducted at the 'latent' level (Braun & Clarke 2006). Themes were developed in accordance with the research questions, and data was interpreted through the concepts advanced by the conceptual framework. This step allowed me to reflect on questions pertaining to the theoretical meaning and implications of themes, and the reasons behind the occurrence of these themes. In sum, this step produced conceptually-informed interpretations of data. A thematic map was developed at the end of this step (see Figure 1 of Appendix K).

#### *Cross-case comparison phase*

As indicated in Table 4.2, the final step of the data analysis process related to examining the themes that cut across the two case studies. This step was once again driven by the research questions. As argued by Bazeley (2013), comparative analysis represents one of the tools that guide researchers through their analytic journeys. Accordingly, in this study, cross-case comparison was viewed as an opportunity to further explore data and understand their dimensions.

#### **4.3.7 Rigour matters**

Qualitative writers, while proclaiming the importance of demonstrating the quality, reliability and validity of qualitative studies, have identified various strategies for enhancing the rigour of qualitative work (Bazeley 2013; Braun & Clarke 2013; Creswell 2007; Gibbert & Ruigrok 2010; Silverman 1993). In the course of identifying eight such strategies, Creswell (2007) noted that any given study must adopt at least two of them. This study has attempted to meet the rigour criteria of confirmability, credibility, and transferability (Amis & Silk 2008; Lincoln & Guba 1985) in several ways.

First of all, in addition to data triangulation, the fact that I, the researcher, engaged in reflexivity of my own position in relation to the research process contributed to fulfilling the ‘confirmability’ criterion. Indeed, by commenting on my past experience and interests in the nonprofit sector, and by continuously reflecting on how my own self-interests might have influenced my research method choices, I wanted to strike at the heart of the issue of bias by making readers understand where I was coming from and how my position might impact the inquiry (Creswell 2007). The second criterion, ‘credibility’, was met through data triangulation, and prolonged engagement with the field. As far as the ‘transferability’ criterion was concerned, it was addressed in two ways: first, presenting settings, samples’ details and findings through rich, thick descriptions in order to enable readers make decisions as to whether insights can be transferred to other settings (Creswell 2007); and second, acknowledging the limitations of the study in terms of the lack of transferability of results (outlined in Chapter Ten).

In the course of documenting methods, I also adopted the ‘rigour-enhancing’ suggestions proposed by Gibbert & Ruigrok (2010): first, reporting concrete research actions rather than abstract criteria (termed as ‘talk the walk’ strategy); second, adopting an ‘offensive’ strategy when it comes to explaining the rationale for case selection and analysis; and, third, creatively using setbacks and making the best use of available resources. With regards to the first recommendation, great care was taken to take readers, in a nontechnical and vivid manner, through the methodological stages of the study (e.g. how the sampling strategy and data collection methods were skillfully crafted to reflect practical issues of access and how data was analysed in a hands-on way). In relation to the second recommendation, the case for widening the scope of the study to be able to take into account two different types of sturdily value-laden NPOs was diligently and cogently argued in this chapter. Finally, I made the point of

consistently highlighting setbacks encountered during fieldwork and how they actually ended up adding value to the context of the study. For instance, it was noted that the use of acquaintances to access ERU resulted in an interesting piece of research in the controversial and sensitive context of unions; the emergent sampling strategy helped shed light on some tensions experienced by both NPOs; whilst the use of virtual interviews at ERU appeared to provide additional anonymity comfort to participants, particularly during the emotional pre-election period.

Yet another strategy for increasing reliability was to organise all collected materials in a case study database (Yin 2014). For privacy reasons, access to the database was granted (via Dropbox) only to the researcher's supervisory team to enable the latter to inspect collected data. At the same time, respondents were made aware, both orally and in writing (see Appendices A and F), that data would be shared with the researcher's supervisors.

Another validation strategy was the use of peer debriefing as an external check to the research process. In that case, an informed colleague not involved in the research project was made to review a data sample and to play the devil's advocate by looking at the suitability of the study's coding procedures, exploring biases and clarifying interpretations. In order to address the issue of confidentiality, the identity of participants and the organisation was deleted from all parts of the text communicated to this colleague.

Finally, by continuously reflecting on my role as a researcher and on the research relationship with respondents, I was engaged in a reflexive process that enabled me to become aware of my own assumptions and preconceptions. Such epistemological reflexivity (Harper & Thompson 2012) contributed to the rigour of the study.

As rightly mentioned by Whiteley (2012, p. 258), 'there is no one recipe for rigour (apart from the inviolable rules of ethical conduct'. In that regard, it is my contention that, combined together, all the above-mentioned strategies contributed to improving the quality of this study and securing 'a credible approximation of a version of reality' (Amis & Silk 2008, p. 465) in both case study organisations.

#### **4.4 Ethical considerations**

Sound ethical practices need to be inbuilt into the design of all research projects to protect participants from harm (Neuman 2011). In view of fulfilling my ethical responsibility, I submitted an ethics application to the Victoria University Human Research Ethics Committee which was approved (ethics application number HRETH 12/286) prior to data collection. As previously discussed, informed consent was sought from all participants. The latter were provided with an information sheet which included a brief description of the purpose and procedure of the study; a statement that participation is entirely voluntary and may be withdrawn at any time; a statement of potential benefits gained from and potential risks associated with participation; a guarantee of anonymity and confidentiality of records; and, the identification and contact details of the researcher, her principal supervisor and the Victoria University Human Research Ethics Committee (see Appendices A and F). In return, participants were asked to complete a consent form acknowledging that they were aware of the objectives, risks and procedures of the study, and agreeing to the audio taping of the session and the publishing of findings (see Appendices B and G).

In addition to the ethics application process, five practical strategies were implemented to conduct the study in an ethical manner. First, save for the convenience sample at Dogood, the information sheet and consent form were communicated to participants several days prior to the data collection exercise in order to give the latter enough time to go through the documents and raise any concerns they might have. Second, at the beginning of each session, I systematically provided a brief overview of the study and the implications of participation to remind participants of their rights and clarify any issues. Third, although part of the data transcription process was outsourced to a professional transcription company, recordings were anonymised by deleting any reference to the organisation's and participants' names. Furthermore, a confidentiality and intellectual property undertaking was executed by the transcription company to prevent disclosure of any confidential information (see Appendix J). Four, in order to avoid retracing online or published secondary data back to the case study organisations and respondents, the data collection periods have been deliberately concealed. Besides, all citations, the titles of most respondents and their gender have been anonymised in the study. As such, all respondents have been assigned to the female gender. Five, hard copy data were stored in a lockable metal filing cabinet. Data collected in hard copy were scanned



and saved, together with other soft copy data, in a case study database that was made accessible to my supervisory team only.

#### **4.5 Conclusion**

In summary, this chapter presented a discussion and justification of the methodology employed during fieldwork. The application of a case study research design involved the collection of qualitative data by way of documentary evidence, interviews, focus groups and field notes. The rationale for selecting the two case study organisations – Dogood and ERU – as well as the reasons for the sampling strategy and sample size were presented. After a fine-grained examination of the data collection and analysis procedures, the numerous strategies for improving the study's rigour criteria were explored. Finally, the ethical considerations of the study were laid down. Now that the methodology has been outlined, the next four chapters will proceed to examining the findings from this study.

## CHAPTER FIVE: DOGOOD (PART I)

### *External and internal HRM environments*

#### **5.1 Introduction**

Chapter Four outlined the case study research design and methods used in this study. The chapter introduced the chosen paradigm, explained the rationale for selecting the two case study organisations, described the sampling strategy and sample size, examined data collection and analysis procedures, and explored rigour-enhancing strategies.

Chapter Five presents findings from the first case study organisation, Dogood. More particularly, this chapter focuses on themes related to the first three research questions addressed by this study, namely the effect of external environmental conditions on Dogood's PA practices, the relationship between Dogood's core values and its PA practices, and the degree of vertical and horizontal alignment at Dogood.

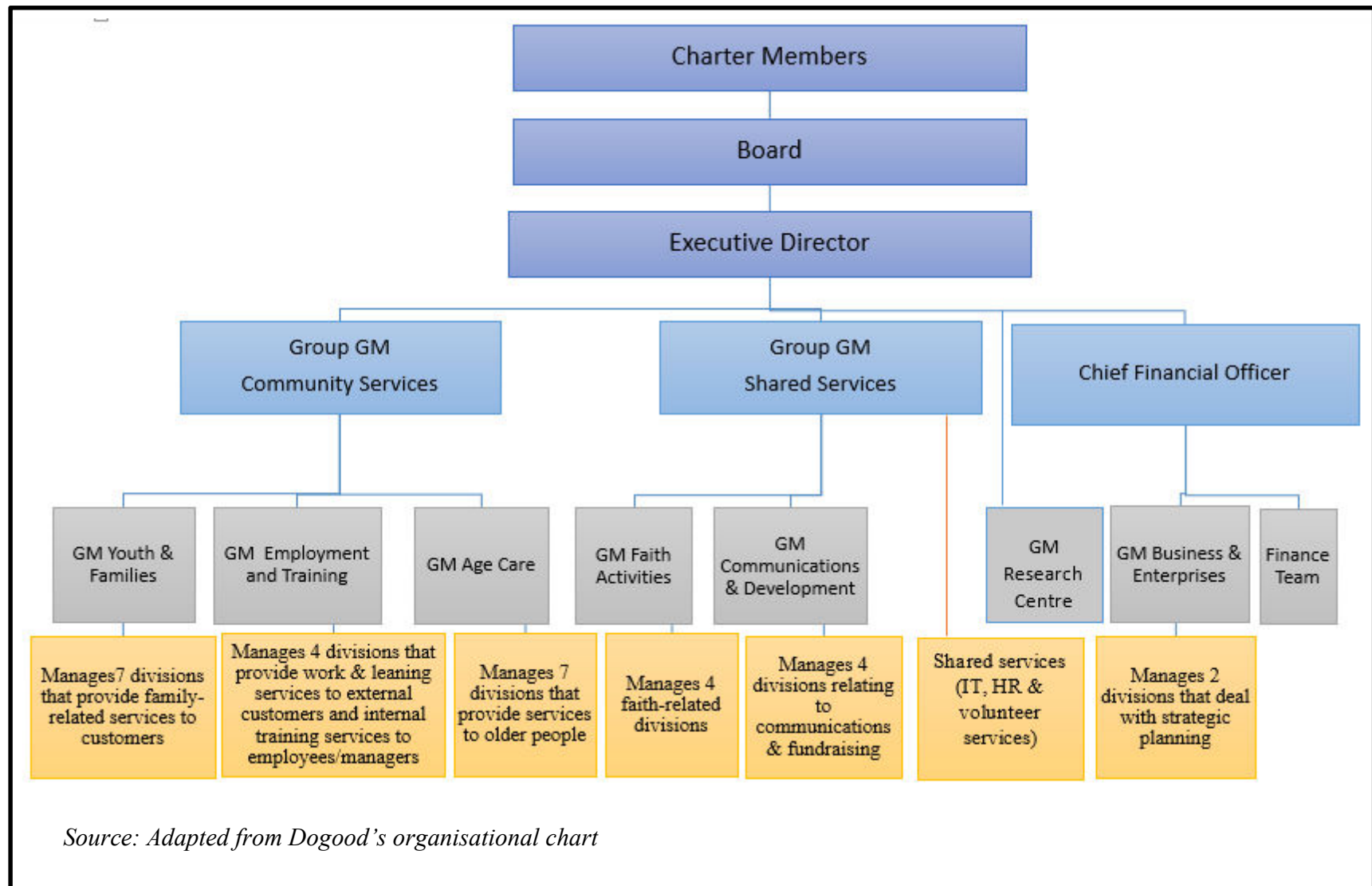
Multiple data sources were utilised for this case study. Primary field data was collected using a multi-level qualitative approach. This involved semi-structured face-to-face interviews with key informants (three senior managers and five line managers). All managers were given the opportunity to discuss the practice of performance appraisal (PA), especially in terms of Dogood's values. The senior managers were questioned on the organisation's operating environment, strategic fit and challenges. Three focus group sessions, made up of a total of thirteen employees, were also undertaken. Focus group participants were questioned about their experience of PA, their fairness perceptions and values they felt were important in their work. Field notes and observational data were also utilised. Additionally, a wide variety of documentary secondary data in the form of annual reports, human resource management (HRM) policies and guidelines, strategy documentation, internal research papers and surveys was explored. An analysis of the primary and secondary data yielded several themes, all of which are discussed in this chapter. Finally, for ethical reasons, the female gender was chosen as the gender-neutral term.

Chapter Five is divided into four sections. The first section 5.2 briefly sets out Dogood's profile in terms of its mission and values, structure, services, and workforce. The second section 5.3 outlines the impact of the external environment on the organisation's value-based rhetoric and its HRM practices. In doing so, section 5.3 addresses the first research question. The third section 5.4 then proceeds to examining the current PA practices at Dogood and to exploring the relationship between PA and the organisation's core values, thereby addressing the second research question. The fourth section 5.5, which aims at addressing the third research question, is dedicated to discussing the notions of vertical and horizontal fit.

## 5.2 Profile

Founded in the early nineties by an Anglican priest, Dogood is a medium-sized community welfare organisation based in Melbourne (Dogood 2014c). Being a faith-based Christian organisation, Dogood has, in its value statement, framed its values around compassion, generosity, and innovation (Dogood 2012b). According to its policies, the organisation attempts to achieve its vision of eradicating poverty in Australia by innovatively combining service delivery with research and policy development (Dogood 2012a; Dogood 2012b), thence making its mark as a '*learning organisation*' (Group GM Community Services). As such, not only does Dogood offer welfare services to the disadvantaged, but it also works in close collaboration with government agencies, for-profit businesses and other philanthropic organisations (Dogood 2014d) '*to shift the culture of the country in the way that it deals with handling poverty*' (Senior HR Manager). For this reason, Dogood has long been considered as an '*iconic organisation*' within the Australian welfare sector (Senior Project Manager).

In terms of its organisational structure, Dogood is run by its Executive Director whose role and decisions are overseen by a board of directors. The latter are themselves elected by the Charter Members. Dogood's hierarchical organisational structure is illustrated in Figure 5.1. As shown in this figure, the Group General Managers (Group GMs) report directly to the Executive Director. These Group GMs in turn have direct reports – General Managers – who are responsible for specific divisions/programs.



**Figure 5.1 Organisational structure**

In terms of its workforce structure, Dogood employs approximately 521 paid staff, of which 23 per cent are full-time permanent, 8 per cent are full-time contract, 31 per cent are part-time permanent, 12 per cent are part-time contract, and 26 per cent are casual workers (Dogood 2014a). The organisation also has around 1200 volunteers under its wing (Dogood 2012c). Like other nonprofit organisations (NPOs), its workforce is predominantly female, with nearly 80 per cent of its non-managerial positions being occupied by women, and 70 per cent of the managerial workforce being women (Dogood 2014a).

Dogood provides numerous services to a wide range of users including those with disabilities, children and families, young and older people, unemployed individuals and refugees. Some of its services include the provision of childcare services, residential aged care facilities, day and respite services, job-seeker and training services, amongst others (Dogood 2013b). Its services are targeted to local communities in Victoria, and are funded by various means, with government funding being its predominant source of income. In 2013, 62 per cent of its revenue came from government contracts, with 23 per cent being derived from the sale of merchandise by its community stores, 7 per cent from corporate and individual donations, and 8 per cent from fee payments (Dogood 2013a).

### **5.3 Impact of the external environment**

#### *Businesslike HRM practices*

Like most NPOs, Dogood has been influenced by government funding cuts (Senior HR Manager). In the battle against other NPOs and for-profit organisations for scarce financial resources, Dogood has been pushed to professionalise its services and certain parts of its workforce (Dogood 2014b), and to shape its HRM practices in line with the business model (Senior HR Manager). The reason for shifting to a corporate HRM model was advanced by the Senior HR Manager in terms of the need for a robust and an efficient HRM system which will enable the NPO to achieve its strategic goals within its resource-scarce environment. Her arguments are poignantly captured as follows:

*‘I think NGOs should be operating the same way as corporate organisations when it comes to their people management. ... We might have a smaller pocket to draw from, but it’s more precious because of that. ... We need a sophisticated as efficient and*

*effective system as any other organisation. To think that we don't is naive because we bear the costs of that'* (Senior HR Manager).

Paradoxically, there was evidence that the main factor that triggered the need for corporatisation in the first place – resource scarcity – was the same factor that limited Dogood in its ability to fully corporatise its HRM practices. This finding was borne from the Senior HR Manager's remarks. The latter reported that while developing a new induction policy, she could not completely emulate business practices because *'there's a long way for us to go before we can get the organisation or the executive team to see the value of spending a month's salary inducting somebody before they hit the road running. Not-for-profits would often talk about 'can this person hit the road running?' We need someone who can do this now'* (Senior HR Manager).

#### *Value conflicts*

Of significant concern, such professionalisation appeared to have brought about a contradiction between the organisation's mission of meeting the needs of the disadvantaged and its compulsion to operate like a business. As stated by the Executive Director in his speech on welfarism, Dogood's *'familiar welfare model of paid professionals, case managing their young, homeless clients, under rules specified by a government funding agency'* meant that the organisation's *'roots in the local community were largely severed'* and that *'it operated largely in isolation from the local community'*. As a consequence, *'we not only lose the sense of responsibility that citizens have for issues in their community ... we also lose the diversity of networks and connections and opportunities that the broader community can bring to social needs'* as well as the *'intangible quality of authenticity that is created through voluntary caring relationships'*, thereby leading to a significant decline in *'the richness and effectiveness of service provision'* (Dogood 2014b, p. 3-6).

Furthermore, there was some indication that directions, rules and expectations emanating from those external parties which control the organisation's resources represented sources of value conflicts at Dogood. Evidence of this came from one senior manager who reported that service provision by Dogood may sometimes become so bureaucratic and *'strangled by government regulation requirements and red tape'* that it defeats the objectives of the program. She added that such stringent rules may distract Dogood from its original mission and result in the organisation *'becoming a sort of drone of the government'*. Nevertheless, she indicated that Dogood had, in the past, abandoned programs when it was felt that such rigid bureaucracy

significantly encroached on its organisational mission and values (Group GM Community Services).

Additionally, this same senior manager revealed how partnerships between Dogood and other NPOs have previously been built around *‘the desire to get the benefits of utilising each other’s resource-based or capacity’*, but have failed due to the lack of *‘a natural cultural, values fit between the way in which the organisations work and what they believe in’*. In other words, though Dogood sought to address its problem of resource scarcity by cooperating with other NPOs, such partnerships proved to be unsuccessful due to value conflicts. Finally, this respondent cautioned Dogood not to dance to the tunes of donors and design programs having regard exclusively to donors’ preferences for fear that the latter would pull the plug on their funding if they were not happy with the organisation’s services (Group GM Community Services).

On a related note, one employee observed how internal organisational needs are neglected because of more pressing needs to compete for funds and to deliver high quality services (HR Consultant). Likewise, another line manager highlighted how service contracts by government are so poorly funded that the organisation may sometimes end up being driven by fund-raising concerns at the expense of value-based considerations. She stated:

*‘When the government puts a tender out for services ... we’ve got to run something and it’s this much money. ... The overheads around that stuff are large. So some people’s time topple up in chasing money so that we can then deliver services. I do wonder sometimes whether the service we deliver are aligned, whether they are just going for the cash. In that instance we can lose sight [of our values]’* (IT Manager).

From the above comments, it appears that Dogood is faced with the dual challenge of attracting funds and resources while concurrently guarding itself from mission and values erosion. The above senior manager’s claim that Dogood has, in the past, pulled out from programs indicates that the organisation has, to some extent, tried to mitigate mission drift by establishing limits beyond which it will not tolerate government interference. However, it is equally clear from the aforesaid accounts of value conflict that, because of its resource dependency dynamics, the organisation has not always succeeded to strictly conform to its values.

### *Volatile conditions and low-quality HRM implementation*

In addition to such value conflicts, there was evidence that the organisation's dependency on external funding sources also negatively influenced its ability to effectively implement HRM practices in a consistent manner organisation-wide. This finding was borne from the HR Consultant's remark of how overnight changes in funding generally led to unexpected program expansions and contractions which in turn implied constant fluctuations in workforce density and perpetual employee movements. In that regard, she stated:

*'Programs ... expand and contract very quickly ... We get an idea, we get a government grant ... Within three months ... we're up and running ... It's very hard when you're putting in procedures and processes within a very organic workforce ... everything's a wait and see game'* (HR Consultant).

Similarly, the Senior HR Manager admitted that the volatility of funding and hence programs meant that managers were under constant pressure to fill positions quickly, and very often this was done at the expense of recruiting the most suitable candidate. In other words, it appeared that recruitment practices were poorly implemented due to volatile environmental conditions and stringent timeframes.

### *Flexible PA practices*

On a more positive note, there was some indication that Dogood was aware of the impact of external environmental factors on employee performance. As articulated by one senior manager:

*'Staff sometimes you can do the very best job that you can do but it's often in the hands of a whole range of people as to whether or not you get the outcomes that you want to get ... whether or not government is responsive to removing some of the barriers or creating a more facilitative environment in which the program or clients can operate'* (Group GM Community Services).

From that perspective, this respondent encouraged the development of flexible PA practices that can distinguish between individual performance and external influence.

To summarise this section, it seemed that because of its reliance on government and other funders for its survival, Dogood was prone to interference from external environmental factors. As a result, changing conditions in the external environment not only acted as a stimulus to



provoke an internal change in its HRM practices, but also generated value conflicts within its internal organisational environment. This first key finding is summarised in Table 5.1.

**Table 5.1 Impact of the external environment**

<b>External Environmental Conditions</b>	<b>acted as a stimulus for</b>	<b>Internal Organisational Change (HRM)</b>	<b>and generated</b>	<b>Value Conflicts</b>
<i>such as</i>		<i>in terms of</i>		<i>in terms of</i>
Government funding cuts  Funding fluctuations  Resource scarcity  Funders' directions and expectations		Content of HRM practices: <ul style="list-style-type: none"> <li>• Businesslike practices, with such practices being adapted to Dogood's resource scarce context</li> <li>• Flexible PA practices</li> </ul> Process of HRM practices: <ul style="list-style-type: none"> <li>• Low-quality implementation of HRM practices due to volatile environmental conditions</li> </ul>		Neglect of core values in NPO partnerships, service delivery and within internal organisational environment

## 5.4 Performance appraisal practices at Dogood

This section 5.4 presents findings related to Dogood's PA practices. Section 5.4.1 introduces Dogood's current PA system known as the Planning, Development and Review (PDR) system. Section 5.4.2 examines the reality of PDR, and produces evidence of the system's ambiguity, inconsistency, subjectivity as well as its incoherence with the nonprofit sector's language. Section 5.4.3 presents evidence of the disconnect between the PDR system and Dogood's core values.

### 5.4.1 The Planning, Development and Review (PDR) system

In 2011, Dogood implemented a new PA framework called the 'Planning, Development and Review' (PDR) system. As such, as of the date of data collection, PA was in a state of transition at Dogood. The PDR system was designed to replace the former PA system which, according to the Senior HR Manager, failed to meet the organisation's needs. In stark contrast to the

previous PA system which was developed as part of a committee, PDR was proposed, developed and implemented by the Senior HR Manager. As indicated by the latter, implementation consisted of establishing a communication plan, pilot-testing and fine-tuning the system, gradually rolling it out across the organisation, conducting management and employee training on the mechanics of the system, and subsequently implementing the system online. PDR's full-fledged documentation was also disseminated through the local intranet (Dogood 2011a; Dogood 2011b; Dogood 2011c; Dogood 2011d; Dogood 2011e; Dogood 2011f; Dogood 2011g; Dogood 2011h; Dogood 2011i; Dogood 2011j).

In view of enhancing efficiency, accountability and organisational performance, the PDR process was inspired from the business world, and was adapted to the nonprofit sector (Senior HR Manager). One such adjustment consisted of elaborating PDR around the Community Sector Workforce Capability Framework (CSWCF) – a competency model deemed as best practice in the community sector (Dogood 2011g; DoPaC 2011). PDR consisted of both assessing how people performed against their individual objectives and their behaviours. Dogood tried to encourage behaviours that the community sector valued by linking employees' behaviours to the CSWCF. As stated by the Senior HR Manager, since there was no performance-related-pay at Dogood, the rating system was kept simple in comparison to more rigid scales used in for-profit organisations. In terms of the sources of performance feedback, the Senior HR Manager indicated the practice of having employees' performance evaluated by their direct supervisors.

#### **5.4.2 PDR reality: Ambiguous, disconnected, inconsistent, and subjective practices**

##### *Ambiguous PA practices*

In spite of the rhetoric adopted by the Senior HR Manager regarding the efficiency of PDR, in reality there was copious indication that the PDR policy was perceived as ambiguous by senior management, line management and employees, with many respondents admitting being overwhelmed by the extensive information and documentation around PDR. For example, the HR Consultant expressed the difficulties encountered by manual workers to comprehend PDR's link to the CSWCF, while the National Manager held that:

*‘There were so many documents, there were so many explanatory documents for documents. ... It was quite clear people didn't have a good understanding and ... they*

*would end up with more questions because the language perhaps wasn't clear enough in the documentation'* (National Manager).

The data revealed that such perceived ambiguity was caused by three factors. In the first place, one senior manager reported that such ambiguity stemmed from the novelty of the system and the fact that it was only recently rolled out (Senior Manager Community Services). Next, several respondents identified the complex language around PDR and the shortcomings of the PDR training as the main culprits for their lack of understanding. While a few employees noted that the significant time gap between PDR training and PDR implementation made it difficult for them to remember how the process worked, the Care Manager suggested that the training session was too intensive and that employees and managers were overloaded with information in one session. Part of the confusion was also attributed to the competency framework around which PDR was developed. Lastly, there was some indication that a few employees were not inducted on PDR, and as such were unfamiliar with the process.

Overall, such complexity was said to '*take away from the core values and message*' of Dogood (Program Officer), and was described as having the potential to '*surprise*' people: '*if you suddenly surprised people with the process then they become cynical, and they lose faith in the system*' (Senior Manager Community Services). Such ambiguity also made employees approach PA with a suspicious mind frame. Such employee defensiveness was captured when one Teacher commented how PDR was used as a '*subterfuge*' by Dogood in performance managing employees when the message that was initially sent was that PA would be used for developmental purposes. In that respect, she added: '*now that I know that there's two parts to the system ... it adds more caution to what I'm engaging in*' (Teacher).

#### *Disconnected businesslike PA practices*

From the data, there was also some indication that the application of a 'for-profit' PA system in Dogood's nonprofit setting failed to reflect the organisation's value and work orientations. Evidence of this originated from the Senior Project Manager who was responsible for organisational development activities. According to this respondent, since '*the language of it [PDR] reflected business language, not not-for-profit language*', it was hard for community workers to engage with PDR. She stated that '*in the mind of welfare people, a business plan is about how to make a profit. We're here to provide a service ... and people say that, "They [HR] keep trying to fit us into a narrow business model that doesn't relate to what people in Services do"*'. She further added that such business terminology sent inconsistent messages

regarding the roles and functions of employees, and consequently disengaged employees from the organisation. To illustrate her point, she reported that because one employee was attributed a business title which was not representative of the actual value that she brought to the organisation, people were confused people about her role and *‘the nature of her title doesn’t create a connection between herself, Org Services and the community services area’* (Senior Project Manager).

### *Inconsistent PA practices*

In addition to the above, there was evidence that the PDR process was not consistently implemented across the organisation. While senior managers were under the impression that PDR was consistently undertaken for all employees, in reality there was disturbing proof that PA was not conducted for several line managers and employees. Furthermore, the National Manager expressed her doubts as to whether PDR was undertaken for senior managers.

In those cases where PDR was actually undertaken, there was a rich tapestry of data suggesting low-quality PA implementation due to various factors, including lack of people management skills, excessive workloads, lack of accountability mechanisms and the undefined status of PDR. In relation to the first factor, it was stated that since line managers were promoted to their current position by reason of their work experience, they lacked people management skills. As a result, they did not always know how to implement PDR accurately (Senior Project Manager). Such line management’s lack of people management skills was equally echoed by a few employees.

Another employee reported being *‘just so snowed under’* that it was hard for her manager and herself to get PDR done (Teacher). Besides, the IT Manager’s account of how senior management did not always implement practices due to time constraints and busy schedules clearly illustrated the negative impact of excessive workloads on PA implementation.

On top of that, that same line manager expressed the view that PA was not uniformly conducted because of a lack of accountability mechanisms. The latter claimed that since there were no consequences for ignoring HRM policies, *‘people use these functions when it suits them and they’re quite happy to forget about them when it suits them ... and that’s certainly something that happens in the NGO sector more so than other sectors’* (IT Manager).

At this stage, it should be noted that the above factors were applicable regardless of which PA system was in operation at Dogood. In other words, both the current PDR system and the previous PA system were inconsistently implemented.

Yet another incidence of low-quality PA implementation emanated from the National Manager who recently joined Dogood from the public sector. The latter conveyed the undefined status of PDR as a compulsory HRM practice as the main reason for not being able to implement PA in the manner intended by the organisation. Indeed, since PDR was gradually rolled out across the organisation and was in a transitional phase, it was not, in its initial implementation stages, framed an obligatory process (Senior HR Manager). As a result and as reported by the National Manager, such unclear status of PDR led to a situation where implementation was left to managers' discretion and where employees questioned its legitimacy: *'staff ... ask questions about why we are doing it, why do we have to do it, other people don't have to do it'* (National Manager).

As a final point, it seems appropriate to briefly mention here the fact that such PA inconsistency generated feelings of procedural injustice amongst employees. This issue is more fully described in Chapter Six.

#### *Subjective PA practices*

More than this, there were suggestions of PA being subjectively administered by line management. This was voiced by several employees and managers, including the Senior HR Manager. While the latter conceded that employees were generally anxious of PA being biased and unfair in terms of their relationships with their managers, the Care Manager expressed the view that PA depended on appraisers' personalities and management styles. In the same vein, one employee reported that appraisers' idiosyncrasy would always influence performance ratings. Her discussion unfolds in the following quote:

*'The process will depend a lot upon ...the manager's opinion of your performance. ... Whether I write a piece of work for my manager, and my manager thinks it's great. I can hand it to the next manager, and the manager will say, "Well actually no. I don't think that's a good piece of work". So it's very subjective'* (HR Consultant).

### 5.4.3 Disconnect between performance appraisal and core values

Another finding that emerged from the data was the failure of Dogood to effectively integrate its core values into its PDR system. Although the documentary data and comments from a few managers suggested that Dogood attempted to promote its core values by including them in the PDR form, in reality, however, there was evidence that the organisation was unsuccessful in building values-based behaviours into its PA system.

To begin with, a documentary analysis revealed that although Dogood tried to encourage behaviours aligned with the values in its competency model, the fact that it applied an off-the-shelf competency model logically meant that behaviours encouraged were aligned with generic values of the community sector rather than the specific values of Dogood. This mismatch not only weakened the link between PA and values, but it also created confusion amongst employees as to which values were being supported by Dogood.

Moreover, the data revealed that senior managers were not versed in making the link between organisational values and PDR. This finding came from one senior manager who articulated that *'I'm not convinced that when I do my PDRs that I'm here to promote and instil the core values. I don't know if I've got to that point yet'* (Senior Manager Community Services). Also, it was observed that the Senior HR Manager, who was intricately involved in the design and implementation of PDR, was unable to recall and relate to Dogood's core values: *'So the PDR... our values, our mission are all incorporated in that, on the first page. I'm not going to be able to quote for you, I can promise you that [laughter]'* (Senior HR Manager). The latter's apparent disconnect from organisational values appeared to indicate that the documentary link made between PDR and values was undertaken as a purely mechanical task, and that in reality no strong synergies existed between PDR and Dogood's core values.

Next, it was explicitly reported by the National Manager that *'there is nothing really ... that builds those values into it [PDR]. Like, performance structure say what are your objectives should be, should link to the objectives above you and so on and so in the hierarchy until you get the values and vice versa. They just don't really appear besides in that front page documentation. I feel like there's a bit of a disconnect'*. Having said this though, a caveat was formulated by that line manager as follows: *'It's just not really documented anywhere, but you can make those links, what we are doing here, what our overriding values are'* (National Manager). From that respondent's comments, it appeared that although the organisation's values-expressive character did not explicitly drive its PA practices, the link between values

and PA could, to some extent, be inferred by virtue of the nature of the work undertaken by the organisation.

Curiously, although employees in one focus group session articulated a contradictory view to the above line manager in terms of the visibility of core values within the PA context, they nevertheless reached a similar conclusion in terms of the incoherence between PDR and organisational values. In that regard, one employee expressed the view that PDR documents were ‘*verbose*’ and so interconnected with organisational values that it was hard for employees to relate to them (Education Program Coordinator). Another employee summed her perceptions of PDR as ‘*just one more piece of work that doesn’t feel like it’s directly connected to what you have to do on the ground*’ and that was not ‘*linked to your role and your values in your work and the organisational values*’ (Teacher).

In a similar vein, one Administration Assistant in a different focus group stressed that the mere mention of values in organisational documents should not be mistaken as meaning that values were in fact endorsed in practice. The latter emphasised the importance of reiterating the ‘values’ message, particularly within such a constantly changing workforce: ‘*it’s not something that you just go put out there and then expect everyone to follow, because ... we have quite a number of turnover ... it’s something that needs to be kept putting out there and I don’t think that that’s happening*’ (Administration Assistant). She further declared that the inconsistency in the way information was transmitted through multiple communication conduits made it hard for employees to hear the same ‘values’ message.

To summarise section 5.4, therefore, it appeared that far from the organisation’s rhetoric of efficiency, PA practices at Dogood were in fact weak. More importantly, these practices were disconnected from the organisation’s core values, with such disconnect being accentuated by the fact that PDR was shaped around a business model. This second key finding is abridged in Table 5.2.

**Table 5.2 The reality of PDR**

<b>Disconnect Between PA Rhetoric</b>	<i>and</i>	<b>PA Reality</b>	<i>resulted in</i>	<b>Weak PA System</b>
<i>in terms of</i>		<i>in terms of</i>		<i>characterised by</i>
Efficient, businesslike PA practices  Value-based rhetoric		Ambiguous, disconnected inconsistent, and subjective, practices  No strong synergies between PA and core values		Unclear PA content  Inconsistent PA process  Tensions between PDR's business lexicon and Dogood's nonprofit work  Negative employee perceptions: defensiveness, scepticism, and procedural injustice perceptions

## 5.5 Vertical and horizontal misfit

This section 5.5 presents findings related to the notions of vertical and horizontal fit, and is organised in the following manner. Section 5.5.1 underscores the organisational strategy adopted by Dogood. Section 5.5.2 explores the lack of alignment between PDR and Dogood's corporate strategy. Finally, section 5.5.3 produces evidence of misalignment between PDR and other HRM practices.

### 5.5.1 Dogood's organisational strategy

Over the years, Dogood had become more strategic in its approach, and significantly improved its strategy development and communication processes (Senior HR Manager). According to one senior manager, the organisation was committed to improving its core area of operation, i.e. poverty reduction by working at '*the early intervention and prevention ends rather than at the crisis end*' (Group GM Community Services). Such commitment was translated through its four key strategic priorities: first, developing its internal systems, structures and processes; second, expanding its current programs within its niche market; third, reinforcing its research engagement; and fourth, diversifying its income sources (Dogood 2012a).



As far as the relationship between organisational values and the corporate strategy was concerned, Dogood's vision, mission and values are prominently displayed on the front page of the organisation's strategic plan (Dogood 2012a). Regardless of the visual visibility of the organisation's core values, an analysis of the strategic plan indicated that these values were not strongly built into the overall strategic objectives. More specifically, it seemed that the substance of the organisation's strategy was dominated by the formulation of 'harder' business priorities, with the 'softer' values notion being left on the backbench.

### **5.5.2 Misalignment between performance appraisal and organisational strategy**

#### *Semblance of vertical fit*

From the data, it seemed that Dogood's intent was to create a vertical fit by establishing a functional relationship between individual and organisational objectives in its PDR policy. In fact, the documentary data revealed a causal chain in which the individual performance objectives were based on the team objectives. In turn, the formulation of the team objectives depended on Dogood's yearly action plan which was itself derived from the strategic plan (Dogood 2011a; Dogood 2011c).

Viewed from the salient management perspective, the importance of achieving vertical fit was proclaimed by both line and senior managers. As a means of example, the importance of vertical fit was articulated by the IT Manager within the context of Dogood's professionalisation trend. The latter expressed the view that corporatisation coupled with employees' resistance to conform to businesslike processes have made vertical integration and efficient accountability mechanisms essential conditions for the success of large NPOs like Dogood. Her discussion unfolds below:

*'What happens in larger organisations, unless you have a really clear link between the organisational direction and HR ... what you get is that the further down the food chain you move, people will do their own things because they think that's a good thing, and they would ignore where the rest of the organisation is heading ... Some people will find it difficult to move with the times. So as an organisation such as this one becomes a bit more corporatized, we have to report on things; but they don't want to necessarily fill in the different forms and check the boxes, because that's time out of giving value to the person, whereas if everyone was pulling together, you gonna expend less energy*

*and get further. I think large organisations need to make sure that the alignment stuff is really clear and where things are not done in that way, you know about it. I'm not saying it's necessarily punitive measures but that is not acceptable and is not going to be tolerated'* (IT Manager).

At the same time, the Project and Contracts Manager went one step further and stated that, by explicitly couching the strategic plan within the PDR documentation, vertical fit has been successfully achieved by Dogood. Having said this however, it is useful to highlight that this line manager admitted being so closely involved in the online implementation of PDR that she was biased about the system.

### *Vertical misfit*

Notwithstanding the above, the degree of fit between PA and organisational strategy appeared anaemic in practice. Evidence of this came from management, including the Senior HR Manager. To quote two respondents:

*'There haven't been direct links to that [vertical fit] ... there's an actual question in the PDR form about how does your role lead to the overall organisational strategies. So, we are working towards that. I wouldn't say we are doing it just yet'* (Senior HR Manager).

*'If you think I've been through 5 PDRs now, and I still can't give you a really definitive answer on that. So I just think it is not particularly strong ... how we contribute to the achievement of these broader objectives, it's a bit disconnected'* (National Manager).

The National Manager's unawareness of how to align PA with organisational strategy was problematic since it was reported by both the Care Manager and the IT Manager that line management played a critical role in assisting employees understand the connection between their roles and the overall strategy.

Unsurprisingly, managers were not the only ones who found the notion of vertical fit ambiguous. A few employees similarly conveyed their confusion on the link between PA and organisational strategy. Such employee oblivion was, for instance, evidenced by a discussion between the Education Program Coordinator and the Teacher regarding how PDR documents were so concomitant with broader organisational objectives that it was hard for them to engage

in such weighty metacognitive processes and to clearly see their roles in this tangle of information.

Interestingly, there were suggestions that employees' skills acted as a determinant of vertical fit. Indeed, the Care Manager stressed the importance of employees possessing the necessary skills to accurately understand and interpret the notion of vertical alignment. That line manager claimed that *'managers can go and talk to somebody for ages and they just don't see the link'* (Care Manager). She added that since employees' understanding and buy-in of vertical fit generally depend on their skill levels, the case managers in her team were generally more responsive to this concept than direct service personnel who were more focused on performing their day-to-day duties.

#### *Impact of external environment on vertical fit*

More importantly, it was noticeable that Dogood's ability to make its PA practices congruent with organisational strategy was hindered by external environmental factors. For instance, one employee remarked that changes in funding impacted on divisional strategy development, thereby making it *'difficult for people to know what that looks like ... and to see how you fit into things'* (Marketing Officer). It was also indicated by the Community Engagement Officer that due to funders' reporting and compliance requirements, employees had to follow certain work procedures even if these were not the most efficient ones.

Likewise, the IT Manager reported how the precarious environment of NPOs and fluctuations in funding made it difficult for individuals to conform to their initial performance objectives even if such objectives were aligned with the organisation's strategic priorities in the first place. In her own words:

*'In this sector, in this organisation, you can start out with 5 things that you are going to achieve and they can be quite specific ... but next week something could happen that could just shift all of that focus. Regardless of whether or not we've got a vision and a strategy and all the rest of it, work here does come out of the blue, or priorities will shift or you will get more or less money to do what you thought you were going to do. So that's tricky to do that [vertical alignment]'* (IT Manager).

The above finding was echoed by the Project and Contracts Manager who explained how a change in direction because of money restraints can impact individuals' goals. Taken overall,

the above findings seemed to point towards the direction of misalignment between PA and Dogood's corporate strategy.

### **5.5.3 Misalignment between performance appraisal and other HRM practices**

#### *Dogood's disregard to creating internally aligned HRM practices*

Moving on to the alignment of PA with other HRM practices, the data suggested that Dogood had failed to achieve internal fit at the time of data collection. Evidence of this came from the Senior HR Manager who, nevertheless, also stressed on Dogood's commitment to move towards internal integration in the long run. In her own words:

*'We haven't linked all of those or we're not leveraging the benefits of all of those in a way that we need to. ... We have to move that way; we can't do it all at once. It's about building the pieces as we go' (Senior HR Manager).*

There was also some indication that the notion of horizontal fit was not clearly understood, with several line managers either being hesitant in their responses or bluntly revealing the lack of internal alignment between PDR and other HRM practices. Of some concern, was the fact that this notion seemed to be abstract even for the Senior Manager Community Services. Nevertheless, the latter highlighted the critical role played by HR in creating '*strong synergies*' and an internal fit.

#### *Horizontal misfit attributed to poor HRM implementation and design*

Setting aside the fact that internal fit was not explicitly planned for by Dogood in the first place, it seemed that the organisation's ability to work towards creating an internally aligned HRM bundle was compromised anyway because of the overall low-quality implementation of HRM practices by management. In other words, unless the organisation addresses HRM implementation issues, any future attempt to internally align its HRM practices would be unsuccessful. Evidence pointing towards the poor HRM implementation at Dogood will be briefly examined in the following paragraphs.

It will be recalled that the poor implementation of PA and recruitment practices was spelt out earlier in sections 5.4.2 and 5.3 respectively. On this account, it should also be highlighted that, due to resource shortage considerations, recruitment responsibilities were devolved to line

managers (Senior HR Manager) who, as indicated earlier, appeared to lack people management skills (Senior Project Manager). Additionally, several employees and line managers reported that learning and development provision were contingent on individual managers and program funding. This point will be discussed later on in section 6.3.2. The Group GM Community Services also claimed that time constraints coupled with managers' lack of people management skills resulted in the poor implementation of Dogood's grievance and disciplinary practices.

Of some concern, the data suggested that the poor and patchy implementation of HRM practices also emanated from organisational politics and the lack of accountability mechanisms. Evidence of this came from the IT Manager who revealed how some people, belonging to this sort of '*secret club*', were promoted or got pay increases because of their internal networks, and how they were able to move outside the system without being held accountable. To illustrate this point, she reported that the recruitment process was sometimes bypassed, with Dogood either ending up recruiting more people than required or remunerating them more than what was initially approved. This finding was echoed, in a more toned down manner, by the Care Manager who stated that the organisation '*sometimes takes from the same bucket, the same gene pool*' when it comes to promotions.

On a related note, it was observed that tensions between the Senior HR Manager and the Senior Project Manager contributed to a degree of misalignment between two internal practices, namely PDR and 'reflective practices' – a framework which was complementary to PDR and which was developed by the Senior Project Manager. Such tension and misalignment was explicitly voiced by the Senior Project Manager, and was subtly detected through the Senior HR Manager's language of how reflective practices were only applicable to the community services arm of Dogood, and as such was not a blanket approach.

To punctuate this section 5.5, it seemed that despite its attempt to adopt a strategic approach, Dogood was unsuccessful in aligning its PA practices with its organisational strategy and with other HRM practices. This third key finding is summarised in Table 5.3.

**Table 5.3 Misfit between PDR, organisational strategy and other HRM practices**

<b>Despite Strategic Rhetoric</b>	<i>in reality there was</i>	<b>Vertical Misfit</b>	<i>and</i>	<b>Horizontal Misfit</b>
<i>in terms of</i>	<i>in terms of</i>		<i>in terms of</i>	
Documentary link between individual performance objectives and strategic plan		No practical link between PDR and organisational strategy  Managers' and employees' lack of understanding of notion of vertical fit  Negative impact of volatile external environment on vertical fit		No initial plan for internal fit  Poor implementation of HRM practices

## 5.6 Conclusion

The purposes of Chapter Five were three-fold. First, this chapter revealed the impact of the external environment on Dogood's PA practices, and more generally on the organisation's HRM policies and values. As such, it presented data to show how the organisation was forced to corporatise its HRM practices, including its PA practices, in response to external pressures. At the same time, the chapter illustrated how HRM implementation was constrained by the NPO's volatile environmental conditions and resource dependency dynamics.

Second, the chapter aimed at examining the relationship between Dogood's PA practices and its core values. Here, the chapter outlined the current PDR system and identified the practical shortcomings of that system in terms of its ambiguity, inconsistency and subjectivity. It then proceeded to produce evidence of the organisation's failed attempts to build strong synergies between PDR and core values.

The third objective of the chapter was to explore the notions of vertical and horizontal fit. The chapter indicated how, despite having businesslike practices, in practice Dogood did not succeed to align PDR with its corporate strategy and with other HRM practices.

## **CHAPTER SIX: DOGOOD (PART II)**

### ***The values and justice tale at Dogood***

#### **6.1 Introduction**

Chapter Five discussed the findings relating to Dogood's external and internal HRM environments. The chapter aimed at addressing the first three research questions of this thesis. As such, the chapter mapped out the impact of the external environment on the organisation's internal HRM practices and values. It then examined the limitations of Dogood's current PDR system, including in terms of PDR's disconnect with organisational values. Lastly, Chapter Five explored the notions of vertical and horizontal misfit at Dogood.

Chapter Six reviews findings in relation to Dogood's value-based and justice perspectives. The chapter is divided into two sections. The first section 6.2 explores respondents' levels of engagement with Dogood's core values, whilst the second section 6.3 outlines respondents' justice and injustice perceptions towards PDR, thereby addressing the last research question.

#### **6.2 Respondents' engagement to organisational values**

This section 6.2 outlines the mixed findings regarding respondents' engagement with Dogood's core values, and is organised as follows: section 6.2.1 provides accounts of the values and altruistic orientations displayed by managers and employees. In sharp contrast, section 6.2.2 reports on incidences of values myopia prevailing amongst management and employees.

##### **6.2.1 Commitment to core values**

###### ***Managers' commitment to core values***

From the data, evidence suggested that many respondents were passionate about the organisation's philosophy and shared the organisation's values. Starting with management respondents, a few managers exhibited a high degree of altruistic orientation and expressed

strong beliefs in Dogood's values and mission. One senior manager affirmed that she chose to work at Dogood because of the organisation's *'very strong ethos around ... tackling the root causes of poverty'* (Group GM Community Services). Despite proclaiming her love for the nonprofit sector in general, that senior manager added that she did not wish to work for any other NPO. Likewise, one line manager conveyed her sense of belonging as follows:

*'I give back every day with what I do ... I'm blessed with the organisation. It has its moments ... But that's what keeps me here. Every time I want to go, again there's something within the organisation that keeps - yeah, so the values do - you do stuff to - I believe in them'* (Care Manager).

#### *Employees' commitment to core values*

Turning now to employee respondents, there was ample evidence of employees' connection to organisational values. This finding was suggested by most managers in relation to different contexts. For example, the Group GM Community Services reported how individuals who work in community sector organisations do so because of their altruistic orientation rather than for monetary rewards. Moreover, one line manager articulated how the altruistic orientation of workers compensated for the organisation's poor internal processes. In her own words:

*'The good intentions of people of the organisation mitigate against those structural difficulties. ... Most people are here because they are committed to the cause of the organisation, the bigger vision. ... It's the individuals' commitment to things and that sort of pull together the rough edges and we get through'* (Senior Project Manager).

Similarly, while the Project and Contracts Manager praised the values-driven work of the receptionists in her team, the Care Manager reported how values are deeply ingrained in her team's work on a daily basis. The latter stated that, for her team members, organisational values were *'not just a statement. It's work that we do that underpins what we do and so it's really part of who we are'* (Care Manager). Finally, the National Manager noted the attraction of committed and value-oriented individuals to Dogood's brand name.

Over and above managers' perceptions of employees' commitment to Dogood's core values, it was also noticeable that many employees professed their attraction to Dogood on the basis of the opportunity they have to work in an organisation whose ideology is to promote values of social justice. In that regard, expressions such as *'an organisation I'd be proud to work for'* (Project Worker), *'the reward is it makes the world a bit better'* (Community Engagement



Officer), and *'I can't think of another sector I'd work in'* (Migration Program Officer) were expressed by some of these employees.

Interestingly, some employees explained how their desire to work in the nonprofit sector was triggered by prior value conflicts that they have experienced in other sectors. For instance, while one employee claimed to have *'moved out of government wanting to work with someone whose values were a bit more constant, because the values shift with the minister of the day'* (Community Engagement Coordinator), another employee recalled how previous value violations that she experienced in for-profit organisations was a contributing factor to her decision to work at Dogood. She commented:

*'I had a circumstance where it was completely against my values and to a point where I couldn't sleep because it was that hard. ... So then when I did look for a role, it was for me, it was all about the values of the organisation meeting my values'* (HR Consultant).

There was also evidence of one employee autonomously acting beyond her expected role although such extra work was not appraised (Site Administration Officer). Such voluntary efforts appeared to illustrate that respondent's altruistic motivations.

### **6.2.2 Values myopia: Losing sight of core values**

At the same time, a sense of values invisibility was conveyed by several respondents. One manifestation of such values invisibility was translated from the inability of respondents to recall Dogood's specific values during fieldwork. Whilst respondents talked about 'traditional' values of justice, equity, and compassion, many of them struggled to relate to Dogood's more 'modern' values of innovation.

At this point, one important observation must be underscored. The tendency of respondents to overlook such 'modern' values seemed to indicate that respondents' allegiance was to moral values generally associated to NPOs operating in the community welfare sector rather than to Dogood's specific core values. This finding was confirmed by one line manager who articulated the natural association of social justice values to community work as follows:

*'Because we are community based, ... we do the doing most days, and it's not until we sit down and look at it that, what is it that we do in our role ... that we go 'Ah'. I am*

*actually meeting or I am actually drawing to the core values of [Dogood] without even really realising it. I think that's because it becomes quite culturally supported without having to sit you in a corner or sit you in a room' (Project and Contracts Manager).*

Having said that, however, the Project and Contracts Manager also reported that she had in the past facilitated training sessions during which she had observed long-term employees being completely oblivious to Dogood's mission and core values. Such detachment of employees from organisational values was echoed by the Senior Manager Community Services who expressed her doubts on whether younger employees placed values high up on their reasons for joining Dogood.

#### *Values myopia and workforce professionalisation*

Several explanations for such values myopia emerged from the data. In the first place, the data suggested that the secular values injected into Dogood by its professionalised workforce contributed to the trend of values erosion. Evidence of this came from one business-oriented line manager who compared large NPOs like Dogood as '*big businesses ... not a feel good factory*'. This respondent equally questioned the authenticity of the altruistic language traditionally embraced by people working in the nonprofit sector. She bluntly stated:

*'I didn't join this organisation because I thought [Dogood] was fantastic, or I liked their mission. I joined it because I thought the job was going to be really interesting and the money was good. So same criteria as I would apply to any organisation. I think sometimes that stuff about people working for an organisation because it's their life place is questionable ... There are some staff that are completely committed but to the detriment of the big picture stuff' (IT Manager).*

At the same time, however, there was evidence of one business-oriented employee adapting his attitude and value orientation to suit the values and ideology of Dogood. This was indicated by one line manager who claimed that one employee who '*brings experience of another base which was not a non-for-profit ... have come from an attitude of 'this is my job, I'll just come in and do this, walk away'. And purely by being at [Dogood] they have adapted their way of thinking and the emotional drive that they have to help others within the organisation and outside the organisation' (Project and Contracts Manager).*

### *Values myopia and nature of work*

More than this, there was evidence that employees employed in back-of-house roles or in manual positions experienced values in a less tangible manner than those with a direct client interface. This finding stemmed from one employee's remarks of how she gets *'in this hole ... where I'm thinking of admin and paperwork'*, and how she was isolated from values-related aspects because of the administrative nature of her work. Conversely, she also added that success stories shared during general meetings enabled her to acquire better insight on how Dogood was living up to its values and how the type of work that she undertook behind-the-scene was making a real difference to people's lives (HR Administration Officer). This notion of story-sharing as a means of connecting individuals to the organisation's mission and values was taken up by several other respondents.

Similarly, one employee in one focus group session directly stated that she was unaware of the relationship between organisational values and PA since she had very little contact with clients (Administration Coordinator). To that, another employee added that community service workers who *'changed the bed pans of the elderly'* could more easily relate to Dogood's values than other types of employees who would normally struggle to find the words to describe their affiliation to organisational values (Community Engagement Officer).

In the same vein, another employee noted that manual workers such as truck drivers would *'find that very difficult to see how the values of [Dogood] would play out in what they do on a day to day basis'* (HR Consultant).

Oddly, it was noticeable that one senior manager, who was located in a distant geographical site, commented that employees undertaking hands-on community work generally went centric to their roles rather than explicitly drawing from organisational values. In her own words:

*'When you get down into the hierarchy tree of staffing, what becomes important is ... working with clients. So I don't think they are thinking about the core values when they are doing their job on a day-to-day basis, which is simply not, it's not in their space. ... You would hope people have good values, as Christian as can be I guess ... But, it becomes on a day-to-day stuff for the staff members'* (Senior Manager Community Services).

The above comments should not be narrowly interpreted as meaning an utter disregard of organisational values by service workers. Instead, as discussed above, it appeared that service

delivery roles inherently entailed values of compassion and social justice such that community service workers were relating to these values without the need to make any conscious effort to align their daily work with organisational values.

*Values myopia and indistinctiveness of the ‘values’ message*

On top of that, it seemed that the inability of Dogood to send strong, distinctive ‘values’ messages contributed to values myopia. Evidence of this came from several line managers who explained how different core values were getting around the organisation depending on individuals’ understanding of these values. Besides, it will be recalled that the Administration Assistant previously reported on the difficulty for employees to hear the same ‘values’ message because of multiple communication channels employed by Dogood.

In summary, the data suggested that a portion of Dogood’s workforce and managers were committed to the organisation’s core values. At the same time, however, traces of values myopia were detected amongst several respondents. This first key finding is summarised in Table 6.1.

**Table 6.1 Respondents’ engagement to core values**

<i>Respondents displayed both</i>	<b>Values Commitment</b>	<i>and</i>	<b>Values Myopia</b>	<i>at Dogood</i>
	<i>exemplified by</i>		<i>exemplified by</i>	
	<p>Respondents’ professed connection to core values</p> <p>Reason for choosing to work and stay at Dogood despite poor monetary rewards</p> <p>Voluntary desire to work beyond expected role</p>		<p>Respondents’ inability to relate to Dogood’s specific values during fieldwork</p> <p>Reports of values myopia by line management</p> <p>Secular values of business-oriented individuals</p> <p>Difficulty of back-of-house employees and manual workers to relate to organisational values</p> <p>Different interpretations of core values by individuals, and indistinctiveness of ‘values’ message</p>	

### 6.3 (In)justice dimensions of PDR

This section 6.3 presents the mixed findings relating to respondents' justice perceptions towards PDR. Section 6.3.1 examines respondents' procedural justice perceptions towards the PDR system; section 6.3.2 examines respondents' distributive justice perceptions towards the PDR system; and section 6.3.3 examines respondents' interactional justice perceptions towards the PDR system.

#### 6.3.1 Procedural (in)justice of PDR

*The rhetoric: Procedural justice of PDR*

On a rhetorical level, the data suggested that several managers believed in the fairness of the PDR process. For the Project and Contracts Manager and the IT Manager, the fairness of the process was derived from the fact that employees were given adequate notice of the PDR mechanism and performance standards. According to these line managers, documents relating to the process and expected performance standards were not only readily accessible on the intranet, but they were also explained during training programs. More generally, most managers' accounts of how PDR provided the space for regular performance feedback and broader support conversations equally seemed to indicate that PDR made provision for ratees to be given adequate notice of their performance levels on a timely basis.

Furthermore, the Senior HR Manager revealed that the fairness of the process resided on two points. First, PDR was a '*democratic process*' which gave employees the opportunity to '*comment if they do not agree or they are not happy*'. Second, it fostered a degree of trust and ensured line management accountability since it was overseen by senior management. By the same token, the Group GM Community Services crafted the notion of procedural justice around the structured and consistent approach adopted by PDR as well as the avenues available to employee to appeal against appraisals perceived as unfair. In her own words:

*'The performance management process is not ad hoc, it's not subject to the whims of a particular manager, it's not something that is done based on a particular approach, or idiosyncrasies that a manager might this will be the way to do it. It actually has a framework in which these things occur. I think staff can feel fairly confident that if things are not being done properly, there are avenues to raise that not only with their*

*manager, but also with HR if that's what they want to do' (Group GM Community Services).*

Taken together, these findings appeared to paint PDR as a structured and procedurally fair framework which provides adequate notice of performance standards and feedback, which allow employees to challenge their assessments during PA meetings, which is consistently applied, which is overseen by senior management, and which ultimately gives a right of appeal to employees.

On a broader level, the Senior Manager Community Services embedded the notion of justice as a key criteria that would legitimise PA practices in a context in which expectations of values compliance are more acute than in other sectors. As the latter respondent put it, *'the danger is that in NGOs, is this [PA] process is very soft, it's about warm and fuzzy support of the people because it's a "NGO". We don't sack people, we accept everyone for who they are! ... You still need it [PA] because you still can't accept poor performance or poor work behaviour ... It's just working with that person in a fair way so they believe in the process'* (Senior Manager Community Services).

#### *The reality: Justice and injustice perceptions towards PDR*

Beyond this rhetorical level, there was evidence that both contradicted and matched the organisation's rhetoric. In the latter case, a handful of employees in one focus group, who were engaged in a collective sense-making discussion, perceived PDR as being procedurally fairer and more efficient than the previous PA system because of PDR's structured format and its emphasis on feedback provision. In that regard, some of these employees reported that the subjectiveness and bias of individual managers in enacting PA was reduced by the structure and standardisation brought about by linking PDR to the organisation's competency framework. They also added that, unlike the previous system, PDR provided employees with the opportunity to take cognisance of the final PA document before signing off. As articulated by one employee:

*'If you don't get along with your manager and they start to mince your words you can refuse to sign off on it ... So there is a bit more accountability whereas before it used to be - like they could hold a clipboard and write things and you wouldn't really know what was there' (Migration Program Officer).*

Likewise, in a different focus group, another employee claimed that PDR was fairly operated by her manager because she *‘had quite a lot of input in it and in some instances I disagreed, and I was able to have that discussion about why I disagreed and I was heard’* (HR Consultant).

Moving on to evidence that contradicted the organisation’s rhetoric, a large group of respondents expressed the view that PDR was procedurally unfair on two grounds. First, there was some indication that the development of PDR was in itself perceived as unfair in terms of the lack of employee and management involvement in designing the system. Evidence of this came from one line manager who heavily criticised the fact that HR *‘developed PA in isolation rather than bringing people in, consulting with people around how this would look like’* and overlooked comments regarding *‘the language that needs adapting to our context here’* (Senior Project Manager). Besides, it is noteworthy that the Senior HR Manager acknowledged being the main driving force behind PDR, and stated that she chose not to involve the employee representative committee for efficiency reasons.

The significance of participative practices in the community sector is important. This significance was evoked by the Care Manager who stated that since the community sector was guided by the saying *‘Do with me, not for me’*, there was a common expectation for employees to be involved in PA practices. In that regard, the above lack of employee and management participation in a sectorial context where participative practices appeared to be the norm was concerning.

Second, it appeared that employees’ perceptions of procedural unfairness stemmed from the poor PA implementation by line management. Evidence of this came from one Project Worker who reported that the previous PA system was working for her because her manager understood the former process. In contrast, she claimed that her manager failed to consistently and adequately appraise her performance under the new PDR system. As such, she described her PA conversations as *‘informal chats about how I was going measured against... arbitrary performance targets’* and added that *‘ultimately you just get to a point where it’s hard to be motivated’* (Project Worker). She added that:

*‘There are a lot of things I haven’t got out of the PDR process ... I guess I see the circumstances that have caused it and I don’t necessarily blame that on anyone ... I’m sure I’m not the only person that’s experienced it. That I guess when you work in an NGO and you are reliant on funding ... it’s just circumstance. So I don’t know that you can say circumstance is unfair. Like I still have a job, and I still get paid to do a job, so*

*I guess I try to focus on that. But it means that it's hard to find meaning where I think PDR can help you to find meaning in your role' (Project Worker).*

The comments of this Project Worker touched on a number of issues. In the first place, it appeared that the ambiguity of PDR and its inconsistent implementation generated feelings of dissatisfaction and injustice perceptions for that Project Worker. This finding was echoed by other employees. For example, the HR Consultant admitted that the fairness of the PDR process would subjectively depend on the line manager. Likewise, the Community Engagement Coordinator made a distinction between PDR content fairness and PDR implementation fairness, and argued that irrespective of whether PDR procedures were fairly structured, procedural justice would be impaired if such procedures were not fairly operated by managers. Similarly, the negative impact of ambiguous PA practices on justice perceptions was voiced by an Education Program Coordinator: *'for a system that's so complex I question its fairness'*. Several employees expressed the view that the organisation's failure to provide timely and adequate PDR training contributed to its inconsistent implementation and procedural unfairness. Finally, a Migration Program Officer was concerned and thought it unfair that, because of she worked across different departments, her work was not consistently appraised by her manager. This concern was echoed by other employees who suggested using customers as a source of performance information.

Next, the comment emanating from the Project Worker suggested that the awareness of the circumstances leading to such poor implementation did seem to mitigate, but only to a certain extent, such feelings of injustice. This finding was echoed by a Teacher who did not manage to complete the PDR process due to both the employee's and the manager's excessive workloads. However, given that she had close working relationships with her manager and understood the daily pressures of their work, she stated:

*'I don't feel like I'm in an unfair process. ... If I thought about it, I might go, "that's not fair, I should have half a day and this much PD and we should refer to it every week". The reality of my life goes, "I get his life and I get mine" (Teacher).*

The third important point is that the feelings of injustice voiced by that Project Worker in relation to her personal circumstances prompted third-party injustice perceptions amongst other respondents. This was observed by the empathy displayed by other employees in that focus group towards the Project Worker, and the way in which some of them drew on their own negative experience of PDR to relate to the Project Worker's experience.



In addition to the above discussion of how the perceived procedural injustice of PA engendered feelings of dissatisfaction and generated third-party injustice perceptions, the data also suggested a lukewarm response of a few employees towards PDR's procedural injustice. Indeed, the latter employees reported that even if PDR was unfairly conducted, it did not have any real-life consequences for them due to the absence of monetary rewards at Dogood. This sentiment was succinctly summed up by one employee as follows: *'we can afford to be blasé because there is no monetary incentive. So even if we disagree with something we can possibly let it go because we don't see how it's really going to affect us long term ... it's just getting the process out of the way and that's it'* (Administration Coordinator). To that, another employee added that in a sector where there is *'such a barebones sort of enterprise'* and in an organisation where there were no financial rewards, the lack of avenues to appeal against performance ratings was not a core issue (Site Administration Officer). This view was equally shared by one line manager who stated *'I can't imagine why anyone would say it wasn't fair because there is no reward attached'* (IT Manager).

Overall, the data suggested mixed findings in relation to respondents' procedural justice perceptions towards PDR. On the one hand, some employees embraced Dogood's rhetoric of procedural justice and perceived PDR as procedurally fairer than the previous PA system. On the other hand, a large portion of respondents perceived the PDR system as procedurally unfair on two grounds namely due to the lack of participative practices during the system development and due to the system's ambiguity and poor implementation by line management. Nevertheless, such procedural injustice perceptions were found to be lessened by the absence of monetary rewards and by employees' awareness of external factors leading to such poor implementation. This second key finding is summarised in Table 6.2.

**Table 6.2 Procedural (in)justice perceptions towards PDR**

<b>Rhetoric: Procedural Justice</b>	<i>matched to some extent</i>	<b>Reality: Procedural Justice</b>	<i>but largely differed from</i>	<b>Reality: Procedural Injustice</b>	<i>with such</i>	<b>Procedural Injustice Being Lessened</b>
<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>		<i>by</i>
Structured framework		PDR being perceived as procedurally fairer than previous PA system		Line manager's injustice perceptions: lack of participative practices in designing PDR		Employees' awareness of external environmental factors that led to poor PDR implementation
Adequate notice						
Employees' ability to challenge assessments		Employees' ability to challenge assessments		Sources of employees' injustice perceptions: PDR ambiguity, inconsistent implementation		Absence of monetary rewards
Process overseen by senior management						
Employees' right of appeal				Third-party injustice perceptions of employees		

### 6.3.2 Distributive (in)justice of PDR

*Rhetoric: Absence of monetary rewards and fair allocation of nonmonetary rewards*

As mentioned earlier, the results of PDR were not tied to any financial rewards. From the data, it was found that the majority of interviewed managers perceived the absence of monetary incentives as a common and acceptable practice in an NPO like Dogood. While the Group GM Community Services stated that *‘most people don’t work in the community centre for monetary rewards’*, the Senior HR Manager expressed the view that Dogood’s workforce was not necessarily motivated by monetary gains. Likewise, one line manager reported that performance-related-pay would distract Dogood from incorporating its organisational values within its PA practices. As such, she stated that performance-related-pay *‘is not something we want to live in here because the values and mission of the organisation is not about money and reward. It’s about working collaboratively, assisting the community and that’s the sort of concept we want to attach to the process as well’* (Project and Contracts Manager).

Rather than relying on monetary rewards therefore, PDR was built around nonfinancial rewards namely employee learning and development opportunities, challenging and meaningful work, and career progression, be it within Dogood or in another organisation (Senior HR Manager).

The data further revealed that both senior and line managers unanimously supported the use of learning and development opportunities as an intangible reward mechanism, even if, according to some managers, this meant preparing employees for their next roles in other organisations. Moreover, there was evidence that senior management expected such nonmonetary rewards to be consistently made available to all employees. As a means of example, one senior manager expected *‘everyone to have a training plan as part of this PDR and I would expect the managers to either organise that training or budget for it to be paid for’* (Group GM Community Services). In relation to the distributive justice dimension of PDR, therefore, it appeared that the organisation’s rhetoric was to intrinsically motivate employees and to promote a fair allocation of nonfinancial rewards across all employees.

#### *Reality of monetary rewards: Desirability, but impracticality of monetary rewards*

In relation to employees’ perceptions of distributive justice of PDR, the data revealed mixed findings. In relation to monetary rewards, two slightly different views were expressed regarding the desirability and practicality of monetary rewards in a nonprofit setting like Dogood. On the one hand, a small group of employees occupying back-of-house positions bluntly reported that they were not motivated to undertake PA and target outstanding performance because of the lack of monetary rewards. For instance, one employee advocated for financial rewards in the form of pay increases:

*‘I think we do need to look at [financial rewards] because there are people out there that are going above and beyond what they normally do, or doing more hours and things like that and it’s not being recognised. ... I’m not saying everything should always be about a reward but there are people who ... have taken on more and more things ... but they’re not being rewarded financially for it’* (Administration Assistant).

In a similar vein, another employee stated:

*‘When I had the PDR training and I was like oh well what’s the point in doing all this work and trying to be really, you know, trying to push yourself if then it’s not linked to your pay’* (Marketing Officer).

On the other hand, another group of employees were doubtful that monetary rewards would yield tangible benefits for various reasons. First, some employees were concerned that reward allocation practices would be unfairly administered as a result of organisational politics and managers’ personal agendas. This was illustrated by the Community Engagement Coordinator

who explained how performance-related-pay was a *'double-edged sword'* when not skilfully and ethically enacted by managers, and when not *'not backed up by a manager's genuine investment in the conversation'*. Similarly, one Site Administration Officer, who stated that *'it would be fantastic if it [PDR] was linked to reward'*, nevertheless added that given *'the propensity for it [PDR] to be fiddled, compromised'*, the introduction of monetary rewards would only trigger unfair situations at Dogood. Hence, due organisational politics, employees believed that the PA rating in relation to performance would be unfair if monetary rewards were attached to PA practices.

The second reason advanced by employees for their indecisiveness towards monetary rewards related to the difficulties in accurately measuring the quality of employees' performance. Indeed, it was reported by a few employees in one focus group that staff members, who *'have more challenging cases'* or who are *'stuck with dealing with this really difficult case'*, might *'miss out'* and be penalised in terms of their PA ratings because their *'numbers would never be as high'* as those staff members who tackle quick and easy client cases. Within that context, these respondents suggested that managers who did not value or were not aware of efforts put into difficult cases might end up appraising quantity over quality.

Third, it appeared that employees were sceptical of the viability of performance-related-pay in a sector plagued by financial constraints and resource dependency. This was evidenced by comments such as financial rewards are *'not something that happens in community service'* (Community Engagement Officer) and *'it's just not realist in our sector. It's so poorly funded. It's never going to happen'* (Site Administration Officer).

Likewise, another employee commented:

*'In our section it would create more problems. I reckon at the higher level it probably is. They probably reward amongst themselves there, and I guess that's because it's - they're trying to attract the best. Things have changed a lot. We've got a lot of ex-politicians in, we've got - everybody in research and policy has to hold a PhD. It's different. So, at that level, you are trying to compete in the normal marketplace with universities and other corporations, trying to get corporate people on board. But for all of us I don't know if - you know what you're signing up for when you apply for the job. You know what the wage is. You know what the increments in pay rise are going to be, you accept. You sell your packaging. I mean, god forbid, if that ever goes up it will kill a lot people's interest in the organisation'* (Administration Coordinator).

Three observations emerged from the Administration Coordinator's comments. First, it seemed that the introduction of financial incentives in an NPO like Dogood posed a threat to the organisation's credibility, legitimacy and funding portfolio. This stemmed from the respondent's account of how Dogood might lose its financial support from external funding bodies if it started extrinsically rewarding its workforce. Second, it transpired that this respondent held inaccurate assumptions that business-oriented professionals undertaking higher level jobs at Dogood were financially rewarded. Third, it appeared that this respondent's perceptions of distributive justice was not impaired by the presumed inequality in reward structures between high level business-oriented professionals and the rest of the workforce. This was because the respondent perceived a match between the business-oriented professionals' work inputs (in terms of their highly sought after skills and education) and their work outputs (monetary rewards).

*Reality of nonmonetary rewards: Distributive injustice perceptions*

In relation to the distribution of nonmonetary rewards by PDR, there was some indication that employees held distributive injustice perceptions towards PDR. Evidence of this came from one employee who explained how the provision of employee development opportunities were contingent on individual managers and on training budgets, with some programs being more richly funded than others. In her own words:

*'I just wonder whether maybe there's a little bit of unfairness in that system because it might be dependent on what's in your budget for example. So if you're in a well-funded program that can afford to send people on training then you're going to get more opportunities potentially than someone's who's in a program that's kind of struggling'* (Project Worker).

The above finding was echoed by other employees in the same focus group session. Put another way, the data suggested that employees' distributive justice perceptions were impaired because the provision of employee learning and development opportunities, as the main form of nonmonetary reward at Dogood, were not consistently applied across all employees.

On a related note, the Marketing Officer articulated that, since training provision was framed by Dogood as part of its nonmonetary reward system, employees should be allowed to choose training that would further their career in the long run, even if such training did not bring any significant value to employees' current roles at Dogood. She further commented that if she got

pay increases, she could invest in her own learning and development whereas *‘instead of that you have training as part of your reward but then that doesn’t equate to the same thing’* (Marketing Officer). Here, it seemed that the Marketing Officer’s injustice perceptions were generated by the perceived irrelevance of the nonmonetary rewards.

Interestingly, that same respondent also revealed how PDR was unfair with regards to its outcome on the continuity of employment for contract employees. She commented:

*‘My contract ends at the middle of next year, so regardless of whether I perform or not, at this point I won’t have a job. That’s how it is with funding, which is fair enough ...but it’s interesting ... I could still really perform and then not have a job, but someone who is permanent could really not perform, they’d still have a job’* (Marketing Officer).

The implications of the aforesaid finding are two-fold. The first one was that the respondent’s distributive justice perceptions were impaired because of the perceived unfairness of the reward in relation to the PA rating. The second implication was that, being an organisation in which nearly half of its workforce consisted either of contract workers or casual workers (Dogood 2014a), there was high likelihood of other employees in similar positions questioning the distributive fairness of PDR on the ground that rewards (such as the administrative decisions to continue the employment of individuals) were not always directly and exclusively tied to performance, but were instead contingent on external factors (such as funding availability).

At the same time, the opportunity given to employees to express their training needs in writing appeared to mitigate to some extent their distributive injustice perceptions. This finding came from one employee who revealed how, due to financial limitations, *‘it’s really hard to come up with training ... they’re expensive tick-a-box things ... It’s cost prohibitive for me to do the odd bit of training that I would want to do ... but it’s kind of good that you can at least put it down on paper’* (Site Administration Officer).

Overall, while the organisation’s rhetoric was fashioned around the promotion of nonmonetary rewards, the data revealed mixed findings in relation to both monetary and nonmonetary rewards. In the case of monetary rewards, while a handful of back-of-house employees strongly supported the introduction of monetary rewards by Dogood, another larger group of employees appeared to have come to grips with the poor working conditions associated to the nonprofit sector and expressed their doubts about the practicality of using monetary rewards at Dogood. Nevertheless, this is not to say that the latter group was not extrinsically motivated. Indeed,

their comments indicated otherwise. In the case of nonmonetary rewards, there was evidence that nonmonetary rewards were perceived as inconsistently distributed, irrelevant and unfair in relation to the PA rating, and this in turn prompted distributive injustice perceptions amongst employees. However, such distributive injustice perceptions seemed to be mitigated by the opportunity given to employees to voice out their training needs in writing. This third key finding is summarised in Table 6.3.

**Table 6.3 Distributive (in)justice perceptions towards PDR**

<b>Rhetoric: Distributive Justice</b>	<i>matched</i>	<b>Reality: Distributive Justice</b>	<i>but also contradicted</i>	<b>Reality: Distributive Injustice</b>
<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>
Absence of monetary rewards, and emphasis on intrinsic motivation and values-oriented individuals		Impracticability of monetary rewards due to organisational politics, difficulty in measuring performance quality and external environmental factors		Desirability of monetary rewards  Employee demotivation in excelling at work and in undertaking PA
Fair allocation of nonmonetary rewards		Opportunity to express training needs in writing		Nonmonetary rewards not consistently applied across all employees  Perceived irrelevance of nonmonetary rewards  Perceived unfairness of reward in relation to PA rating

### 6.3.3 Interactional justice of PDR

#### *Rhetoric: Interactional justice*

From the data, there was evidence that managers were aware of the importance of interactional justice. As a means of example, the Care Manager revealed that good PA practices in NPOs should be ‘*person focused*’ and should incorporate organisational values by treating employees with the same degree of trust and respect that is normally reserved for clients.

Likewise, a few managers considered interactional justice as being more important than the distribution of monetary rewards. This was indicated by the Senior HR Manager who claimed that ‘*staff motivation is not around the monetary gain ... It’s about how they’re treated ... It’s about their relationships with their team and their managers*’. Similarly, the IT Manager strongly advocated for valuing employees by treating them with respect and by giving them a genuine voice in the process. The latter stated:

*‘People don’t need to get something as a reward. If people feel that they are being listened to and that they are being respected, and that their input is important ... staff will be involved in this process ... you get better outcomes through that than saying if you tick all the boxes ... you’ll get a financial reward’* (IT Manager).

#### *Reality: Interactional justice*

From employees’ perspective, no incident of interactional injustice was reported. On the contrary, several employees observed that they were treated fairly and had good working relationships with their managers. At the same time, a few employees noted that since PA was a confidential exercise between the employee and the manager, there was no way of finding out about any employee mistreatment unless injustice victims opened up to their colleagues. In short, it appeared that employees held interactional justice perceptions towards PDR. This fourth key finding is summarised in Table 6.4.

**Table 6.4 Interactional justice perceptions towards PDR**

<b>Rhetoric: Interactional Justice</b>	<i>matched</i>	<b>Reality: Interactional Justice</b>	<i>at Dogood</i>
<i>in terms of</i>		<i>in terms of</i>	
Treating employees with respect and trust, and valuing their input		Fair employee treatment and good working relationships with management	



## **6.4 Conclusion**

While Chapter Five placed emphasis on Dogood's external environment and its internal HRM situation, Chapter Six focused on the concepts of values and justice. The chapter presented the mixed findings in relation to respondents' engagement with organisational values. While one faction was found to be committed to the NPO's core values, another group appeared to face difficulties in relating to Dogood's organisational values.

More importantly, Chapter Six aimed at exploring respondents' justice perceptions towards PDR. The evidence presented in this chapter suggested the procedural and distributive justice and injustice perceptions of respondents. Furthermore, the chapter revealed the interactional justice perceptions of employees.

## CHAPTER SEVEN: ERU (PART I)

### *External and internal HRM environments*

#### **7.1 Introduction**

Chapters Five and Six presented findings from the first case study organisation, Dogood. Chapter Five explored the impact of the external environment on Dogood's value-based rhetoric and HRM practices, examined the relationship between the NPO's PA practices and its core values, and discussed the notions of vertical and horizontal fit. Chapter Six outlined respondents' levels of engagement with the organisation's core values, and examined their justice and injustice perceptions towards PA.

Chapter Seven represents a review of the findings from the second case study – the Employee Rights Union (ERU). More particularly, this chapter focuses on themes related to the first three research questions addressed by this study, namely the effect of external environmental conditions on ERU's PA practices, the relationship between ERU's core values and its PA practices, and the degree of vertical and horizontal alignment at ERU.

Numerous data sources were utilised for this case study. Primary field research data was collected from both key informants and employees. The employee group was made up of three workplace organisers and four administrative staff, whereas the key informant group consisted of the National Secretary, one State Branch Manager, the HR Manager (who concurrently occupied the position of State Branch Manager), one Operational Manager, and one Team Leader. Diverse data collection methods were used for this case study. Virtual semi-structured interviews were conducted with most respondents located in dispersed geographical locations. Besides, face-to-face semi-structured interviews were conducted with the National Secretary. A virtual focus group of administrative staff was also held at the ERU's national office by video conference. All respondents were asked about their experience of PA and their value commitment. Key informants were additionally questioned on ERU's operating environment, strategic fit and challenges. Field notes and observational data, though limited, were also utilised.

Moreover, documentary secondary data in the form of the organisation's strategic plan and staff induction materials (including the organisational structure, vision and value statement, decision-making and communication procedures as well as employment terms and conditions) was examined. Public sources of information such as the union's rule book, financial reports, annual accounts, and website were also inspected. All primary and secondary data were analysed. The themes are discussed in this chapter. As was the case for Dogood, all respondents at ERU have been attributed the female gender for ethical reasons.

The format of Chapter Seven is as follows: the first section 7.2 provides background information on ERU. The second section 7.3 examines the impact of the external environment on the union's internal organisational environment, thereby addressing the first research question. The third section 7.4 explores the current, informal PA practices prevailing at the union, outlines ERU's decision to formalise its PA system and identifies the challenges associated with such an exercise. More importantly, this section focuses on the second research question and hence looks at the relationship between the union's PA practices and its core values. The fourth section 7.5 explores the notions of vertical and horizontal fit at ERU, and as such addresses the third research question.

## **7.2 Profile**

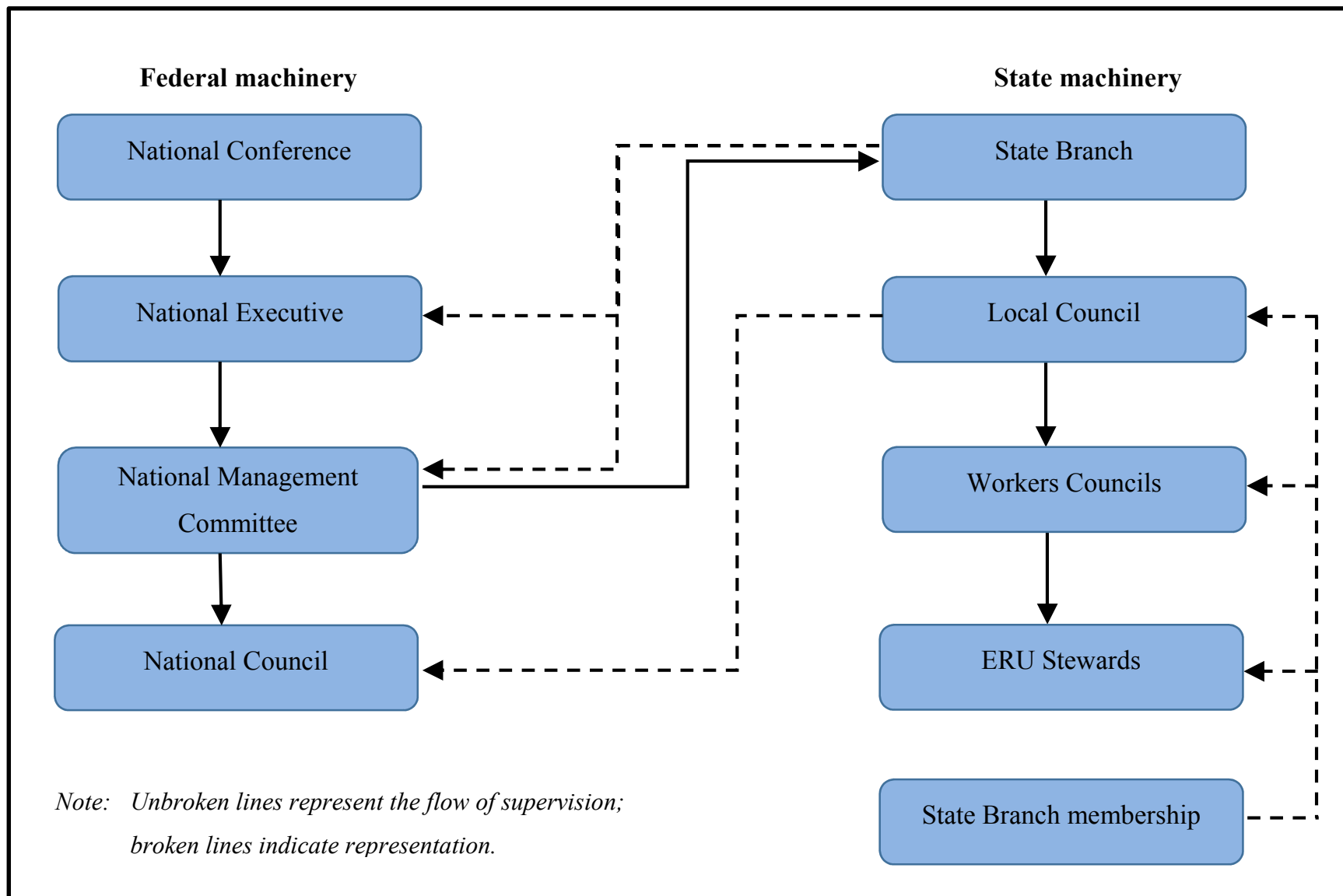
ERU is a national white collar trade union formed from the amalgamation of several unions (ERU 2011b; ERU 2014b). It has five State Branches and operates in the services industry. The union is affiliated with the Australian Council of Trade Unions. From its value statement, it transpires that ERU endorses values of fairness, equality, professionalism, dignity, respect, peacefulness, participation and collectivism. The union claims to promote these values both within its internal organisational environment and in the industry (ERU 2011b).

Like all trade unions, the mission of ERU is to improve the working conditions and living standards of its members (ERU 2014d). According to the National Secretary, ERU attempts to do this through its central tenets which include the provision of job security for its members, the achievement of pay increases and cost of living increases, and the development of organised workplaces which are member-driven. From its rule book and policies, it is clear that the union places emphasis on its organising culture in which members are encouraged to be actively involved in the union and are empowered to further their interests by themselves, including by

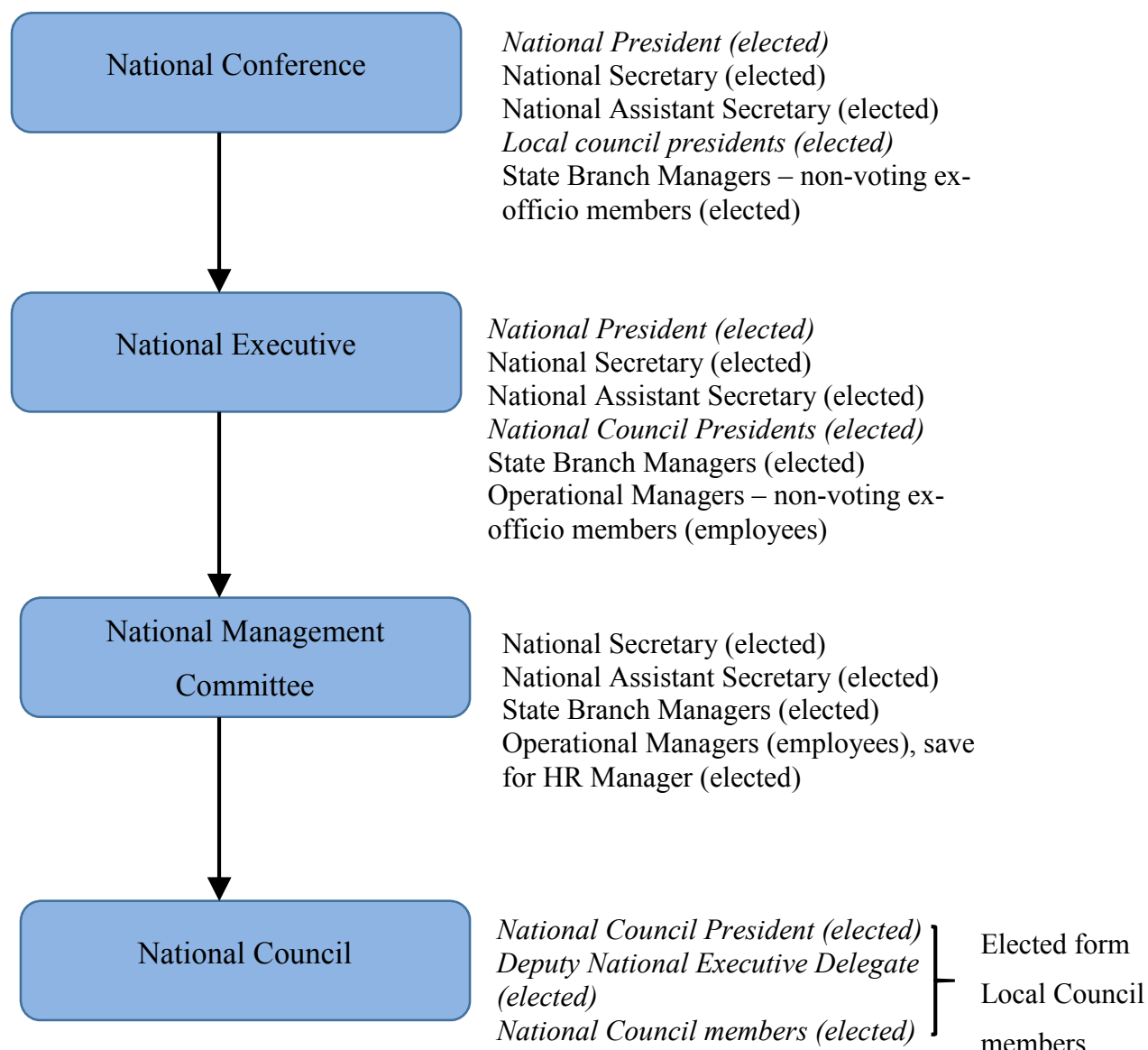
determining the union's bottom line in negotiations with employers and governments (ERU 2011a; ERU 2011b; ERU 2014d).

In conjunction, the union makes a range of services available to its members. Some of these individual incentives include insurance cover, discount travel facilities, legal advice, financial planning, and recreational activities (ERU 2014c). Such service provision constitutes one of the remnants of ERU's previous service model under which the union was seen as a third party responsible for problem-solving and for providing services in exchange for members' subscriptions. In exchange for such protection and services, members are required to pay membership fees which contribute to funding 95 per cent of the union's activities (National Secretary). Additionally, the union derives some income from rent payments received as a result of leasing its properties and from interest payments (ERU 2014a).

In terms of ERU's organisational structure, two organisational levels are discernable: the federal level and the state/local level. Figures 7.1 – 7.3 represent simplified accounts of the formal organisation of ERU. Figure 7.1 provides a comprehensive picture of the federal and state machinery. This figure essentially shows the cross-level flow of supervision and representation across the union. Figures 7.2 and 7.3 respectively offer a detailed view of the federal machinery and state machinery in terms of the flow of supervision and the composition of federal and state bodies. These two figures also make a distinction between full-time versus part-time/voluntary officials, and elected officials versus employees. Since union structures typically differ from classic organisational structures, ERU's organisational structure deserves some treatment.



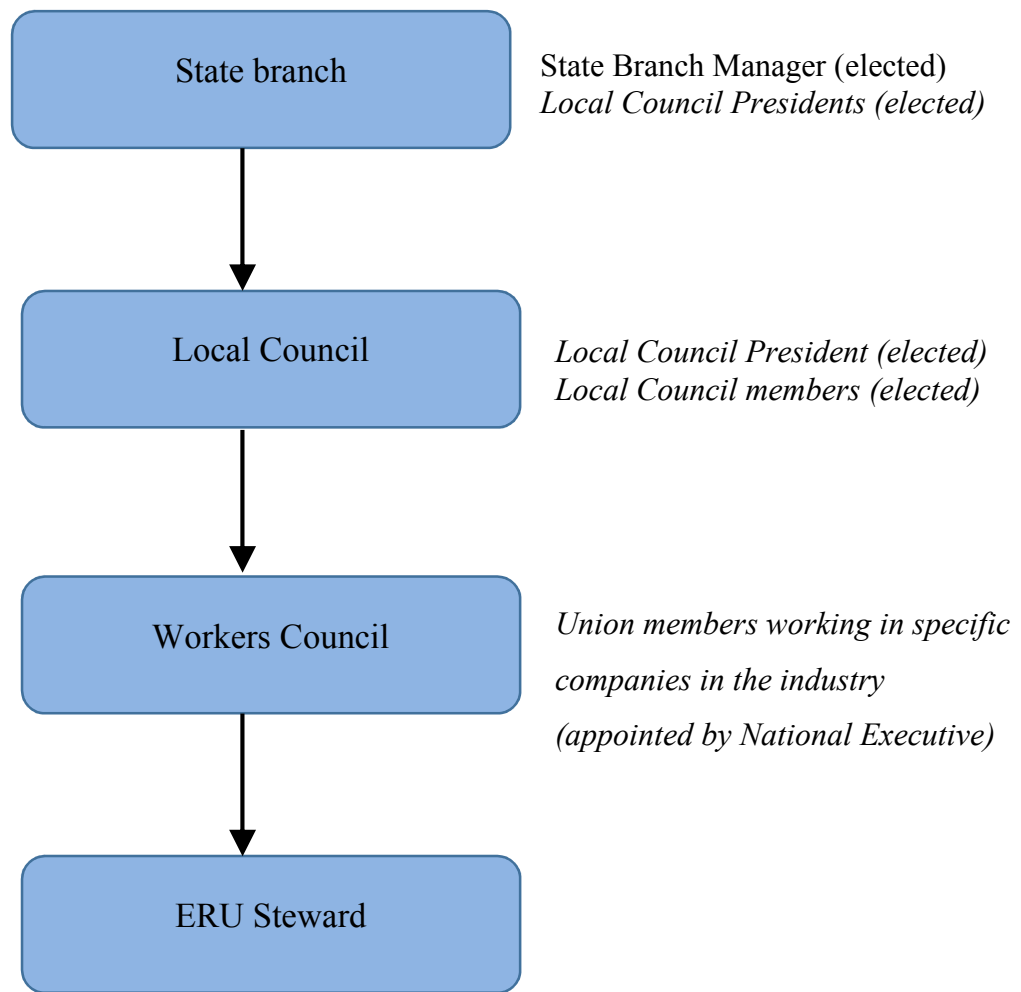
**Figure 7.1 Flow of supervision and representation at ERU**



*Note: Positions in italics are honorary positions; the rest are full-time paid positions.*

*Source: Adapted from ERU's staff induction booklet*

**Figure 7.2 Federal machinery of ERU**



*Note: Positions in italics are honorary positions; the rest are full-time paid positions.*

*Source: Adapted from ERU's staff induction booklet*

**Figure 7.3 State machinery of ERU**

On the federal level, the biennial National Conference is the highest level of decision-making authority within ERU and determines the overall direction and policies of the union. This supreme governing body comprises the National President, National Secretary, National Assistant Secretary, Local Council Presidents, and State Branch Managers. As summarised in Figure 7.2, all these officials (whether full-time, part-time, or honorary) are elected, with the three national officers – the National President, the National Secretary and the National Assistant Secretary – being elected directly by the national membership. State Branch Managers are ex officio members who have a right to attend National Conference meetings, but have no voting powers (ERU 2011b; ERU 2014d).

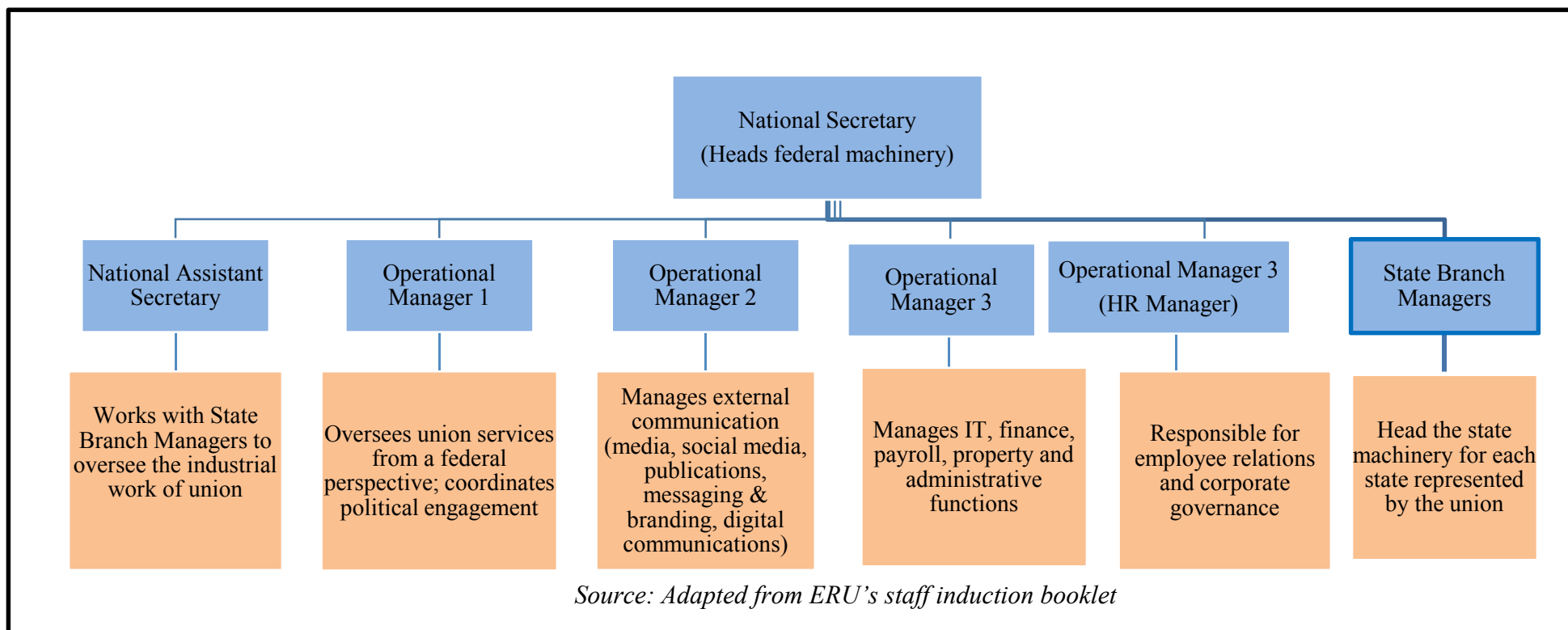
In contrast, the National Executive meets at least three times a year and implements the decisions of the National Conference. As illustrated in Figure 7.2, this federal body is made up of the three abovementioned national officers, together with the National Council Presidents, State Branch Managers and Operational Managers. Compared to State Branch Managers who have one vote each, the voting rights of the National Council Presidents are determined by the number of members represented. Furthermore, Operational Managers who sit on the National Executive meetings are ex officio members with no voting power. At the National Executive level, other than the Operational Managers who are full-time employees, all officials are elected by union members, be it on a national or state basis (ERU 2011b; ERU 2014d).

Turning now to the day-to-day business of the union, this is conducted by the National Management Committee. The National Management Committee is a sub-committee of the National Executive, and assists in the oversight and coordination of the implementation of the decisions of the National Conference and the National Executive. As demonstrated by Figures 7.2 and 7.4, the National Management Committee consists of the National Secretary, National Assistant Secretary, State Branch Managers, and Operational Managers (ERU 2011b; ERU 2014d). In terms of the individual roles of members of this federal body, the National Secretary heads the federal machinery. As such, she is responsible for the strategic implementation of the directions given by the National Conference and the National Executive. She authorises publications, acts as the union's public spokesperson, and is responsible for administrative affairs, staff matters, financial dealings, records and elections (ERU 2011b; ERU 2014d). The National Assistant Secretary is mainly engaged with the development and coordination of ERU's industrial plans and work. Hence, her role requires close collaborations with State Branch Managers who head the state machinery (as described subsequently). In sum, the National Assistant Secretary has the power and responsibility to ensure that the union's



industrial work is truly conducted nationally. As for Operational Managers, they are in charge of developing and coordinating specific operational activities (such as finance, administration, external communications, infrastructure and HRM) from a national perspective (ERU 2011b). The roles of the members of the National Management Committee are exemplified in Figure 7.4.

Here, three points should be underscored. First, it is important to note the dual roles of the HR Manager who despite being categorised as an Operational Manager, concurrently occupies the position of State Branch Manager in one of the five states represented by the union. As a result, apart from the HR Manager who is an elected, full-time paid official, the remaining Operational Managers are employees of the union (ERU 2011b). Second, members of the National Management Committee perform duties approximating to those of both senior and line managers. For example, in addition to their strategic responsibilities, the National Secretary and State Branch Managers also undertake HRM activities (such as recruitment) on the federal and state levels respectively. Third, given the representation of members of the National Management Committee on the National Executive and the National Conference, ‘representation’ arrows linking these three federal bodies are shown in Figure 7.1.



**Figure 7.4 Composition and roles of National Management**

Another federal body is the National Council. National Councils are constituted in respect of industry sections. Indeed, under the union's rule book, members are divided into industry sections based on the major employers operating in the industry. Members of National Councils are elected directly by union membership (attributed to each Local Council) from the members of the concerned Local Council. In Figure 7.1, an arrow is shown linking the Local Council to the National Council, indicating the election of Local Council members to National Councils (hereinafter the 'National Council members'). Out of these National Council members, one member is elected National Council President, and another member is elected Deputy National Executive Delegate (ERU 2014d). As mentioned above, National Council representation on the National Executive is undertaken through the National Council President. In Figure 7.1, this representation is shown by a 'representation' arrow linking the National Council to the National Executive.

On the state level, the State Branch is the principal body controlling the administrative state machinery. As shown in Figure 7.3, the State Branch comprises State Branch Managers and Local Council Presidents. State Branch Managers are elected directly by the whole of their respective state's membership. They head the state machinery. As a consequence, they are involved in the administrative and staff matters of their state branch offices, authorise publication materials, implement organisational policies on a local basis, and generally address queries made by the National Secretary (ERU 2014d). As for Local Council Presidents, they act as delegates of the Local Council. In Figure 7.1, this is represented by a 'representation' arrow linking the Local Council to the State Branch.

At this stage, a brief description of the levels of interaction between the state machinery and the federal machinery seem appropriate. In Figure 7.1, a 'supervision' arrow is shown linking the National Management Committee to the State Branch, indicating a close contact between the federal offices and the state branch offices. As suggested by the National Secretary, this dominance of the federal machinery over the state machinery is uncommon in most trade unions. The organisation of ERU as a '*genuinely national union*' (National Secretary) is reflected through the federal office's close coordination and centralisation of finances, external communications, political engagement and services. It is also reflected through the establishment of the supreme policy-making body (i.e. the National Conference) at the federal level. At the same time, Figure 7.1 draws 'representation' arrows from the State Branch to the National Conference, the National Executive and the National Management Committee, thereby depicting state branch representation on each of these three federal bodies.

The next state-based entity in the hierarchical flow of command is the Local Council which is coordinated by state branch offices (ERU 2011b). Local Councils are constituted in respect of industry sections in each state represented by the union. As shown in Figure 7.3, Local Councils consist of Local Council Presidents and Local Council members who are elected directly by the union members attributed to each Local Council (ERU 2014d).

Additional administrative mechanisms offered by ERU at the local level to enhance membership voice are the Workers Councils and ERU Stewards. In the former case, the union's rule book provides for the power of the National Executive to appoint Workers Councils to assist ERU in an advisory capacity in relation to bargaining processes and any workplace-related issues (ERU 2014d). Workers Councils are established in relation to specific employers in the industry, and consist of union members working in the company for which the Worker Council was created (ERU 2011b). In the latter case, ERU Stewards are appointed by the State Branch to represent specific groups of members in the workplace. Under the union's rule book ERU Stewards keep the State Branch informed of member grievances and workplace disputes, encourage member organising, and generally facilitate member-member and union-member communications (ERU 2014d). As a final point regarding ERU's structure, the election or appointment of union members to Local Councils, Workers Councils and as ERU Stewards is illustrated in Figure 7.1 by 'representation' arrows linking the State Branch Membership to each of these mechanisms.

With regards to the union's workforce structure, employees are mainly categorised as industrial staff or back-of-house staff. The industrial staff group is made up of workplace organisers, advocates and other specialist staff (ERU 2011b). According to the HR Manager, since workplace organisers are the field officers responsible for member recruitment and support, they play a direct role in the success of ERU's industrial outcomes, and as such make up 70 per cent of the union's workforce. Workplace organisers are employed at the State Branch level (shown in Figure 7.3), and are assigned specific portfolios classified in terms of industry employers. As such, they look after members of their respective portfolios (Team Leader). As for advocates and other specialist staff, they are responsible for providing industrial advice and assistance to members (ERU 2011b). Contrastingly, the back-of-house staff group consists of IT, finance, communications and administrative staff who support the industrial function (HR Manager).

In light of ERU's distinctive organisational structure and the crisscrossing of roles and duties of ERU's senior officials, it was not deemed appropriate to strictly categorise key informants as either senior or line managers (as was the case for Dogood). However, since a distinction still had to be made between the different groups of respondents, key informants were broadly referred to as managers for the purpose of this case study. Additionally, despite her dual roles in the union (discussed previously), the HR Manager was interviewed in her capacity as the party responsible for managing and coordinating HRM activities. For this reason, this respondent will be referred to as the 'HR Manager' in this study. Finally, given the uniqueness of ERU's organisation around federal and state levels<sup>1</sup>, it is important to contextualise respondents' explanations of situations and behaviours by situating respondents along the union structure. Table 7.1 attempts to do just that, along with summarising the roles and duties of respondents.

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<sup>1</sup> The organisation of a trade union around federal and state levels is a notable feature of most Australian trade unions, but is unusual when compared to other NPOs.

**Table 7.1 Summary of information of ERU respondents**

Respondent (Main role/status)	Other roles in ERU	Organisational level		Duties
		Federal	State	
National Secretary (elected)	–	National Conference; National Executive; National Management Committee	–	Heads the federal machinery
State Branch Manager (elected)	HR Manager (chosen designation in this study)	National Conference; National Executive; National Management Committee	State Branch	Heads state machinery; also manages HRM activities
Operational Manager (employee)	–	National Executive; National Management Committee	–	Manages external communications
State Branch Manager (elected)	–	National Conference; National Executive; National Management Committee	State Branch	Heads the state machinery
Team Leader (employee)	–	–	State Branch	Oversees the work of organisers
Organisers (employees)	–	–	State Branches	Responsible for members in their designated areas
Administrative staff (employees)	–	Administrative Assistant & Administration Officer – National Office	Administrative Coordinator & Communications/Training Officer – State Branches	Undertake the full range of administration work associated to running the union

### 7.3 Impact of the external environment

#### *Declining union membership*

ERU has, over the years, encountered difficult circumstances due to various industry and political constraints. Evidence of this came from several respondents. For example, the National Secretary reported that attacks by government (be it Labour or Liberal) on unionism have peaked, with government being determined to tarnish the reputation of unions. She further added that the unfavourable legal and regulatory conditions enacted by government not only limit ERU's operations, but they also act as an incentive for employers to limit workplace access to unions. Her arguments regarding government hostility and fervent employer opposition to unions are briefly encapsulated below:

*'There's no employer out there helping facilitate our organisers contact working people. Even the labour government introduced a whole bunch of restrictions on our right of entry abilities, the current mob will go further with that. There's an active campaign going on to essentially damage the brand that is unions, again some of that is self-inflicted but we live in an adversarial system. There is no employer out there that is trying to enhance the standing of trade unions (National Secretary).*

The current Australian<sup>2</sup> government's stance against unionism was equally echoed by the HR Manager and the Communications/Training Officer. It was also interesting to note that both respondents suggested that such attacks could have the reverse effect and prompt individuals to join unions because they feel threatened by such aggressive smear campaigns and realise that they might need protection at work more than ever.

In addition to government hostility and employer opposition, there was evidence that technological and corporate restructuring changes occurring within the industry as well as staff movement have affected the size of the workforce and have consequently hindered the union's membership density (HR Manager).

In combination, these external factors brought about a spiraling decline in union membership and threatened the subsistence of the union. This was indicated by most managers, including the Operational Manager who prophesied the imminent death of the ERU as follows:

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<sup>2</sup> The current Australian government refers to the coalition between the Liberal Party of Australia and the National Party of Australia

*‘Union’s membership is declining, that is our source of revenue. If we don’t increase that, then there is a possibility that our organisation will die. There is a tipping point and we’re almost at it’ (Operational Manager).*

Crucially, there was some indication that such membership decline in turn contributed to exerting additional pressures on the union’s already scarce resources. As mentioned by the Administration Officer, plummeting memberships and resource scarcity formed part of the daily work considerations of employees. Within that reality, the latter respondent remarked that employees were expected to work more skillfully and professionally with less resources.

#### *Injection of managerial principles within ERU*

Faced with such diminishing presence and problems of institutional survival, ERU attempted to become more strategic in its approach (ERU 2011a) by transforming its culture, over the years, from a service model to an organising model, undergoing internal restructuring, and generally improving its internal systems, processes and practices to become more efficient and effective (HR Manager). Hence, the union developed an organisational strategy which catered for rigorous and effective planning processes that are linked to budgets, professional employees and services, and a high performance culture (ERU 2011a).

Nevertheless, the union’s move towards professionalisation simultaneously required the union to embrace managerial ideas. Such injection of managerial principles within the ERU’s internal organisational sphere was observed through an analysis of the union’s strategic plan and was equally voiced by a few managers. As a means of example, the Operational Manager positioned the discussion of ERU’s *‘continual improvement model’* around the need *‘to get leaner, faster, fitter’* so as to reverse the union’s downward membership trend and achieve its fundamental goals of member well-being and protection. At the same time, however, the adoption of managerial concepts by ERU was found to generate frictions with the trade union movement’s natural hostility to managerial ideas (National Secretary; HR Manager). This point will be examined in detail in section 7.4.2.

#### *Decision to formalise PA practices*

As a final point, ERU’s decision to formalise its PA practices should be briefly highlighted here. This point will be returned to in section 7.4.2, but at this juncture, given the above discussion of the impact of the external environment on ERU’s internal organisational



situation, it is well to point out the relationship between declining union membership and the PA formalisation initiatives that have been set in motion at ERU.

At the time of data collection, the PA system at ERU was an informal one (National Secretary; HR Manager). Nonetheless, given the union's poor organisational performance and its declining membership, the National Secretary made her view known that ERU had no other choice than to proceed to a formal PA structure.

Likewise, the HR Manager highlighted that the introduction of a formal PA system only represented a natural evolution in the union's move towards becoming more consistent, efficient and strategic in its approach. Besides, ERU's imminent move to formal PA was discernable from the strategic plan's language of having employee accountability, goal setting, regular feedback and performance recognition (ERU 2011a). Therefore, at the time of the study, the National Management Committee started to work on the development of a formal PA system with a view to addressing the problem of diminishing membership.

To punctuate section 7.3, it appeared that the adversarial milieu in which ERU was operating had a significant impact on the union's internal environment. More particularly, due to its downward trend in membership density, ERU was pushed to embrace managerial principles and to formalise its PA practices for institutional survival and efficiency reasons. This first key finding is summarised in Table 7.2.

**Table 7.2 Impact of the external environment**

<b>External Environmental Conditions</b>	<i>had an impact on</i>	<b>Internal Organisational Environment</b>
<i>such as</i>		<i>in terms of</i>
Government hostility		Declining membership
Employer opposition		Enhanced pressure on already scarce resources
Industry changes		Professionalisation and injection of managerial principles within ERU
		Decision to formalise PA practices

## **7.4 Performance appraisal practices at ERU**

This section presents findings related to ERU's PA practices. Section 7.4.1 introduces the current, informal PA practices at the union, and examines the reality of these practices as experienced by management and employees. This section also analyses the relationship between these informal PA practices and ERU's core values. Section 7.4.2 explores ERU's most recent attempt to formalise its PA system. This section identifies the weighty challenges faced by ERU in relation to such formalisation initiatives. More importantly, section 7.4.2 discusses the need for ERU to develop flexible PA practices that are aligned with the union's core values, language and context. It also pinpoints some enabling factors that assist ERU in its efforts to introduce formal PA practices.

### **7.4.1 Informal performance appraisal practices**

#### *ERU's first attempt to harmonise PA practices*

In 2006, ERU attempted to harmonise its PA practices for employees within the organising regime in three ways: first, by enacting a list of performance standards against which workplace organisers' and team leaders' work would be assessed (HR Manager); second, by directly linking these standards to the organisational strategy (National Secretary); and third, by implementing a new pay structure, known as the '3 Tier Pay Structure', for employees within the organising regime (Administrative Coordinator). Under this structure, employees within the organising regime were given the opportunity to progress in their pay levels on two occasions – after their initial six-month probation period and subsequently after three years – provided that they had achieved their performance targets (HR Manager). Here, it should be noted that other employee groups were paid under a different system known as the 'Grading System' (ERU 2011b), and as such were not afforded the same opportunity to move up the pay level as workplace organisers. This is an important issue that will be discussed in section 8.3.2. Returning to the discussion of PA, other than the formal PA meetings held at the six-month and three-year milestones for workplace organisers (Organiser 3), the PA process at ERU remained largely informal and undocumented in nature (HR Manager).

At this point, it is useful to stress that ERU's decision to focus its attention on its workplace organisers, i.e. its '*face-to-face recruitment officers*', at the expense of other roles was made

on the basis that the union had to address its most immediate and urgent needs of member recruitment (HR Manager).

*Outcomes of this first attempt: Inconsistent and subjective PA practices – PA inconsistency across employee groups*

By the same token, however, the HR Manager acknowledged that the downsides of putting all the eggs in the representation basket and exclusively focusing on workplace organisers included a patchy application of PA as well as the propagation of feelings of division and injustice amongst employees. In fact, this respondent expressed the view that workplace organisers, who were under ubiquitous pressures to bring the union back on its feet, were distraught by the fact that other employees were not held accountable and their performance could be *‘good, bad or indifferent and nobody’s got the spotlight on them’*. Furthermore, the HR Manager indicated that the lack of formal PA practices failed to send consistent messages of acceptable performance standards across the organisation, and even gave employees outside the organising regime *‘a gap that they could drive a truck through’*.

More than this, such inconsistent PA implementation across employee groups was confirmed by employees. Indeed, workplace organisers cited regular meetings – albeit informal and undocumented ones – with their team leaders. In contrast, administrative employees unanimously declared that PA meetings were barely conducted for them, with the Administrative Coordinator even specifying that meetings would only be held in cases of employee misbehavior. Relatedly, administrative employees associated PA with the following expressions: *‘lots of grey areas’*, *‘not consistent’* (Administrative Coordinator), *‘tends to get put off’* (Communications/Training Officer), and *‘we could work as hard or as easy as we like because nobody’s going to actually say anything. And that’s wrong’* (Administration Officer). Hence, what transcended from these comments was that a few administrative employees were dissatisfied with such PA inconsistency.

At this stage, it should be highlighted that the above inconsistency seemed to be symptomatic of a more general issue of labour division between industrial and administrative roles. Indeed, a few administrative employees expressed the view that different treatment was reserved for organising and administrative roles. For example, one administrative employee stated on two occasions:

*‘I and [colleague name] kind of feel as though admin is very much a last minute thought and that we’re not significant in our role... Sometimes other people don’t realise how much I do. ... I don’t think they value my role particularly much’.*

*‘Everything is always very organiser-centric and understandably so because they’re the people that are bringing in the bread and butter ... but it does feel very much as a whole across the nation that the admin people just happen to be there and if one leaves they’ll just slot another one in their place and we’ll be good to go without actually any real value of their particular skill sets or anything like that’ (Communications/Training Officer).*

Interestingly, the Communications/Training Officer’s statement also revealed the interactions between administrative employees to make sense of their place within the union. The point to be made here is that though such consultations and collective sense-making processes are customary in organisations, the danger of such an exercise in this case is that it can spread and magnify feelings of malaise and frustration amongst administrative employees.

#### *PA inconsistency across State Branches*

In addition to PA being inconsistently implemented across employee groups, there was a rich volume of data suggesting that there were significant differences across State Branches with regards to the manner of implementing PA. This finding was reported by both management and employees, and was recounted by one respondent as follows:

*‘[PA is] not as structured and well developed as it could be ... Every state probably does it a little bit their own way. We go over obviously the conversations if they happen to happen and etc., but I wouldn’t say it’s as clear as it could be’ (State Branch Manager).*

On a related note, a Team Leader made their view known that the problem of mixed messages across State Branches would always subsist because State Branch Managers sitting on the National Management Committee were influenced by their own psychological perceptions and construed messages in their own way. They would then communicate their version of such messages to their respective State Branches. In other words, despite ERU’s attempt to centralise its practices and structure (as depicted in Figure 7.1), it appears that the idiosyncratic interpretation of HRM messages at the individual level affected ERU’s ability to operate as a synchronized, federal union with harmonious HRM practices.

Of some concern was the fact that such inconsistency carried severe consequences for ERU. It appeared that managers were reluctant to implement PA for fear that employees would question the legitimacy of the process on the basis that PA was not enacted in other State Branches. This finding was explicitly articulated by the HR Manager who added that such lack of implementation bred poor employee performance and resulted in a culture in which employees were not held accountable. From the HR Manager's comments, it appeared that ERU was trapped in a vicious circle: non-existent or poor quality PA implementation in one State Branch further deterred other State Branches from implementing PA in the way intended by the union. Moreover, there was some indication that the failure of ERU to homogenise its PA practices created rifts amongst workplace organisers in different State Branches (Team Leader).

*PA inconsistency attributed to poor people management skills and time constraints*

Yet another level of PA inconsistency that emerged from the data related to the inconsistent implementation of PA due to poor people management skills and time constraints. This finding stemmed from comments made by a handful of managers. As a case in point, the State Branch Manager reported ERU's failure to provide training on people management skills. Instead, managers were expected to acquire these skills on-the-job and by reflecting on the mistakes made by employers in the industry. As a result, the National Secretary conceded that managers at ERU were not equipped with adequate people management skills to motivate employees and to implement HRM practices in the manner intended by the union.

Similarly, the HR Manager, who equally acted as a State Branch Manager, stated that, due to the organisation's chronic lack of resources, managers at ERU were not only responsible for performing managerial tasks, but they also held other positions in the union and were extensively involved as industrial practitioners. According to this respondent, this implied the omnipresence of work overloads, busy schedules and competing priorities for management. Within this context, she noted the tendency of managers to disregard managerial duties in order to address harder, more urgent member-related priorities.

*PA subjectivity depending on individual managers*

On top of that, it was suggested by one workplace organiser that PA was subjectively administered by team leaders. To illustrate her point, the latter respondent described how she found himself/herself move up to the highest pay level of the '3 Tier Pay Structure' within one year of employment because of her previous work experience in unions. In contrast, she

reported that her colleagues, who have equal union-related work experience, were unable to have their pay progression sped up by their team leaders and instead had to wait for the standard three-year milestone. She additionally revealed that PA inevitably involved a degree of subjectivity in terms of managers using different attributions to apply PA criteria and to judge performance (Organiser 3).

In summary, what the preceding findings show is that the informal nature of PA resulted in its inconsistent implementation across various levels. As a last point, it should be stressed that those findings should not be viewed as being sealed within specific labels. Instead, the reality is that the different levels overlap and interact with each other to contribute to an overall tangle of low-quality PA implementation at ERU.

#### *Alignment between informal PA and core values*

In terms of the integration of ERU's core values within its PA practices, the data suggested mixed findings. On one hand, it was indicated by management and workplace organisers that performance standards for organisers were directly linked to the union's mission and core values. For example, one employee explained how workplace organisers are evaluated on their ability to build a member-driven culture. In that regard, she pointed out that *'all of those things are looked at when it comes to your performance appraisal ... Have you motivated? Have you gotten people to join the union? Have you gotten people to become reps? Have you gotten people involved in actions? Have you gotten people involved in worker's councils to make decisions about what's going on in the workplace?'* (Organiser 3). In this manner, it appeared that PA attempted to support the organisational values of participation, collectivism and democracy, and that organisers were clear about the types of value-based behaviours that were encouraged by the union.

On the other hand, there was some indication that the informal nature of PA contradicted ERU's core value of professionalism. This finding stemmed from the Administrative Officer who recently left the industry to join ERU. This respondent questioned the professionalism of the union on the grounds that, to date, there was no formal PA system and that management only started to talk about formalising PA. To quote that respondent:

*'I was surprised about not having a proper performance management because you're working with such professional industries ... If we're unprofessional, you just lose all credibility. ... So, I can't understand how you can't be that professional and how*

*maybe it's been left to slide a bit and like they said they're just starting to bring people in line. I just don't understand that at all' (Administrative Officer).*

Furthermore, as will be discussed in section 8.3.1, the inconsistent implementation of PA triggered injustice perceptions. In broad strokes, such inconsistency illustrated the union's failure to mirror its core values of fairness and equality within its internal organisational environment.

#### **7.4.2 Formal performance appraisal practices**

##### *ERU's second attempt to formalise PA*

In view of addressing its major issue of declining membership and in response to its awareness of some of the issues mentioned above, ERU decided to formalise its PA practices organisation-wide (National Secretary; HR Manager). According to the National Secretary, it would be ideal if ERU got so good at getting the right people and motivating them in the right way that a formal PA system was not deemed essential. Nevertheless, she added that since ERU was struggling and since a section of the workforce was *'just rolling along with status quo because there's no fear of any consequence of failure'*, a formal PA system was a necessary evil, regardless of whether the union was value-based or not.

At the time of the study, therefore, the PA policy was being drafted by the HR Manager in consultation with the National Management Committee (HR Manager), and official communications to management regarding the formal structure were underway (National Secretary). At that stage, although employees were not officially informed of the union's imminent move to a formal system (HR Manager), this information was communicated on an informal basis to a portion of the workforce (Team Leader).

At this point, two observations are in order. First, since the PA policy was still in a draft form, the document was not disclosed to the researcher. However, it was made clear by the National Secretary and the HR Manager that the intentions of ERU were to formalise PA across the federal structure, and to use it as both a developmental tool and as a means of ending employment in cases of unsatisfactory employee performance.

The second observation pertains to the progress of PA formalisation initiatives. During fieldwork, it was found that ERU experienced a period of disruption during which the position

of the National Secretary was internally challenged by the National President. As a consequence, that event diverted the National Management Committee's attention from the task of formalising PA. Instead, as stated by the HR Manager, political considerations and campaigning activities were placed at the forefront of management's agenda. When the National Secretary was defeated, ERU decided to cease additional data collection in relation to this study and put the PA project on hold. Hence, at the time of this writing, it is not known whether plans to formalise PA at ERU were disregarded by the new leader, or whether the latter proceeded along the same strategic direction as the previous one.

### *Challenges of PA formalisation*

In the process of instilling a performance-oriented mindset, ERU stared directly at several weighty and interlinked challenges. Before anything else, there was evidence that the application of the managerial concept of PA within the unionistic context of ERU constituted a problematic and controversial exercise because of the trade union movement's natural hostility to managerial ideas. This was borne out from the National Secretary's remark that since the ideological beliefs and values of trade unionists '*who protect peoples' jobs*' contradict those of managers '*who sack people*', trade unionists struggle to envision themselves as managers. Although this respondent did not personally believe that having a PA system would automatically imply employee mistreatment, she commented that, in general, trade unionists find it difficult to employ private sector management practices, such as PA, against employees. In her own words:

*'Most people who work in the trade union movement, haven't joined the movement to become managers and we fight against what we would often see as the impression of workers through various performance management systems ... in the ... industry. So when you fight against that poor behaviour and you fight against the system everyday that is being used by employers to either keep workers' wages down or in some cases remove people's whole employment, then it's a hard thing for people who work within a trade union to feel like they should be a manager and using what essentially is an employer's chore to manage performance. So there's a group of managers within the union who psychologically and emotionally struggle with the notion that they are managers. There's another group who get over that hurdle but then struggle with the fact that they have to use what are just standard employer and management tools to*



*manage the performance and the behaviour of the people that report to them'* (National Secretary).

This tension between trade unionists' values and businesslike PA practices was similarly echoed by several managers and employees. What is more is that, in the face of such tension, the high likelihood of employee resistance was evoked by several managers and employees, and was succinctly summed up in the following terms:

*'I think it will be resisted and there'll be a section of the workforce who will call us hypocrites for having such a system and calling ourselves trade unionists'* (National Secretary).

This tension was not the only factor contributing to the complexity of instilling formal PA practices within ERU. Other factors such as the level of education of employees and the highly scrutinized position of unions concurrently added to the barriers of formalising and operating PA practices at ERU. Evidence of this once again came from the National Secretary. The latter commented that the reluctance of managers to use management tools, like PA, stemmed from the fear that ERU's employees, who understood their legal rights better than the average employee, would take advantage of the conspicuous position of unions to challenge such private sector management practices in the media. In her own words:

*'Some workers who feel like they've been harshly treated would often try and make that into a big case because the worker can sometimes think that, 'if I go to the media, if I make this into a big song and dance, I can use the embarrassment that that may cause to change a union's decision in terms of whatever it is that applies to them, or the threat of it can be used to stop the decision from being made''* (National Secretary).

A couple of observations should be made in relation to these challenges. The first one is that respondents expressed mixed views regarding the desirability of a PA discourse in a union setting. On one side, a small group of employees expressed the view that PA formalisation would go against the union's values. Within that group, the Communications/Training Officer expressed her concern that ERU wanted to employ the same logic as those employers against which the union was fighting. Withal, one long-serving organiser expressed the view that, as part of the trade union movement, one of ERU's main objectives was to give members a voice at their workplace by teaching them how to speak their minds and confidently raise issues with their managers. Along this line, the Organiser believed that the introduction of a formal PA

process would contradict the union's value of empowerment. Instead, she stated that employees should be trusted to have the required skills to raise issues without the need for a formal PA structure (Organiser 2).

On the other side, quite a large number of managers and employees expressed a different view and suggested that a formal PA system would contribute to the achievement of the union's mission and to the reinforcement of organisational values. While placing a strong emphasis on their responsibility towards fee-paying members, these respondents reported that formal PA would not only ensure that employees are working at acceptable performance standards and in line with the union's values, but it would also build confidence that members' money – a scarce resource – was not wasted. As one administrative employee put it:

*'We're responsible to our members ... They pay every fortnight to support us. We should be giving them the best that we can ... it's really important that somebody does hold us to some sort of performance acceptance'* (Administration Officer).

Likewise, while acknowledging the complexity of PA in a union setting, the State Branch Manager commented that *'there is a place for it because at the end of the day we need people that are competent in doing their role and that work to the core values of the union'*. From that perspective, she stated that the formal PA practices should not only assess employees' performance solely based on the achievement of their individual objectives, but should more importantly evaluate employee behaviour and assess whether the union's *'values and beliefs are being carried out by the individual'* (State Branch Manager).

Second, due to these challenges and tensions, it appeared that ERU was under pressure to get its formal PA practices right. Evidence of this came from the Administrative Coordinator who stated that given the nature of the work undertaken by ERU, the union had no leeway for making mistakes with its formalising initiatives.

Third, a few managers stressed the importance of adapting the PA language and aligning the formal PA system with the union's core values as a means of reconciling the contradiction between managerial practices and ERU's values. As one respondent said:

*'Our members are ... being browbeaten by performance management. ... We have to be careful with our language around that [PA], because of the day to day activities that we do on behalf of our members. There's a mindset if you like amongst the organisers and the advocates as to what that means and so we really do have to build in our core*

*values and change the language and alter that so that we don't get hooked up in our members' problems. ... What we then have to do is break it down to the growth of the union, what it takes to win for our members ... We need to structure that in line with our core values'* (HR Manager).

In the same way, another respondent strongly advocated for the alignment of PA with core values in the following terms:

*'We wouldn't want people treated unfairly or unjustly or we wouldn't accept a manager concocting stories or blame shifting or anything like that. We wouldn't want organisers stealing new recruit forms from each other or anything like that. So I think there are certain core values that we've got as unionists that we wouldn't want to infect our performance management system'* (National Secretary).

One administrative employee also expressed the view that ERU had to be mindful of the terminology used around PA. Accordingly, she issued a note of warning in relation to the use of the term 'performance targets':

*'Targets is a little bit more harsh ...whereas a goal is something you're all working together ... Maybe working around the [industry] for so long, the word 'target' has a lot of negative connotations to me'* (Communications/Training Officer).

More than this, it seemed that if ERU was to be seen living up to its values, it was essential that the union designed a PA system which enshrined a degree of flexibility. This was articulated by a few managers and employees. For instance, the National Secretary commented on the need for a flexible PA system that takes into account situational factors as opposed to the industry's rigid PA practices that expect rules to be followed by the book irrespective of individual's circumstances. In the same way, the Administrative Assistant declared that ERU should introduce a flexible system, and not a '*dot by dot*' strict system like in the industry. To exemplify how prescriptive PA practices could be unfair to workplace organisers, the State Branch Manager reported that organisers' ability to recruit members would traditionally depend on the degree of employer opposition, the geographical accessibility of workplaces and the historical reputation of ERU in different workplaces.

As a final point, the need for consistency in rolling out the new PA system was voiced, and was even viewed as a challenge in itself given the union's history of inconsistent implementation (HR Manager). In relation to this point, there was some indication that such

consistency was not achieved by ERU in practice. As observed during fieldwork, some employees were aware of the PA formalisation initiatives while others were completely oblivious to this fact. Besides, one employee conveyed her dissatisfaction on the manner in which the communication of the formalisation initiatives have been handled by the union. She accordingly described communication emanating from management as '*extremely poor*', '*verbal*', '*not clear of what it all means*' and having '*minimal detail*'. Finally she remarked that since the organisation was '*dealing with a bunch of unionists who get their back up about things like that*', it did not have the luxury to be vague about such formalisation initiatives (Organiser 1). Such poor communication was echoed by the Communications/Training Officer who even spoke of how the silence following the informal announcement of PA formalisation have shifted employees into a panic mode.

#### *Enablers of PA formalisation*

On a brighter note, the data suggested that ERU had managed to build up an environment conducive to formal PA practices in two ways. First, employees were not allowed to become members of ERU. In having such a restriction, the union ensured that its workforce would not be able to contest elections (National Secretary). It also meant that employees were given no power to vote against unpopular HRM practices by removing senior elected officials from office. Second, unlike other unions in which PA could not be conducted for workplace organisers in their capacity as elected officials, ERU's organisers were in a traditional employment relationship with the union (as explained in section 7.2) and as such could be performance appraised (National Secretary).

To summarise section 7.4, it seemed that ERU faced issues of inconsistency and value conflict as a result of the informal nature of its PA practices. To address these issues, the union decided to formalise its PA practices. Coincidentally, such intended formalisation introduced a number of challenges and tensions. In order to suppress, or at least abate, these tensions, ERU was required to conceptualise PA to fit its core values, language and context. This second key finding is abridged in Table 7.3.

**Table 7.3 PA practices at ERU**

<b>Informal PA Practices</b>	<i>generated</i>	<b>Issues,</b>	<i>hence ERU's decision to introduce</i>	<b>Formal PA Practices</b>	<i>despite</i>	<b>Challenges of Formalisation</b>
<i>characterised by</i>		<i>in terms of</i>		<i>which needs to</i>		<i>in terms of</i>
<p>Documented performance standards for workforce organisers only</p> <p>Regular informal meetings for workplace organisers; sporadic informal meetings for administrative staff</p> <p>Link between organisers' performance standards and organisational values of participation and collectivism</p>		<p>Inconsistent and subjective implementation of PA</p> <p>Contradiction between PA inconsistency and organisational values of professionalism, fairness and equality</p>		<p>Be aligned with core values</p> <p>Be adapted to suit the trade union movement's language</p> <p>Be flexible and take into account situational factors</p> <p>Be rolled out consistently</p>		<p>Value conflicts: Trade unionists' natural hostility to managerial tools like PA</p> <p>Employee resistance</p> <p>Adoption of businesslike PA made more complex due to workforce education and conspicuous position of unions</p>

## 7.5 Vertical and horizontal (mis)fit

This section highlights the salient findings related to the notions of vertical and horizontal fit. The section is structured in the following format: section 7.5.1 examines the organisational strategy adopted by ERU. Section 7.5.2 presents mixed findings related to the degree of alignment between this organisational strategy and ERU's informal PA practices. Section 7.5.3 provides evidence of misalignment between PA and other HRM practices. Section 7.5.4 identifies some of the political barriers that ERU has to overcome to successfully embrace a strategic HRM approach.

### 7.5.1 ERU's organisational strategy

In 2011, ERU developed its organisational strategy with the support of an external consultant (HR Manager). This organisational strategy was primarily framed around the need to grow the

union's strength on five fronts, namely the industrial, membership, community and political, union movement, and internal union fronts. On that account, the union established the following key strategic priorities: reinforcing its commitment to protecting members' interests through members' involvement; reversing its downward membership trend; strengthening its engagement with the Australian Labor Party; building its support and solidarity to the broader trade union movement; and developing its internal systems, structures and processes to create a value-based and high performance culture (ERU 2011a).

Turning now to the relationship between the organisational strategy and organisational values, an analysis of the strategic plan revealed that the union aimed at putting 'its values and vision for the future at the forefront of everything it does' (ERU 2011a, p.16). According to this strategic plan, ERU attempted to do this through enhanced internal communications of its mission and values, professionalising its employees and systems, and creating clear lines of accountabilities and responsibilities (ERU 2011a).

## **7.5.2 Mis(alignment) between performance appraisal and organisational strategy**

### *Vertical fit*

From the data, there was some indication that ERU attempted to create a vertical fit by directly linking workplace organisers' performance objectives to its central tenets and mission. Evidence of this emanated from the strategic plan and from the majority of respondents. As a means of example, the National Secretary explicitly described how the national objectives in the strategic plan were devolved into State Branches' objectives, team objectives and ultimately individual objectives. From that perspective, she added that the performance objectives for workplace organisers were based on the number of new members that had to be recruited to replace the number of departing members in the first place and to subsequently achieve the 'global recruitment goal' set out in the strategic plan. In that way, PA was linked to the organisational objective of member recruitment. The link between PA and the organisational goal of member participation was also illustrated by one workplace organiser's account of how workplace organisers were appraised on their ability to recruit and train ERU Stewards, and secure member involvement in industrial activities (Organiser 3).

Furthermore, the data suggested that managers and most employees understood the notion of vertical fit and comprehended how their roles tied into the industrial objectives of the union.

For example, the Administrative Assistant outlined how her role consisted of doing the paperwork and supporting workplace organisers in their recruitment and organising roles. It was also suggested that it was not difficult for employees to make the link between PA and organisational strategy because *‘everybody who works here understands that a bigger, stronger trade union means better industrial outcomes’* (National Secretary). This finding was echoed by a few workplace organisers. Hence, it appeared that, given their interests in and the appreciation of the trade union movement that they are expected to have, ERU’s employees were in a better position to understand the notion of vertical fit.

### *Vertical misfit*

Notwithstanding the above, the National Secretary made her view known that despite this theoretical link between organisational strategy and organisers’ performance standards, the informal PA system was, in practice, struggling to drive performance and fulfil the organisational strategy precisely because of the informal nature of the system and the lack of consequences resulting therefrom. This view was shared by the HR Manager who added that the inconsistent implementation of PA practices across the union contributed to vertical misfit, and prompted ERU to go down the PA formalisation path. An additional factor that appeared to impede on ERU’s ability to achieve vertical fit is the inherent political norms within which the union operates. This point is discussed in section 7.5.4. In broad strokes, therefore, it appeared from the above managers’ comments that the degree of fit between PA and organisational strategy was hampered by the informal nature of the PA system and its inconsistent implementation as well as the political nature of the union.

### **7.5.3 Misalignment between performance appraisal and other HRM practices**

In terms of horizontal fit, it appeared that ERU failed to realise an alignment between PA and other HRM practices. A number of indicators heralded this finding. First, the ad hoc HRM approach embraced by the union was articulated by the HR Manager who noted that the focus on HR aspects was generally guided by *‘whatever’s happening at the time’*, and underscored the lack of horizontal fit due to informal PA practices. Second, the absence of dedicated HR staff and a dedicated HRM budget (HR Manager) indicated the union did not place significant emphasis on investing in its HRM function. Indeed, because of the HR Manager’s dual roles in the union (outlined in section 7.2) and in light of the neglect of managerial duties reported

by the HR Manager (mentioned in section 7.4.1), it was unlikely that ERU had managed to achieve enough sophistication in its HRM strategy to develop an internally aligned bundle of HRM practices. Third, the National Secretary acknowledged that the union placed more emphasis on recruitment practices while training practices were not deemed the most important HRM practice. The latter justified this stance as follows:

*‘We can’t train people to be unionist to be honest. You’ve either got some sort of empathy for the notion of the work that we do or you don’t. There would be no point in us recruiting the best retail sales person that works at Just Jeans to come into the [ERU] and be an organiser because it’s not just about recruitment, it’s about organising. So it’s particularly important at the recruitment phase that we are employing people who have the right values and have the capacity to do the work that we need to do. ... If they’re not in the right frame of mind to be an organiser or an industrial officer, then training is not going to fix that problem. And to be honest, those people wash out of the place pretty quickly because they get more horrified more quickly than us because they think “this isn’t the job I thought it was” (National Secretary).*

The key point to be made from the above excerpt is that the overall fit among HR practices is likely to be poorly exercised at ERU because of the attention given to some HRM practices at the expense of others. Finally, it seemed that the political nature of ERU influenced the union’s ability to adopt internally aligned HRM practices. Deciphering the impact of political forces on horizontal fit (and vertical fit) is the focus of the next section 7.5.4.

#### **7.5.4 Political barriers to strategic HRM**

The contested election and the resulting change in union leadership was alluded to in section 7.4.2. Though this political event cannot be discussed in detail for confidentiality and ethical reasons, it is imperative to note the impact of such an event (and similar future events) on ERU’s ability to achieve vertical and horizontal fit.

From the data, there was evidence that leadership changes could lead to abrupt deviations from the initial organisational and HRM strategies. This finding stemmed from comments made by the HR Manager in relation to the contested elections underway at that time. The latter respondent reported that any change in leadership could not only signify a complete change in the union’s strategic direction and HRM policies, but it could also mean that the new leader



could ‘sack half or three quarters of our staff if she chose to, and re-employ new people to fill those spots on the back of the fact that their allegiance is to [National Secretary’s name] and not to her. And there’s no unfair dismissal in that because there’s precedent that it’s within the realms. Because ... we are a political democratic organisation then new leadership has the right to get rid of people who were openly supporters of the old leadership’ (HR Manager).

The above finding was echoed by the Team Leader. This respondent, who was interviewed after the National Secretary lost the elections, explained how the defeat of the union’s figure head and the ‘fear of the unknown’ with the appointment of a new leader have created insecurity and caused emotions to soar in her team. She also acknowledged that the new leader might steer the union in a completely different direction and discontinue current internal processes.

Similarly, while broadly discussing how leadership changes in most unions sometimes signified mass employee dismissals, the National Secretary stated:

*‘History almost begets the future to be honest. Like if you treat people in that way then eventually those people get in charge and sack everybody who treated them badly and then the circle comes around the other side and a new mob gets in and says ‘well you treated me badly’. It doesn’t happen as much, but for a long period of time in the 80’s and the 90’s, every time a leadership would change, the union would sack everybody who worked there and start again. And that wasn’t performance management that was just ‘you were part of the old mob, we’re the new mob so get the hell out the front door.’ So it’s changed a lot since those days but some unions still work that way’ (National Secretary).*

In essence, what this all means is that though democratic election processes are part and parcel of the distinctive governance system of trade unions like ERU, the political consequences of such elections may sometimes hinder the adoption of effective and strategic HRM practices by such NPOs. It should be made clear that the change in strategic direction and HRM approach is not disputed here. Indeed, it is not uncommon for organisations, irrespective of their forms, to review their strategic and HRM positions following the arrival of a new leader. What is, however, questionable is the manner in which such changes occur and the political reasons behind such changes. For example, the large scale employee dismissals and the subsequent politically-impregnated recruitment procedures prophesized by the HR Manager imply that HRM practices are driven by political considerations rather than meritocracy. The possibility of radical and abrupt changes in the organisational strategy and HRM system revealed by the

HR Manager and Team Leader illustrate the volatility of ERU's internal organisational environment. Taken together, all these changes not only give rise to ethical issues and values contradictions, but they also increase the likelihood of ERU not being able to quickly adapt its organisational strategy and HRM practices to make them compatible with each other. The latter risk is particularly acute given the fact that ERU does not have dedicated HR staff (as seen in section 7.5.3). In sum, therefore, it appears that political forces at play at ERU obstruct the union from achieving vertical and horizontal alignment.

In summary, the data suggested that while ERU had attempted to create a degree of vertical fit, this has not been successful due to the informal nature of PA practices and to their inconsistent implementation. Also, there was evidence that the union did not make any plan for horizontal fit. Of significant concern, it was found that the political organisational environment of the union added a layer of complexity to any future attempts of ERU to adopt a strategic HRM approach. This third key finding is summarised in Table 7.4.

**Table 7.4 Vertical and horizontal mis(fit)**

<i>There were mixed findings of</i>	<b>Vertical Fit</b>	<i>and</i>	<b>Vertical Misfit</b>	<i>as well as</i>	<b>Horizontal Misfit</b>
	<i>in terms of</i>		<i>attributed to</i>		<i>attributed to</i>
	Link between workplace organisers' performance objectives and organisational objectives of member recruitment and participation  Respondents understanding the importance of vertical fit		Informal nature of PA and lack of consequences  Inconsistent implementation of PA  Volatile internal organisational environment associated to the political nature of ERU		Absence of proper HR function  Informal nature of PA  Emphasis on recruitment practices at expense of training practices  Volatile internal organisational environment associated to the political nature of ERU

## 7.6 Conclusion

The purposes of Chapter Seven were three-fold. The first one was to examine the impact of the external influences on ERU's internal organisational environment. In relation to this first objective, this chapter illustrated how external environmental factors – government hostility,

employer opposition and changes in the industry – negatively influenced ERU’s membership density and pushed the union to professionalise its services, workforce and internal practices.

The second purpose of Chapter Seven was to investigate the relationship between PA and core values. The chapter introduced the informal PA practices at ERU. It also illustrated how, in response to declining membership, the union decided to formalise its informal PA practices despite the challenges associated to such an exercise. More crucially, the chapter demonstrated that by linking organisers’ performance standards to its central tenets and mission, ERU had managed to align, to a certain extent, its informal PA practices with organisational values. Concurrently, it was also clear that because of the informal nature of PA and because of its inconsistent implementation, the union was not living up to its core values internally. As a consequence, there were suggestions that should the union introduce a formal PA system, it should ensure that strong synergies are built between that formal system and organisational values.

The third and final purpose of Chapter Seven was to examine the degree of alignment between PA, organisational strategy and other HRM practices at ERU. In that regard, the chapter produced evidence that both supports and contradicts the alignment between PA and the union’s organisational strategy. The chapter also showed how ERU failed to achieve an internal fit between PA and other HRM practices, and how political factors acted as barriers to both vertical and horizontal fit.

## CHAPTER EIGHT: ERU (PART II)

### *The values and justice tale at ERU*

#### **8.1 Introduction**

Chapter Seven presented the findings related to ERU's external and internal HRM environments, and aimed to address the first three research questions of this thesis. As such, it first analysed how external environmental conditions influenced the union's internal HRM environment. Second, it outlined ERU's informal PA practices, described the union's attempt to formalise PA, deciphered the challenges of such formalisation initiatives, and explored the relationship between PA and core values. Third, the chapter reviewed the notions of vertical fit, vertical misfit, and horizontal misfit at ERU.

Chapter Eight provides an overview of the findings pertaining to the value-based notions and justice concepts prevailing at ERU. The chapter is made up of two sections. The first section 8.2 explores respondents' levels of engagement with the union's core values, whilst the second section 8.3 examines respondents' justice and injustice perceptions towards PA, thereby addressing the final research question of this thesis.

#### **8.2 Respondents' engagement to organisational values**

This section 8.2 outlines the mixed findings regarding respondents' engagement with ERU's core values. Section 8.2.1 provides accounts of the strong values orientations displayed by managers and employees, whereas section 8.2.2 reports on the limited incidences of values myopia.

### 8.2.1 Commitment to core values

#### *Managers' commitment to core values*

Unsurprisingly, the data demonstrated examples of respondents' profound commitment to ERU's core values and more generally to the values of the trade union movement. In the case of managers, all management respondents relayed their passion for and their strong beliefs in the work undertaken by the union. For the HR Manager, for instance, the identification with organisational values stemmed mainly from the fact that she has spent her working life in the industry. To quote that respondent:

*'I have a very strong ownership and value system with this union and this industry. ... I care quite passionately about what happens to this industry and where it's gone over my lifetime and the things that have crept in and made it a completely different job to what it was when I worked for one of the major [employers]. And it's a challenge that I take on to try and resurrect some of the good that used to be in our industry' (HR Manager).*

Similarly, one manager, who professed sharing the union's values, revealed how she moved out of a high-paying position in the industry because she was disillusioned by the industry's unfairness. She highlighted her drive to assist people: *'I wake up every morning because it's about representing our members ... I wake up for the fight'* (State Branch Manager). This urge to fight for members' rights was also echoed by the Team Leader within the context of her personal and noble desire to leave behind a just and worthwhile industry for her own children.

#### *Employees' commitment to core values*

In the case of employees, there was a plethora of evidence that showed how ERU's workforce breathed organisational values. This finding was, at the outset, articulated by several managers. To name a few, the National Secretary pointed out that the union did not have a problem with promoting core values and that most employees could readily articulate those values.

Another manager similarly stated:

*'People don't come and work for a union unless they have ... social justice passion and a passion for worker's rights. There's plenty of easier jobs in the world that you can do. So people that are attracted to work for unions certainly come with that passion' (HR Manager).*

Furthermore, the State Branch Manager draped her discussion of the need for strong employee values commitment around the challenges associated to a unionist's job. On commenting on this, she stated that employees should question whether this is *'really the right industry or job for them given that being a unionist takes its toll, it's not an easy job and you really need to be a passionate person about the cause in as much as have the skills and ability to be able to do it'*. From her experience, she observed that employees *'who have a true belief in unionism just seem to be better suited for the roles than those people'* who considered their roles at ERU as *'just a job'*. She concluded that if people shared the union's values and were *'here for the right reason, then all the problems and issues that we face, and whether that's a lack of resources or sometimes a lack of training, we overcome those obstacles'* (State Branch Manager).

The difficulties of trade unionists' roles were also highlighted by the Team Leader who explained how *'some workplaces are actually quite stressful even to walk into'* and how *'one day everyone is friendly and nice and the next time people are shouting abuse at you'*. This respondent additionally illustrated her employees' values commitment by recounting how in her previous job in another union, employees were more inclined to serve their personal interests and used the power of that union membership to get access to parliamentary seats. In contrast, she added that none of her organisers joined ERU as a stepping stone, and that all of them shared ERU's values.

Over and above managers' perceptions of employees' values commitment, it was observed that the majority of employees declared their passion for their work and for social justice. In the case of workplace organisers, one organiser labeled himself/herself as a unionist because of her deep-seated beliefs in improving the lives of workers and treating them fairly (Organiser 1). Another organiser, who was also passionate about protecting individuals' rights, described how she wanted to work in an environment where people were treated fairly and with respect and dignity. On this account, she remarked that she chose to stay at ERU because the union institutionalised these values internally, for example, through specific work/life balance policies (Organiser 3).

Another long-serving organiser outlined how she was previously a member of ERU and how she viewed a position in the union as a chance to stay connected to the industry without actually having to work in the industry. She added that although the union's core values was not an influence for joining the organisation originally, she has learnt since then of the congruence between her values and ERU's values, hence her reason for staying at ERU (Organiser 2).

Such social justice passion was equally shared by most administrative staff. While citing her ‘big union family’ background as an influence for joining the union movement, one administrative employee stated:

*‘I’m here because I actually do think we make a difference and I like being on the right side of history. I like being on the side that helps people’* (Communications/Training Officer).

Likewise, the Administrative Officer, who has been working for a very long time at ERU, reported how she was a member prior to her employment at the union. Her commitment to the broader trade union movement’s values was not only explicitly voiced by her, but was also reflected through her involvement in her own time in activities related to the trade union movement and to the Labor Party. That respondent further mentioned that her sense of belonging to ERU as follows:

*‘I took 50% pay cut to come here ... I came here because I wanted to do this sort of work. I’ve been offered lots of job since by different organisations to go back into the private sector. You couldn’t move me’* (Administrative Officer).

In the same way, another long-serving Administrative Coordinator expressed the view that individuals who do not believe in what ERU stands should not be working in the union in the first place.

In brief, it is clear that a common denominator across the above respondents was their strong beliefs in the mission and values of ERU, irrespective of whether such identification originally stemmed from commitment to the industry, past membership with the union, family-related motivations, political values, and/or personal values.

### **8.2.2 Values myopia: Losing sight of core values**

Concomitantly, there was evidence, though limited, that not all employees shared the same levels of commitment to ERU’s core values. This finding mainly stemmed from comments made by the HR Manager. While maintaining that ‘*you have to have a level of knowledge and acceptance of what a union is to do any job in the union*’, the latter respondent expressed the view that back-of-house staff did not possess the same level of value congruence as organisers and employees with direct member interface.

Furthermore, in section 8.2.1, the State Branch Manager commented on how she has witnessed some individuals coming into this sector with '*it's just a job*' attitude and how these individuals were unsuccessful in their jobs because they did not genuinely believe in the union's cause.

Finally, there was some indication that the Administrative Assistant, who recently started working at ERU after leaving the industry, did not place values high up on her reason for joining ERU. This respondent recalled how she joined ERU as a member because it was the customary thing to do when she first started working in the industry. She also explained how she got retrenched and how she coincidentally got a job at ERU. She compared the union to a business and believed that it should be run as such.

At this stage, two observations seem appropriate. First, although it is difficult to quantify the exact degree of affiliation of respondents to organisational values, the responses of the administrative staff elaborated in section 8.2.1 seemed to contradict the HR Manager's stereotype that administrative employees were less committed to ERU's values than industrial employees. However, this is not to say that the HR Manager's perceptions should be disregarded altogether. A second related observation is that the different values orientation of the Administrative Assistant was more related to the fact that this respondent was recently compelled to leave the private sector than to the nature of work undertaken by the latter.

Overall, the data suggested that ERU's values were deeply entrenched within the union's workforce and its managers. Alongside such values commitment, there were also minute traces of values myopia in this NPO. This first key finding is summarised in Table 8.1.



**Table 8.1 Respondents' engagement to core values**

<i>Respondents displayed both</i>	<b>Values Commitment</b>	<i>and</i>	<b>Values Myopia</b>	<i>at ERU</i>
	<i>exemplified by</i>		<i>exemplified by</i>	
	<p>Respondents' professed passion for ERU's work and for social justice</p> <p>Reason for choosing to work and stay at ERU despite harsh working conditions</p> <p>Employees not joining ERU as a stepping stone for higher political motives</p> <p>Undertaking union-related activities outside working hours</p>		<p>Managers' reports of 'it's just a job' attitudes, and of back-of-house staff being less committed to values than industrial staff</p> <p>Administrative staff not placing values high up on her reason for joining ERU</p>	

### 8.3 (In)justice dimensions of performance appraisal

This section 8.3 presents the mixed findings regarding the justice perceptions of respondents towards the PA practices at ERU, and is structured in the following manner: section 8.3.1 examines respondents' procedural justice perceptions towards the PA system of ERU. Section 8.3.2 explores respondents' distributive justice perceptions towards PA. Section 8.3.3 examines respondents' interactional justice perceptions towards PA.

#### 8.3.1 Procedural (in)justice of performance appraisal

##### *Rhetoric: Procedural justice of PA*

On a rhetorical level, most managers associated the procedural justice dimension of the informal PA process to the provision of clear and realistic performance standards and timely feedback. For example, while curiously acknowledging that the lack of formal structure around PA meant that the process was used in an '*ad hoc way*', the National Secretary still maintained that the current process was '*for the most part ... founded on natural justice. So there's a clear expectation, there's a process which is fair and unbiased about assessing the outcome and at the end of the day we would try and make sure about the conversation about whether the person*

*works here or not in a performance sense happens in a fair and appropriate manner'* (National Secretary).

Likewise, the Operational Manager made it clear that since the work generally undertaken by her team was time-bound, she had to maintain regular communications with her employees to ensure that they were on track. She added that team debriefs were also organised for every campaign launched by ERU. She argued that, through such systematic interactions, employees were given ongoing performance feedback. She furthermore believed that the tangible nature of performance measures made it easy for employees to understand how their performance was evaluated. In brief, she based her perceptions of procedural justice on the palpability of performance measures and the consistency of feedback.

Another illustration of procedural justice was provided by one manager as follows:

*'We make it very clear to all our employees of what our expectations are and ... there's not often we go into a discussion with an employee where they don't already know what we're going to be discussing if there is a gap in their performance. Quite often they'll proactively come to us and say, 'look I know I haven't done this, this or this, I want support in doing that' ... I think it definitely is a fair process where people know what the expectations are, but they also know that we as a union take into account some of the individual portfolio stuff which I mentioned earlier [i.e. situational factors]'* (State Branch Manager).

There were also suggestions by other managers that PA fairness rested on the fact that individual performance objectives were reasonable. As a means of example, the Team Leader weaved her discussion of procedural justice around the fact that organisers were responsible for setting their own performance goals and that these objectives were *'realistic and achievable within their own plans'* and *'not stretch targets, i.e. they're basic requirements which we know for us to be in the same position next year as we were this year in regards to our union power ... We would love to ... grow the union but none of our targets have been set in a way that's looking for growth as such. So even if it's one member more than where we were last year, I guess that is a growth'* (Team Leader).

*Reality: Procedural justice and injustice perceptions towards PA*

Notwithstanding the above, the data suggested that, in reality, respondents held mixed procedural justice perceptions towards PA. Above all, it was interesting to find out that some

of the managers who articulated the procedural justice rhetoric concomitantly conceded that the informal nature of PA contributed to its inconsistent implementation and ultimately led to procedural injustice perceptions. This was, for example, evidenced by the State Branch Manager who saw the PA process as unfair due to inconsistent enactment across State Branches. Another striking example was that of the Team Leader who commented that organisers, who are held accountable in the event of poor performance, might find it unfair and inequitable if they discover that this is not always the case in other State Branches. Moreover, as indicated by the HR Manager, *‘the unfairness at this point, which is what we’re tidying up, is that it’s been focused on one particular aspect’*, i.e. on workplace organisers. In other words, it is because of such procedural injustice that ERU decided to formalise its PA system organisation-wide.

Moving on to employees’ procedural justice perceptions, varied responses were also noted. Workplace organisers declared that the PA process was simultaneously fair and unfair. For one organiser, the fairness of the process stemmed from the fact that she was responsible for setting her own performance goals – bearing in mind that, in terms of member recruitment, every organiser was still expected to beat a certain figure to help ERU achieve the ‘global recruitment goal’ set out in the strategic plan – and that she was actively supported by her manager through weekly meetings. In contrast, she reported that the process was unfair to the extent that there was *‘no real black and white framework’* as to what happens in the event of underperformance (Organiser 1). In sum, this respondent’s procedural injustice perceptions burgeoned from the lack of clarity around the informal PA practices.

Similarly, another Organiser thought it fair that performance criteria were clearly communicated at the outset and that performance goals were not *‘set in stone’*, especially since *‘there as so many things that we do that’s not necessarily within our control’*. She strongly emphasised the support of her manager who would always offer some form of assistance to underperforming employees rather than marking them down. On a contrary note, that respondent reported rumours that some organisers have, in the past, been unable to progress along the ‘3 Tier Pay Structure’ due to the lack of performance feedback (Organiser 3).

The third Organiser reported that, despite its informality, the PA process was fair because she trusted her manager to treat everyone fairly and to record information accurately and honestly if issues had to be escalated. Concurrently, however, she admitted that such lack of structure around PA might be perceived as unfair by new employees (Organiser 2).

The comments articulated by the above workplace organisers touched on a number of issues. First, the evidence adduced revealed how procedural justice was multidimensional in nature, with respondents expressing procedural justice perceptions towards some aspects of the PA process and procedural injustice perceptions towards other aspects. Interestingly, it seemed that most of them felt that on balance the process was fair. This leads to the second issue, i.e. the impact of interactional justice on procedural justice. Indeed, it appeared that workplace organisers' procedural injustice perceptions were mitigated, to some extent, by their interactional justice perceptions. Considering that organisers shared cordial and close working relationships with their team leaders, some of them were not too worried about the lack of formal structure around PA. Finally, the above organiser's third-party procedural injustice perceptions (Organiser 3) revealed how employee interactions within an organisational context may result in employees drawing from such interactions to form third-party procedural injustice perceptions towards an event that might not have been as severe as depicted by the rumours or might not even have occurred in the first place.

In the case of administrative employees, there were once again mixed procedural justice perceptions towards the PA process. On one hand, the Administrative Coordinator reported that PA was fairly administered since performance standards were clearly expressed and the process was consistently applied across the organising regime and the administrative function. In her own words:

*'I think it's fair because it's very transparent. So we all know where we're at. ... We're reviewed on the same, we're reviewed on how we behave, how we perform our role ... the only difference is we're doing different roles, but we're treated in a performance review way in exactly the same way'* (Administrative Coordinator).

The above finding was quite surprising in the light of previous comments made by this same respondent. Indeed, it will be recalled that in section 7.4.1, the Administrative Coordinator declared, along with other administrative employees, that PA was inconsistently implemented in that meetings were barely conducted for administrative staff. One possible explanation for such contradiction may be that this respondent, guided by her strong values orientation to ERU (described in section 8.2.1), has accepted such inconsistency as part of the nature of working at the union. Within that context, it is likely that she did not view such inconsistency as unfair.

As a case in opposite point, the Communications/Training Officer was overtly critical of both the informal PA practices and the union's attempt to bring in a formal framework. In the former

case, she reported that the informality of the current PA process resulted in its subjective administration by managers and hence led to an unfair PA situation at ERU. She further expressed her dissatisfaction on the fact that administrative employees were always neglected and that the PA process was rarely conducted for them. She claimed that, as a result, such employee group lacked direction around their roles.

In relation to the forthcoming formal PA system, the Communications/Training Officer was concerned that the application of a blanket set of administrative performance standards would be unfair and irrelevant for employees, who like herself, occupy hybrid positions at the union. She remarked that unless two specific conditions were met – namely employee consultation in the development of the formal PA system as well as clear, timely and consistent communication of the system roll out – the formal PA process would still fail to deliver on its promise of fairness and equity. She furthermore expressed apprehension at the idea that her performance would be assessed against the union's information database. She stated that since she lacked '*faith in the data integrity*' of that system, it would be unfair to evaluate employee performance using such unreliable and inaccurate data.

A few observations seem appropriate at this stage. To begin with, the two conditions mentioned by the Communications/Training Officer above were equally underscored by one organiser as being essential should the union proceed to formalising its PA practices (Organiser 2). Next, it appeared that the Communications/Training Officer's procedural injustice perceptions towards the new system originated more from the invisibility of the PA content than from the actual content. Indeed, it seemed that since communication regarding PA formalisation was done on an informal and piecemeal basis, this respondent was using her own psychological perceptions to build an image of what her performance standards would look like in her mind, thereby resulting in the formation of procedural injustice perceptions. Lastly, her comments regarding the defectiveness of the information database system showed how the procedural justice rhetoric of clear and tangible performance standards would be pointless if, in practice, the union's infrastructure did not support the fair assessment of these standards.

To summarise section 8.3.1, it appeared that the PA rhetoric was based on the promise of a procedurally fair and unbiased informal system that takes into consideration situational factors, caters for clear, tangible and realistic performance standards, and provides for timely feedback. In reality, however, this promise was only partially fulfilled. As such, mixed procedural justice perceptions were articulated by management and different employee groups. Broadly speaking,

the main source of procedural injustice was the ambiguity and inconsistency of PA attributed to the informal nature of the system. At the same time, it was found that those procedural injustice perceptions were lessened by interactional justice perceptions. Additionally, there was some indication that poor communication regarding the formal PA system and the lack of participative practices in developing that system contributed to the procedural injustice perceptions of a handful of employees. This second key finding is captured in Table 8.2.

**Table 8.2 Procedural (in)justice perceptions towards PA**

<b>Rhetoric: Procedural Justice (Informal PA)</b>	<i>matched</i>	<b>Reality: Procedural Justice (Informal PA)</b>	<i>and differed from</i>	<b>Reality: Procedural Injustice (Informal PA)</b>	<i>but also indication of</i>	<b>Procedural Injustice (Formal PA)</b>
<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>
<u>Managers:</u>  Clear, tangible and realistic performance standards  Significant input of organisers in setting their performance goals  Timely feedback  Flexible process that takes into account situational factors		<u>Organisers:</u>  Significant input in setting own performance goals  Flexible process that considers situational factors  Management support and feedback; trust in management  <u>Administrative employees:</u>  Transparency and consistency across employee groups		<u>Managers:</u>  Informal nature of PA and inconsistency across employee groups and State Branches  <u>Organisers:</u>  Lack of clarity due to informal nature of PA  Hearsay of lack of feedback  <u>Administrative employees:</u>  Subjective implementation  PA inconsistency across employee groups		<u>Administrative employees:</u>  One-size-fits-all framework unfair for hybrid roles  Lack of employee consultation in developing formal PA  Inadequate communication plan  Unfair assessment of performance standards due to data unreliability

### 8.3.2 Distributive (in)justice of performance appraisal

*Rhetoric: Absence of monetary rewards and fairness of nonmonetary rewards*

Rhetorically, ERU did not believe in financially rewarding performance. Evidence of this came from the HR Manager who indicated that she had never come across a trade union that had an incentive scheme. She also made her view known that monetary rewards did not belong in the trade union movement and that trade unionists would not normally anticipate such types of rewards.

Likewise, while holding a similar discourse to that of the HR Manager, the State Branch Manager crafted her discussion of the undesirability of monetary rewards around two principles – the need to attract values-oriented employees, and the dilemma between trade unionists' values and the inherent injustice of performance-related-pay systems. She stated:

*'We don't believe in bonus structures ... because part of the core process of the union is that we employ people that are passionate about the movement as well as have the capabilities to be able to do the role ... I don't think there'd be very many people that work within the union would have any want or any expectation that there'd be any sort of bonus scheme because that's exactly what we rally against in some of the employers ... Any incentive system can sometimes be unfair or not be a true reflection of somebody's performance'* (State Branch Manager).

Here, two points regarding such rhetoric of nonexistent monetary rewards should be made. First, though performance was the determinant of salary increases for workplace organisers under the '3 Tier Pay Structure', it was surprising to note that the HR Manager did not consider such salary increases as falling under the ambit of a performance-related-pay system. One possible explanation for that respondent's unwillingness to classify such salary increases as monetary rewards was provided by a long-serving Administration Officer in terms of the tension between the union's values and businesslike practices. The latter reminisced how, more than a decade ago, ERU abolished its performance-related-pay system because it did not want to be seen using the same practices as employers. The second point to be made is that, while admitting that organisers' salary increases were a form of monetary reward, the State Branch Manager still passionately spoke of the undesirability of monetary rewards. In sum, it can be said that the union faced semantic difficulties in conceptualising its reward system because of the abovementioned tension.

Instead of monetary rewards, the data suggested that the intended use of PA ratings were to make administrative decisions, more particularly employment termination decisions. From that perspective, the National Secretary claimed that the outcomes of the current PA system were *'too fair'* because *'there are very few people who've worked here who have lost their jobs just on not being able to do the core duties'*. According to the latter, because of the tension between trade unionists' values and businesslike PA practices (previously discussed in section 7.4.2), managers were reluctant to dismiss employees, even in cases of underperformance. Therefore, it seemed that in the eyes of the National Secretary, management leniency in taking severe actions against employees with negative PA ratings heralded the distributive justice component of PA.

In addition to the aforesaid fairness of administrative decisions resulting from PA ratings, it seemed that the rhetoric of distributive justice also revolved around the fair use of nonmonetary rewards as a means of motivating employees. For instance, while the Operational Manager reported the use of public recognition of high performers through internal communications, the Team Leader explained how, given the challenging conditions of union work, *'a pat on the back'* was needed to celebrate achievements. More importantly, the latter stated that *'positive reinforcement'* was essential for all organisers to *'keep lifting spirits up'* when performance goals have not been met.

Having said that, however, the above finding must be tempered by the HR Manager's categorical denial of any form of nonmonetary reward at ERU. Such contradictory comments once again made by the HR Manager can either be interpreted as a lack of HRM knowledge and capability, or at the very least, a lack of awareness of the practical tactics employed by management to motivate employees. In either case, the essential point to be made here is that if the authority who is responsible for looking after employees and tackling HR issues is not up to date or is conflicted with the type of reward system in place at the union, this certainly raises concerns about the ability of ERU to discern any distributive injustice problem with its PA system and to address any distributive justice violation accordingly.

#### *Reality of monetary rewards: Distributive justice and injustice perceptions*

Beyond this rhetorical level, it was found that employees displayed mixed attitudes towards ERU's practice of not rewarding employees financially organisation-wide. At one end of the spectrum, the workplace organisers unanimously believed that the lack of monetary rewards was fair in a union setting. As a case in point, one organiser passionately argued that individuals



who choose to work at ERU should do so because of their values and not because of monetary rewards. For this respondent, therefore, ERU's practice was appropriate and fair. Her strong objections are encapsulated below:

*'Given the industry we work in and the way our employers operate with the carrot and stick approach to performance. What I mean by that is, if you perform you get some sort of monetary reward. If you don't, then we're going to crack you over the head. That's the sort of system our employers are on and so it ... wouldn't be appropriate for us to put something like that in place'* (Organiser 1)

Another organiser remarked that, though she wants to make money and through *'it would be great to get a bonus ... money is not why I do this job'*. She added that individuals do not normally work in the trade union movement because they want to make a lot of money. They do so because of their value orientations (Organiser 3). Thus, despite being extrinsically motivated, this respondent seemed to have accepted the absence of monetary rewards as part of the nature of working in the trade union movement, especially since her job allowed her to meet her values orientations.

At the other end of the spectrum, several employees expressed different degrees of distributive injustice towards the fact that they, or their peers, were not financially rewarded for high performance. Starting with the most extreme case of distributive justice violation, the Communications/Training Officer conveyed a deep sense of dissatisfaction and frustration in relation to the 'Grading System'. The latter respondent expressed the view that the lack of clarity as to how administrative employees can move up along their salary band under the 'Grading System' was unfair. She claimed that she was not the only one who shared such distributive injustice perceptions, and recounted the case of one colleague who undertook training to acquire new knowledge and skills beneficial to ERU, but who was explicitly informed that such educational advancement would not guarantee any pay increase. Though she conceded that the union was *'doing it tough in terms of finances'*, she nevertheless felt aggrieved that *'there doesn't seem to be any kind of acknowledgement of experience or things like that'* (Communications/Training Officer).

The Communications/Training Officer's reference to a colleague's unfair experience illustrated how distributive injustice perceptions were shaped through employee interactions. As was the case for procedural justice (in section 8.3.1), such collective sense-making processes were problematic to the extent that employees' distributive injustice perceptions

were formed, validated or magnified by a third-party's interpretation of an incident. Since they may have inaccurate or incomplete knowledge of the actual incident, there is a high likelihood of employee drawing from their idiosyncratic interpretations, thereby resulting in misdirected distributive injustice perceptions towards PA.

The above finding of distributive injustice of informal PA was echoed, on a less intense level, by the Administration Officer. The latter remarked that, in contrast to the '3 Tier Pay Structure', the 'Grading System' did not provide any financial rewards to administrative employees even if the latter were '*the best at doing [their] job*'. In broad strokes, therefore, it appeared that the informal PA system was perceived as unfair by administrative employees due to two factors, namely the unfairness of the reward (or lack thereof) in relation to the rating, and the inconsistency in reward allocation across employee groups.

More than this, there was evidence of third-party distributive injustice perceptions. For example, the Administration Officer expressed regret that one of her peers, who visibly worked harder than the rest of the team, was remunerated the same amount as all administrative staff. Likewise, it will be recalled that, in section 7.4.1, Organiser 3 commented on her accelerated pay progression under the '3 Tier Pay Structure'. In that case, although this situation did not penalise that respondent – far from it – the latter still voiced third-party distributive injustice perceptions in relation to other employees who were not privy to such accelerated pay progressions (Organiser 3).

A final finding to be highlighted here pertains to comments made by the Communications/Training Officer in relation to the imminent formal PA system. It will be recalled that in section 8.3.1, this respondent shared procedural injustice perceptions towards formal PA on the basis of the potential irrelevance of performance standards and the unreliability of data used to assess employee performance. In this regard, she noted that if the formal PA system was linked to monetary rewards, it would be unfair for her because her PA rating would not reflect her actual performance. Not only did this finding exemplify the perceived unfairness of the PA rating in relation to performance, but it also illustrated how procedural injustice perceptions towards PA could engender distributive injustice perceptions.

#### *Reality of nonmonetary rewards: Distributive justice and injustice perceptions*

In terms of the reality of nonmonetary rewards, though many employees reported that such types of rewards were uncommon at ERU, they still affirmed that such a situation was fair. For

example, two organisers believed that any form of reward – be it monetary or nonmonetary – was inappropriate due to the values-based nature of ERU (Organiser 1; Organiser 2). One administrative employee made her view known that since nonmonetary rewards (such as afternoon teas) would imply ‘*spending the members’ money*’ and since money was tight, it should be strictly tied to performance. In that regard, she stated:

*‘We have staff lunches put on by management when people are doing a good job. Well actually, we haven’t been doing a good job. The last time we had one was I think because we’d put on 100 people in a week ... To stop ourselves shrinking, our organisers actually need to be putting on 90 members in [State Branch name] every week. So they’re putting on 30. There’s a 60 shortfall every week. Why would we get them in and use the members’ money to buy them pizzas and say good work for putting on one and a half members per organiser?’ (Administration Officer).*

In contrast, the third organiser commented that ERU provided learning and development opportunities as a form of nonmonetary reward for those employees who ‘*truly want to be developed*’ as opposed to employees who ‘*just want to sort of coast along and do their own things*’ (Organiser 3)

Here, it was interesting to note that this organiser expressed a diametrically opposed view to the above respondents in terms of the presence of nonmonetary rewards. Another salient point in this case is that though management did not explicitly identify learning and development as a form of nonmonetary reward, this organiser still perceived training as a reward. In summary, it seemed that this respondent founded her distributive justice perception on the fair allocation of nonmonetary rewards.

Turning now to ERU’s rhetoric of making extremely fair employment termination decisions, it was found that employees did not necessarily perceive such leniency as appropriate and fair. As suggested by a handful of administrative employees, management’s overt tolerance towards underperforming workplace organisers was actually detrimental and unfair to the union in the long run. Instead, they remarked that management should have acted more strictly by acknowledging such employees’ inaptitude and should have helped them find another job.

Overall, the data suggested that one group of employees shared distributive justice perceptions towards informal PA whereas another group felt that PA was unfair in terms of the distributive justice dimension. In the former group, many employees lent support to ERU’s rhetoric of fair

allocation of nonmonetary rewards and the unsuitability of monetary rewards in a union setting. It was also noticeable that although some employees within that group expressed contradictory views regarding ERU's rhetoric, they still perceived such organisational situation as fair because of their values orientation. In broad strokes, it seemed that employees' distributive justice perceptions were positively influenced by their values commitment.

In the latter group, varied sources of distributive injustice were reported by employees with regards to their own selves or third parties and in relation to both the informal and formal PA systems. Amongst these featured the unfairness of the PA rating in relation to performance, the unfairness of the reward – in terms of the lack of monetary rewards and management tolerance of underperformance – and the inconsistency of reward allocation across employee groups. This third key finding is summarised in Table 8.3.

**Table 8.3 Distributive (in)justice perceptions towards PA**

<b>Rhetoric: Distributive Justice (Informal PA)</b>	<i>matched</i>	<b>Reality: Distributive Justice (Informal PA)</b>	<i>and differed from</i>	<b>Reality: Distributive Injustice (Informal PA)</b>	<i>but also indication of</i>	<b>Distributive Injustice (Formal PA)</b>
<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>		<i>in terms of</i>
<u>Managers:</u>  Absence of <b>monetary rewards</b> (emphasis on values-oriented individuals, and tension between unionists' values and monetary rewards)		<u>Organisers:</u>  Inappropriateness of 'carrot and stick' approach (emphasis on values-oriented individuals)  Desirability of monetary rewards, but values prominence mitigates absence of monetary rewards		<u>Administrative employees:</u>  Lack of reward (no indication how to progress along salary bands)  Inconsistent allocation of reward across employee groups (salary increases for organisers as opposed to none for administrative employees)  Third-party distributive injustice perceptions  <u>Organisers:</u>  Third-party distributive injustice perceptions		<u>Administrative employees:</u>  Unfairness of PA rating in relation to performance (due to unfair PA process)
<u>Managers:</u>  Fair allocation of <b>nonmonetary rewards</b> (e.g. praise and positive reinforcement)  Fairness of administrative decisions to terminate employment		<u>Organisers:</u>  Absence of nonmonetary rewards fair because of value-based nature of ERU  Fair allocation of nonmonetary rewards  <u>Administrative employees:</u>  Third-party distributive justice perceptions (Nonexistent nonmonetary rewards fair due to organisers' poor performance)		<u>Administrative employees:</u>  Third-party distributive injustice perceptions (lenient employment termination decisions towards organisers detrimental to union in the long run)		

### 8.3.3 Interactional justice of performance appraisal

#### *Matching rhetoric and reality: Interactional justice*

It appeared that both managers and employees held interactional justice perceptions towards PA, with no cases of interactional injustice being identified. From the perspective of managers, it seemed that management understood the importance of interactional justice. As a means of example, the HR Manager reported the need to treat employees with respect and the need for transparency, honesty and openness. More than this, the union's core values of dignity and respect (as set out in its value statement) also seemed to herald the significance of interactional justice within this organisation.

In the case of employees, most respondents declared that they were treated fairly by the union. For instance, it will be recalled that in section 8.2.1, one organiser explained her attraction to ERU on the basis of the union's commitment to its core values internally. On this account, she expressed the view that ERU *'is definitely an organisation that treats you with respect, that wants to see you succeed and it doesn't take advantage of you'* (Organiser 3). In sum, employees confirmed the rhetoric of interactional justice. This fourth key finding is summarised in Table 8.4.

**Table 8.4 Interactional justice perceptions towards PA**

<b>Rhetoric: Interactional Justice</b>	<i>matched</i>	<b>Reality: Interactional Justice</b>	<i>at ERU</i>
<i>in terms of</i>		<i>in terms of</i>	
Treating employees with respect and honesty, and being transparent and open with employees		Fair employee treatment	
Core values of dignity and respect in ERU's value statement			

## **8.4 Conclusion**

To sum up, Chapter Seven focused on ERU's external environment and its internal HRM situation. In contrast, Chapter Eight explored the 'softer', yet extremely powerful, notions of values and justice at the union. Chapter Eight firstly presented findings pertaining to the strong values orientation of respondents at ERU. Some timid traces of values myopia were also detected.

Second, the Chapter explored respondents' justice perceptions towards PA. The evidence presented in this chapter suggested the procedural and distributive justice and injustice perceptions of respondents. Furthermore, the chapter revealed the interactional justice perceptions held by respondents.

## CHAPTER NINE: RESEARCH FINDINGS

### *Differences and similarities between Dogood and ERU*

#### **9.1 Introduction**

Chapters Five and Six presented the findings from the first case study organisation, Dogood, whilst Chapters Seven and Eight presented a review of the findings from the second case study organisation, ERU. These chapters were structured in accordance with the themes relating to the following research questions:

*RQ 1. How does the external environment of NPOs affect their PA practices?*

*RQ 2. To what extent do PA practices fit with the core values of NPOs?*

*RQ 3. To what extent do PA practices fit with the organisational strategy and other HRM practices of NPOs?*

*RQ 4. What are employees' justice perceptions towards the PA practices of NPOs?*

Chapter Nine compares the findings of the two case studies with the aim of discerning patterns across the cases. This chapter is made up of two sections. In section 9.2, it begins with a summary of each case study. In the next section 9.3, the chapter proceeds to a cross-case comparison. At this stage, the extent to which findings complement or contradict existing literature is underscored.

#### **9.2 Summary of the findings of the case studies**

This section 9.2 presents a summary of the two case studies. Section 9.2.1 reviews the findings of the first case study organisation, Dogood, while section 9.2.2 presents a review of the findings of the second case study organisation, the Employee Rights Union (ERU).



### **9.2.1 Case study of Dogood**

In Chapter Five, Dogood is described as a community welfare agency with Christian values and a social mission of poverty reduction. Like most NPOs, Dogood faces numerous challenges from its external environment. For example, since its activities are largely financed by government, Dogood finds itself at the mercy of this powerful stakeholder which imposes stringent bureaucratic regulations on the NPO's operations in exchange for funds. Furthermore, government's tendency to provide and/or pull out funding at short notice, combined with recent funding cuts, create a turbulent, competitive and resource-scarce environment which prevents Dogood from implementing HRM practices effectively and consistently across the board and general long-term planning. Caught up in the race for funding, Dogood appears to neglect its own internal organisational needs and core values.

In addressing these competing external pressures, Dogood formulated a few adaptation strategies. Amongst these feature the formation of partnerships with other NPOs (with the aim of utilising the partners' resources and capacity) and the formulation of its organisational strategy around the priorities of efficiency and income diversification (with the aim of reducing government's power and control over its resources). As part of its strategy to become more efficient, Dogood professionalised its workforce and attempted to emulate – as far as its resource scarce context permitted – the HRM practices of the private sector. Along this line, the NPO recently designed and implemented businesslike PA practices to replace its previous PA system.

Nonetheless, the aforementioned adaptation strategies had drawbacks. For instance, the fact that partnerships with other NPOs were sometimes based on resource considerations at the expense of value concerns resulted in value conflicts. Professionalisation ended up creating tensions and value contradictions between for-profit and nonprofit principles. The use of business-oriented employees and business language in the nonprofit work of Dogood severed the organisation from its service users and disengaged employees from the social mission of the organisation. Far from creating a strong PA situation, the businesslike PA practices were also not clearly understood and were inconsistently and subjectively implemented across the organisation. Complicating matters further was the fact that the businesslike PA documentation did not create strong links with the organisation's core values. Here, though respondents shared contradictory perceptions of the visibility of core values within the PA documentation, they

agreed on one notable point: the businesslike PA practices were disconnected from organisational values and employees' values in their work.

In terms of its strategic management approach, notwithstanding that Dogood established a documentary link between its businesslike PA system and its organisational strategy, such notions of vertical fit are not understood by management and are not achieved in practice. More importantly, the high levels of uncertainty in the external environment significantly dim Dogood's ability to make its PA practices congruent with its organisational strategy. Given the high speed at which changes occur in Dogood's volatile environment (be it in terms of funding, workload or strategic priorities), the organisation finds it difficult to quickly readjust its PA practices and organisation strategy to fit each other within such a dynamic environment.

Paradoxically, though Dogood has embarked on a selective strategic management journey, it has disregarded the benefits of creating an internally aligned bundle of HRM practices. As such, the new businesslike PA system was conceptualised in isolation from other HRM practices. Although Dogood is aware of this shortcoming and intends to progressively work towards a full-fledged strategic management position, the findings of Chapter Five indicate that the NPO will still face hurdles in its future attempts to create an optimal HRM practice arrangement due to the poor and patchy implementation of its HRM practices.

In relation to the values-orientation of its workforce, the findings of Chapter Six reveal that managers and employees at Dogood largely share and identify with the NPO's core values. However, the trend of workforce professionalisation and the sentiment of values myopia expressed by back-of-house employees offer a challenge to the future sustaining of the high degree of commitment to organisational values historically present amongst Dogood's workforce. In turn, such alienation of back-of-house employees from the NPOs' core values appears to act as a contributory factor to these employees' distributive injustice perceptions (in regard to the absence of monetary rewards). This point is reiterated later on in this section.

Turning now to the perceived fairness of PA, the findings of Chapter Six highlight the differences between the rhetoric and reality of justice, specifically procedural justice and distributive justice. While management perceived the PA process and the resulting nonmonetary reward allocation as fair, employees held mixed procedural and distributive justice perceptions. On one hand, the structure and standardisation brought about by the businesslike PA practices, along with the ability to challenge assessments, contributed to employees' procedural justice perceptions. On the other hand, the ambiguity and poor

implementation of PA by line management undermined the procedural fairness of the system in the eyes of employees who even shared third-party procedural injustice perceptions. Nevertheless, such procedural injustice perceptions appear to be lessened by the absence of monetary rewards and the awareness of circumstances leading to poor PA implementation. Interestingly, the fact that the new PA system was prepared and drafted with minimum levels of consultation from managers and employees was perceived by line management as being procedurally unfair. Though this issue was not raised by employees per se, Dogood's low emphasis on participative practices is still concerning in a sector where participative decision-making practices are considered a reflection of NPOs' mission and values.

In relation to distributive justice, it appears that employees who do not strongly identify with organisational values were more inclined to advocate for the introduction of monetary rewards than values-oriented employees. Consequently, given the absence of monetary rewards at Dogood, the former category of employees shared distributive injustice perceptions towards PA. In contrast, values-oriented employees, who have accepted the lack of monetary rewards as the price tag for working in the nonprofit sector, held distributive justice perceptions towards PA. As far as nonmonetary rewards are concerned, these are perceived as inconsistently distributed, irrelevant and unfair in relation to the PA rating, thereby magnifying employees' distributive injustice perceptions.

More positively, the good working relationships between managers and employees and managers' awareness of the importance of treating individuals with respect and fairness contribute to employees' interactional justice perceptions towards PA.

As a final point, the findings of this case study should be contextualised by bearing in mind that at the time of data collection, the businesslike PA practices were relatively new. Since all new and unfamiliar HRM routines take time to be embedded and accepted, it is more than likely that the expressed ambiguity and inconsistency of Dogood' PA practices, the resulting perceptions of injustice articulated by employees, and the findings of horizontal and vertical misfit might have, at least partly, originated from the novelty of the system. It is within this backcloth, therefore, that the above findings should be interpreted.

### 9.2.2 Case study of ERU

In the case of ERU, the findings of Chapter Seven highlight, in the first instance, the distinctive features of that national union in terms of its organisational structure and governance systems. Unlike traditional organisational structures, ERU has two distinct, yet interrelated structures: a federal structure and a state structure. And unlike other national trade unions which are organised on a state basis, ERU's federal structure dominates the state structure.

As part of the trade union movement, the external pressures to which ERU is subjected relate to government hostility, employer opposition and structural changes in the industry, all of which have collectively hindered the union's membership density and threatened the union's institutional survival. In response to such external influences, ERU took, several years ago, an initial step towards professionalisation by aligning its informal PA practices to its core values and strategy, particularly in regard to its workplace organisers. At that point in time, ERU was reluctant to formalise PA outright because of the natural tensions between unionists' values and the managerial concept of PA. For this reason, PA practices were kept informal in nature. As briefly mentioned above, PA conversations were also largely restricted to workplace organisers who, by virtue of their crucial role in member recruitment, were attributed higher importance by management.

This initial attempt to make PA more strategic was successful to some extent. By directly linking the performance objectives of workplace organisers to its strategic priorities, ERU managed to enhance awareness of how these employees' roles are tied to industrial outcomes. By the same token, because its strategic priorities and core values are intimately linked, ERU succeeded in creating a degree of connection between PA and values. Not that these are foreign concepts altogether to trade unionists who intuitively understood that the strength of the union rests on membership density and member involvement. From that perspective, therefore, vertical fit was aided by trade unionists' interests in and appreciation of the trade union movement.

Conversely, the union's efforts to align PA with organisational strategy and organisational values were inhibited by the informal nature of PA and its inconsistent implementation, particularly across employee groups and State Branches. Undeniably, it was useless for ERU to craft effective value-based PA practices that are compatible with organisational strategy if these practices were misused or not even utilised in practice. Yet another factor that emerged from the data as impeding vertical fit (as well as horizontal fit) was associated to the political

nature of ERU. Contested elections and leadership changes resulted in volatility and high uncertainty levels in ERU's internal organisational environment, which in turn obstructed the union's ability from achieving vertical integration.

In terms of horizontal alignment, ERU did not consider the possibility of having an internally aligned bundle of HRM practices. Moreover, the absence of a formal HRM strategy and dedicated HRM staff heralded the low status of the HR function in the union. Together with the volatility of the internal organisational environment (mentioned above), these factors contributed to horizontal misfit.

Despite its good intentions, ERU's initial attempt to strategise and harmonise PA practices failed to fully deliver on its promises. In fact, this attempt had the opposite effect of deepening the issues of PA inconsistency. As seen previously, because of its informal nature, PA did not manage to drive performance and achieve a strategic and values fit. By that time, ERU was growing more desperate to reverse its downward membership trend and address its weak PA situation. Management therefore proposed a move away from its initial stance of avoiding formal PA practices.

As a consequence, ERU decided, of late, to introduce a formal PA system across its federal and state structures. In the context of trade unions, this initiative was, as explained previously, filled with values conflicts. At ERU, this initiative was, however, facilitated by the fact that employees, potentially disgruntled by unpopular PA practices, did not have the opportunity to retaliate against leadership through electoral backlashes since they were not allowed to join ERU as members. Furthermore, the introduction of formal PA at ERU was also supported by the union's practice of employing workplace organisers (as opposed to the alternative of allowing organisers to be elected by their membership base).

In parallel, management was also conscious that the union had to face hefty challenges in terms of employee resistance, employees' potential threats to use the media to damage the union's reputation, manager's emotional constraints in employing such businesslike practices, and the union running the risk of being viewed as a hypocrite for using the same practices that they fight against in the industry. To mitigate these obstacles, management expressed the needs for a flexible and formal PA system that fits the union's core values, language and context, and for a consistent system roll-out across State Branches. Nonetheless, such rhetoric of consistency was not achieved in practice. The findings of Chapter Seven reveal that State Branches communicated the PA formalisation initiatives in their own way and at their own pace.

Coming now to the justice and values tale at ERU, the findings of Chapter Eight indicate that individuals who work in trade unions need to have a strong appreciation of and interests in the trade union movement in order to succeed in their roles as trade unionists. In that regard, managers and employees of ERU are deeply engaged with the union's values and mission, and share a passion for social justice. This finding is unsurprising since trade unionists are generally known for venerating the values of the trade union movement. What is surprising however are the traces of values myopia – albeit timid ones – that were detected at ERU.

Moreover, the findings of Chapter Eight show the mixed justice perceptions towards the union's current informal PA practices. In relation to procedural justice, managers and employees are on the same page when it comes to the perceived fairness of the informal PA process. In point of fact, both groups agreed that the informal PA process was fair in terms of its flexibility, clarity, openness to input from employees and timely feedback provision. The two groups concurrently agreed that the process was unfair in terms of its informality and ensuing inconsistency.

In relation to the perceived fairness of nonexistent monetary rewards, employees' with strong identification with the trade union movement appeared to have accepted the lack of monetary rewards as part of the nature of working at ERU, and as such perceived the union's stance against linking PA to financial rewards as fair. Conversely, employees' distributive injustice perceptions were formed on two grounds. First, the underlying contradictions between the trade union movement's values and managerial concepts are such that managers were reluctant to evoke business logic at ERU. Consequently, the union faced semantic difficulties in conceptualising its reward system. The paradox here was that though it caters for distinct reward systems for the organising regime and the administrative regime and though workplace organisers are financially rewarded for their performance in the form of pay progressions (while administrative employees are not), ERU refused to label such pay increases as falling under the scope of a performance-related-pay system. In turn, such different financial treatment reserved to these two employee groups generated distributive injustice perceptions among the administrative regime. Sadly, such injustice perceptions are bound to last given the union's refusal to confront the double standard reality of its reward system. The second ground on which employees' distributive injustice perceptions were shaped related to the unfairness with which their high-performing colleagues were financially rewarded. As a matter of fact, it appeared that, guided by their profound sense of social justice, employees, who witnessed the

unfair financial treatment of coworkers, formed third-party distributive injustice perceptions towards PA.

In regard to the perceived fairness of nonmonetary reward allocation, the lack of consensus as to what constitutes nonmonetary rewards and whether such types of rewards exist at ERU is apparent in Chapter Eight. Despite such disagreement, employees, motivated by their passion for their work and the union movement, still proclaimed PA to be fair from a distributive perspective. Interestingly, though management framed the lenient employment termination decision-making processes as heralding the distributive justice component of PA, in practice such leniency towards workplace organisers were viewed by administrative employees as illustrating the slackness and unfairness of PA. What is interesting here is that administrative employees' third-party distributive justice perceptions were shaped within the context of the segregation between the administrative and representative functions.

With regards to interactional justice, the informal PA practices were seen to mirror the union's core values of dignity and respect, and employees were vocal about being treated fairly by the union. For these reasons, employees held interactional justice perceptions towards the informal PA system.

Finally, the findings of Chapter Eight indicate that employees' procedural injustice perceptions – and subsequently distributive injustice perceptions – are imminent if ERU fails to involve employees in the design of the formal PA system at some point down the road, and if the union fails to equip itself with the infrastructure necessary to support the fair measurement of performance.

### **9.3 Cross-case comparison**

This section 9.3 is devoted to comparing the two case studies by looking at the themes that cut across the cases. These themes are inspired from the research questions of this study. As a consequence, section 9.3 is organised in the following format. Section 9.3.1 examines the impact of the external environment on NPOs' HRM systems. Section 9.3.2 explores the state of values in the nonprofit sector, with some emphasis placed on the relationship between PA and NPOs' core values. Section 9.3.3 looks at the extent to which NPOs have adopted an SHRM approach to PA. Section 9.3.4 examines nonprofit employees' justice perceptions

towards PA. These sections also discuss the extent to which the empirical findings in this study confirm or detract from established literature.

### **9.3.1 The impact of the external environment on HRM practices in the nonprofit sector**

#### *Challenges faced by NPOs*

In exploring the impact of the external environment on the nonprofit sector, this inquiry highlighted the set of weighty challenges impinging from NPOs' environmental context. Similarities and differences in the nature of these challenges were observed in the two case studies. Resemblances in these two NPOs' institutional environment materialised in terms of the chronic problem of resource shortage and the key role – whether funding or regulatory – played by government, in the sustainability of NPOs. Dissimilarities were noted in terms of the additional external influences (i.e. employer hostility and industry changes) to which ERU – by virtue of its organisational form as a trade union – was subjected. These findings enforce the commentaries in Chapter Two, regarding the resource-scarce nonprofit environment (Becker, Antuar & Everett 2011; Kaplan 2001), the dependency of public-benefit NPOs on state funding (Baines, Charlesworth & Cunningham 2014; Evans, Richmond & Shields 2005), and the institutional factors that contribute to decline in union membership (Cooper & Ellem 2008; Holland et al. 2007).

#### *Corporatisation and businesslike practices*

In a bid to navigate the stormy waters posed by their institutional environment, both case study organisations embarked on a journey of corporatisation. As such, they both imported business jargon and models within their value-based milieu. Within the context of PA, this meant the adoption of businesslike PA practices. This is clearly in line with other studies that have empirically reported on the impact of the institutional environment on NPO's structures and routines (Dolnicar, Irvine & Lazarevski 2008) and the increasing use of corporate rhetoric and practices by NPOs (Considine, O'Sullivan & Nguyen 2014b; Dart 2004; Knutsen 2013; Thomas 2013).

One remarkable difference was, nonetheless, observed in the degree to which the two case study organisations embedded business vocabularies and concepts within their internal



organisational environments. Indeed, due to the trade union movement's natural hostility to managerial concepts, ERU was more reticent than Dogood to tread down the road of corporatisation and to adopt the same private sector practices that they were destined to fight in the industry. This finding suggests that contextual factors matter when investigating the diverse nonprofit sector (Akingbola 2013a; Johns 2006). As such, it might be useful to extend the work of Dart (2004) to the unique backdrop of trade unions. In other words, this finding calls attention to the question of what does it mean to be businesslike for trade unions. Furthermore, the fact that ERU ultimately decided to formalise its PA practices in response to declining union membership suggests that the union's actions support the views of Thursfield (2012) and Thursfield & Kellie (2013) regarding the need for union professionalisation to counter unions' hostile institutional environment.

#### *Volatile conditions and poor HRM implementation*

In addition to evidencing the trend of corporatisation in the nonprofit sector, the findings of Chapter Five illustrated how reliance on external funding sources impact on HRM implementation in NPOs. For example, since Dogood mainly depends on state funding for its activities, funding withdrawals or increases from government have immediate repercussions on Dogood's services and workforce in terms of program expansions and/or contractions and employee turnover. Due to such volatility and uncertainty, Dogood often finds itself in a vulnerable situation where it has to compromise on the quality of implementation of its HRM practices. In contrast, though ERU equally operates in a turbulent environment, such extreme volatile conditions did not emerge from the data, most probably because of ERU's independence from government funding. This finding of how the external environment directly impacts on HRM implementation is in line with the findings of Walk, Handy & Schinnenburg (2014), and provides an additional justification for the funding diversification argument of Carroll & Stater (2009).

### **9.3.2 The shaky state of values in the nonprofit sector**

#### *Centrality of values*

A scrutiny of the 'values' rhetoric of the two case study organisations revealed that, though Dogood and ERU espouse slightly different core values, they still establish and promulgate their identity on the basis of these values. This is in line with the extensive literature in Chapter

Two (section 2.3.1) pertaining to the importance of values in the nonprofit sector (Frumkin 2002; Lyons 2001; Paton 2013; Paton & Cornforth 1992; Rothschild & Milofsky 2006). As expected, these two NPOs are driven by commitments to justice and equity.

### *Tensions between business values and nonprofit values*

Having said that, nonetheless, this inquiry unveiled the tensions emerging from the process of corporatisation. Indeed, it was found that the application of business language and concepts within the nonprofit sphere was not always welcome and understood by employees and even managers. These findings bring a different perspective to the work of Sanders & McClellan (2014) by suggesting that it is not always possible for nonprofit practitioners to make sense of the businesslike features of their work, in which case resistance to such business logic is likely to ensue.

More importantly, this inquiry illustrated how corporatisation generated conflicts between the business prerogative and NPOs' mission and core values. These findings are in line with the array of studies outlined in Chapter Two (section 2.4), where mission drift was suggested (Eikenberry 2009; Frumkin 2002; Thomas 2013) and empirically proven as a negative outcome of corporatisation (Bennett & Savani 2011; Considine, O'Sullivan & Nguyen 2014b; Dolnicar, Irvine & Lazarevski 2008).

In addition to value conflicts generated at the organisational level, it was found that one of the arteries of corporatisation, i.e. workforce professionalisation, engendered contradictions between employees' and managers' individual values and NPOs' organisational values. Even though the extreme endorsement of the concept of 'shared values' is not always desirable as demonstrated by Truss (2001), the recruitment of individuals with value-sets that are opposite to nonprofit values is not an alluring and healthy alternative either for NPOs. Indeed, as more business-oriented professionals join NPOs, they are likely to gradually inject secular values within the organisational life. Since as suggested by Padaki (2000), organisational values represent a collection of individual belief systems, workforce professionalisation may, in the long run, shift individual belief systems towards the values treasured by business-oriented individuals, thereby normalizing business discourse in the nonprofit sphere and eroding the original values and identity of NPOs. Of course, this prophesy must be tempered by the possibility of business-oriented individuals adapting their value orientations to suit the values and ideology of the nonprofit sector (as evidenced by the findings of Chapter Six). Overall, the

finding concerning the collision between professionals' individual values and NPOs' core values contribute to the work of scholars like Hwang & Powell (2009) and Frumkin (2002).

### *Relationship between organisational values and PA practices*

Bringing the discussion of values within the terrain of PA, this inquiry showed how NPOs' attempts to frame PA around organisational values have succeeded in some aspects, and failed in others. At Dogood, in spite of explicit references made to core values in the PA documentation, the link between this core HRM practice and organisational values was weak in practice, thereby resulting in employee dissatisfaction and confusion. This situation, which touches on the academic area of empty value statements (Barnard & Walker 1994; Cha & Edmondson 2006; Lencioni 2002), seemed to be caused by four interconnected factors. The first structural factor pertained to the fact that PA was designed around a generic community sector values framework rather than Dogood's own values framework. In turn, such a mismatch resulted in confused PA-organisational values links. Besides, there is reason to suspect that such a generic framework was not accessible and meaningful to employees and managers. Second, it appeared that, in adopting businesslike PA practices, Dogood may have unconsciously embraced a lesser emphasis on values of collectivism and participation – a trait which, according to Courtney (2001), has until recently, been common in the private sector, and which departs from the ethos of the nonprofit sector. For this reason, such synergy between PA and values was not created in practice. Third, as discussed in Chapter Ten, part of this disconnect between PA and values was attributed to Dogood's failure to reiterate its 'values' message in a consistent manner. Finally, the novelty of the PA system and its inconsistent implementation across Dogood may have influenced individuals' perceived disconnect between PA and organisational values.

At ERU, a different story unfolded. Paradoxically, although PA was informal and consequently poorly documented at ERU, the level of disconnect between PA and organisational values appeared to be less pronounced in this trade union than in Dogood. In fact, other than employees' suggestions regarding how the informal nature and inconsistent implementation of PA counteracted the union's efforts to promulgate organisational values, employees were largely clear about how the behaviours promoted by ERU were aligned with organisational values.

These observed differences in the levels of sophistication of the PA system and values-PA congruence logically suggest that it takes more than just a piece of paper to cement PA practices

together with NPOs' core values. As shown in the case study of Dogood, the creation of a PA system that is synchronized with organisational culture and values requires the formulation of PA around the actual values upon which the NPO justifies its existence. It is only then that such values-aligned PA practices can be considered as being valid internal legitimization tactics (Galaskiewicz & Bielefeld 2003; Liu & Ko 2011) and can lead to the outcomes of efficiency and employee satisfaction and trust, empirically identified by Granger (2006). This is a logical point that appears to be overlooked by NPOs which fail to tailor-make generic values models to fit their needs.

Moreover, the above findings support those who, like Edwards (2013) and Stride (2006), suggest that values, which are central to NPOs' claims to legitimacy, are nonnegotiable. In other words, NPOs should not allow themselves, through the absorption of business logic and practices, to depart from or neglect the values that they ideologically espoused in their original form as organisations of volunteers. The failure of NPOs to do so means that an important bridge to values-aligned PA practices is deficient. This brings the discussion back to what was said earlier regarding mission drift.

More than this, NPOs should not relegate the mediating effect of individuals' values commitment in the PA-organisational values relationship. As indicated by the case of ERU, employees' passion for and appreciation of their work and their strong identification with the trade union's values favourably influenced their understanding of the type of values-based behaviours that were expected from them. Therefore, even if the link between PA and organisational values in ERU was not as formally and extensively planned as in Dogood, this link was still clear in the mind of ERU's employees. Of course, in order to guard against making decontextualized conclusions, it should be reminded that trade unions are a unique category of NPOs as outlined in Chapter Two (section 2.3.4). Despite factional differences (Gardner 1989), organisational values are predominantly homogeneous across trade unions in that they relate to the basic values of the labour movement (Clark 2009). Such homogeneity in trade unions' values might have facilitated employees' understanding of values-based behaviours.

### 9.3.3 The assimilation of strategic HRM approaches by the nonprofit sector

#### *Strategic management in the nonprofit sector*

In exploring the degree of alignment between PA and organisational strategy, evidence presented in this inquiry indicates that NPOs, as suggested by various scholars (Akingbola 2006; Courtney 2001), have become more strategy-oriented and engage in formal strategic development processes. This should not come as a surprise in the light of the wave of corporatisation that has hit the nonprofit sector.

#### *Vertical misfit*

Outwardly, therefore, it may seem that, in response to external environmental pressures, NPOs have succeeded in their quest for enhanced efficiency and performance through the alignment of PA with organisational strategy. Below the surface, however, this inquiry revealed the unfortunate reality: regardless of the nature of PA, the notion of vertical fit was either not applied or, in the very best cases, loosely applied in practice. This finding contradicts the evidence of vertical fit provided by Akingbola (2013b).

Indubitably, differences between the two case studies were noted with regards to the notion of vertical fit. Contrary to ERU, the concept of vertical fit was misunderstood by Dogood's employees and managers. From that perspective, alignment between informal PA and organisational strategy was achieved, to some extent, at ERU, as opposed to no such practical links being made at Dogood. As explained in section 9.2.2, one plausible explanation relates to the specificities of trade unions in terms the type of individuals that they tend to attract. Individuals who join unions are usually interested in the trade union movement and understand how it works. From that point of view, therefore, they are likely to know how trade unions' missions and strategies are linked to their roles. Another explanation is that the novelty of the PA system at Dogood might not have allowed enough time for the NPO to build such links in practice.

At the same time, similarities between the two case studies were observed in terms of how the rate and scope of changes – whether occurring in the external environment or in the internal organisational sphere – impacts on vertical fit. High rates of changes and drastic changes were found to hinder NPOs' ability to achieve vertical fit. This finding, which extrapolates the debate on fit and flexibility (Lengnick-Hall & Lengnick-Hall 1988; Milliman, Von Glinow & Nathan 1991; Wright & Snell 1998) to the nonprofit sector, supports the arguments of Wright & Snell

(1998) and Ordóñez de Pablos (2005) regarding the complementarity of the concepts of fit and flexibility, and the achievement of fit through flexibility especially in volatile environments. Moreover, the evidence produced in the ERU case study suggests that pressures for flexibility may also stem from NPOs' internal organisational environments. These findings confirm the works of scholars who have underscored the need to consider internal and/or external environmental elements in vertical fit processes (Boon et al. 2009; Jackson & Schuler 1995; Jackson, Schuler & Rivero 1989).

As a final point, this finding of how NPOs are unable to achieve vertical integration despite applying private sector strategic management concepts contributes to the SHRM debate in the nonprofit sector in Chapter Three (section 3.3.4). Fundamentally, this finding suggests that NPOs have not reached enough sophistication in their HRM strategies to effectively align their PA practices with their strategic priorities in practice. This then leads to the question of whether NPOs should reach the same level of HRM sophistication as for-profit organisations. This inquiry contends that, rather than transferring business concepts and ideas into their internal organisational environment, NPOs are better off designing straightforward, unambiguous, and values-centric links between their PA practices and their strategic priorities in order to win the hearts and minds of their employees and drive performance. Such links should relate to the everyday work of employees on the ground and should speak to employees' values, ethics and moral drives. To achieve this, NPOs should structure, in a more visible and tangible way, the PA language around what organisational success means for the users of their services. This inquiry thus supports the arguments of scholars like Courtney (2001), Frumkin & Andre-Clark (2000) and Beck, Lengnick-Hall & Lengnick-Hall (2008) regarding the need for pragmatic and values-based strategic approaches in the nonprofit sector.

### *Horizontal misfit*

In relation to horizontal alignment, both case study organisations displayed similar features in terms of their failure to design a PA system that is internally aligned with other HRM systems. This finding is interesting in light of the differences in the HRM function and strategy of the two case study organisations. Indeed, contrary to Dogood which invested in its HRM function, ERU did not exhibit signs of having a structured and formal HRM strategy and department. This seems to suggest that the business concept of High Performance Work Systems (HPWS) has not yet reached the shores of the nonprofit sector.

Moreover, this finding, which contributes to the SHRM-nonprofit sector debate outlined in Chapter Three (section 3.3.4), begs the following questions: should NPOs design an internally aligned bundles of HRM practices? And if so, to what extent should these bundles represent the wholesale HRM practices used in the private sector? With regards to the first question, the ubiquitous evidence of resource scarcity and the challenging environmental conditions of NPOs adduced in this inquiry together with the positive impact of horizontal fit on organisational performance and employee attitudes (as outlined by the range of studies in sections 3.3.2 and 3.5.3 of Chapter Three) collectively provide an impetus for NPOs to embrace HPWS.

At the same time, however, coming now to the second question, the outright emulation of private sector models and practices is not always desirable in the nonprofit sector, as this inquiry and other studies have brought to light. The use of business jargon and concepts has been found to create value conflicts and tensions between nonprofit work and business rationale. Also, as was the case for vertical fit, there is a high probability that business-oriented HPWS models will not be understood by nonprofit practitioners and will be poorly utilised, thereby defeating the purpose for which they are implemented in the first place. This problem is likely to be exacerbated by the fact that the conceptualisation of HPWS is itself debated in the private sector (Chaudhuri 2009; Gerhart 2012a; Purcell & Kinnie 2007). Additionally, the introduction of HPWS are, as suggested by scholars (Boxall & Macky 2009; O'Neill et al. 2011), costly investments. The extent to which NPOs, which are already struggling with resource shortages, can commit to such significant investments is dubious.

In light of the above discussion, it seems reasonable to suggest that NPOs should endorse more pragmatic HPWS approaches. Such pragmatic HPWS approaches will require NPOs to intrinsically motivate and nurture their highly committed and values-oriented workforce, engage their employees through participative work practices, create clear communication channels, and mirror their core values within their internal organisational environment. In brief, NPOs should remain as close as possible to their natural state, i.e. as values-driven organisations formed, as Rothschild & Milofsky (2006) described, on the basis of the passions and values of individuals who share a vision of a just and equitable world. In that regard, NPOs should not blindly follow business concepts that might do more harm than good to the one asset that is highly sought after and envied by all – their loyal and highly committed employees. As a final point, the lesson learnt from the study of Ingvaldsen, Johansen & Aarlott (2014) should

be reiterated here: if the right conditions (such as worker solidarity and values) are present, HPWS can emerge even from unplanned work patterns.

### **9.3.4 Employees' justice perceptions towards performance appraisal practices in the nonprofit sector**

#### *Procedural (in)justice perceptions*

In exploring the procedural justice dimension of PA, beyond the finding of mixed procedural justice perceptions of employees, this inquiry highlighted three important points. First, this inquiry showed how procedural injustice perceptions are formed by third party employees who perceive the manner in which their colleagues are treated under the PA system as unfair. Indeed, it appears that employees are silently watching and judging the PA process based on its application across the organisation (as long as they have access to such information), and not only in relation to their own selves. This idea of third parties reacting to injustice directed at someone else has been recently explored in the small but growing literature under the label 'third-party justice' (Colquitt 2004; Kray & Lind 2002; Skarlicki & Kulik 2005; Turillo et al. 2002). Hence, this idea is hardly new. What is, nonetheless, new is its implications in the nonprofit sector. In view of nonprofit employees' high moral and ethical standards and altruistic values-orientation, it can be argued that NPOs should expect more frequent reactions and retributions (including in the form of decreased commitment) from their workforce in response to such third-party procedural injustice perceptions than for-profit organisations. To build a strong procedural justice climate, therefore, NPOs need to get the PA process absolutely right in terms of design, implementation and transmission of the right PA messages to employees.

The second point relates to management's understanding of procedural justice issues within their organisation. Contrary to Dogood where a disparity between the rhetoric and reality of procedural justice was observed, management at ERU exhibited awareness of the justice and performance issues associated to their informal PA system. It is precisely in response to this awareness that management decided to formalise PA at ERU. This finding suggests that, as important as it is for NPOs to establish a procedurally fair PA process, it is equally important for management to be able to seek and/or hear employee feedback in order to ascertain whether



the process is working and is perceived as fair in reality. This is an important point that will be examined in Chapter Ten.

On a related note, this inquiry demonstrated how the lack of employee participation in designing the PA system can potentially hinder procedural justice perceptions. This finding reinforces the significance of participative decision-making processes, as evoked in the organisational culture literature (Cunningham 2010; Paton & Cornforth 1992) and SHRM literature (Aguinis 2013; Boxall & Macky 2009; Lindenberg 2001; Paauwe 2004).

### *Distributive in(justice) perceptions*

In examining the distributive justice dimension of PA, the findings of Chapters Six and Eight underscored the mixed distributive justice perceptions of nonprofit employees. Two threads emerged from these chapters. The first one relates to the justice perceptions of employees regarding NPOs' stance against the allocation of monetary rewards, and the second thread relates to the perceived fairness of the allocation of nonmonetary rewards by NPOs.

In relation to the first thread, this inquiry demonstrated that, although nonprofit employees coveted financial rewards, most of them accepted the absence of monetary rewards as part of the nature of working in the nonprofit sector. This seemed to be because their work allowed them to meet their values orientation. For this reason, they held distributive justice perceptions towards PA despite the lack of monetary rewards. Nonetheless, this inquiry concurrently illustrated the distributive injustice perceptions of employees occupying back-of-house roles who expressed their dissatisfaction and frustration at the lack of financial benefits. A cross-case analysis revealed that the cause of distributive injustice perceptions of these employees differed across the two case study organisations. At Dogood, the low engagement of back-of-house employees with organisational values meant that values did not act as a mitigating factor for the absence of monetary rewards. In contrast, at ERU, administrative employees justified their distributive injustice perceptions on the basis of the financial segregation between the administrative and representative functions. Such perceived injustice within the context of a trade union was problematic in light of the presumption that unions exist to redress social injustice.

There are a number of implications to the above findings. The evidence of employees' distributive justice perceptions partly confirms the argument regarding the intrinsic motivation of nonprofit employees and their acceptance of reduced financial benefits for more personal

forms of compensation (Granger 2006; Nickson et al. 2008; Paton & Cornforth 1992). In contrast, the evidence of distributive injustice perceptions indicated how employees in administrative roles were unhappy (for different reasons) with the financial benefits offered by their organisations. This finding bears some similitudes to studies that have found increasing dissatisfaction among nonprofit employees in respect of the working conditions of the nonprofit sector (Baines 2004; Onyx & Maclean 1996)

At the same time, this inquiry suggests that, irrespective of their organisational positions or values orientations, nonprofit employees are extrinsically motivated. As such, this inquiry echoes studies that have reported on the dual orientations (altruistic and financial) of nonprofit employees (De Cooman et al. 2011; Jaskyte 2014; Lyons, Duxbury & Higgins 2006), and contradicts the assumptions regarding nonprofit employees' preferences for nonfinancial rewards (Borzaga & Depedri 2005; Borzaga & Tortia 2006; Light 2002; Mirvis 1992; Onyx & Maclean 1996).

Additionally, the above findings contribute to the hotly debated topic of performance-related-pay systems in NPOs (Brandl & Guttel 2007; Deckop & Cirka 2000; Speckbacher 2013). While this inquiry confirms Wright's (2013) argument (i.e. nonprofit employees still need money for survival), the majority of employees in this study were skeptical about linking PA to financial rewards, especially given the inconsistent and poor quality implementation of PA practices, the resource and organisational legitimacy concerns associated to performance-related-pay systems in the nonprofit context, and the impact of such systems on individual's values and intrinsic motivation.

More significantly, the findings of Chapter Eight – regarding management's unwillingness to name their performance-related-pay system as such – underlined how NPOs are cornered by their moral dilemmas and tensions between their core values and business principles. In attempt to reconcile these tensions, NPOs may unconsciously be incorporating features of business models into their HRM systems. Furthermore, their failure to acknowledge the hybrid nature of their HRM systems may beget unfairness, inconsistency and confusion, and directly contradict their values. This finding can be compared to the work of Speckbacher (2013), and perhaps goes some way in explaining the latter's observation of the emergent (rather than planned) use of implicit incentives in the nonprofit sector.

Lastly, as was the case with the procedural justice dimension of PA, the findings of Chapter Eight highlighted how employees' third-party distributive injustice perceptions were formed

in response to the perceived unfairness of reward allocation with respect to their colleagues. Once again, this means that NPOs should not underestimate the impact of third-party justice perceptions on the overall distributive justice climate of the organisation.

Turning now to the second thread, this inquiry highlighted two main points regarding the perceived fairness of the allocation of nonmonetary rewards. First, it indicated the lack of consensus between management and employees on the exact scope of nonmonetary rewards (discussed in Chapter Ten), and the treatment of employment continuation decisions as a form of nonmonetary reward. From this vantage point, employees on temporary contracts held distributive injustice perceptions due to the uncertainty of renewal of their contracts despite their high performance. This finding heralds the distributive justice violations that might arise from NPOs' workforce configurations.

Second, the inquiry demonstrated how external environmental factors outside the control of NPOs may negatively impact on employees' distributive justice perceptions of PA. Indeed, for NPOs which rely mainly on state funding, it was seen that nonmonetary reward allocation was contingent on external factors rather than on employee performance, as advocated by Aguinis (2013).

#### *Interactional justice perceptions*

Finally, this inquiry revealed the unequivocal evidence of employees sharing interactional justice perceptions towards PA. This finding suggests that managers in the nonprofit sector value and abide by their ethics of care and equity in the course of their interactions with their subordinates.

## **9.4 Conclusion**

In summary, the main objective of Chapter Nine was to compare the findings from the two case study organisations. As such, the first section provided a brief summary of the findings of the two case studies. The second section highlighted the commonalities and differences between Dogood and ERU, as well as the extent to which these commonalities and differences complemented or contradicting the existing body of literature.

## CHAPTER TEN: DISCUSSION AND CONCLUSION

### 10.1 Introduction

This study explored performance appraisal (PA) practices in two nonprofit organisations (NPOs) in Australia. The nonprofit sector constitutes an important employer in the Australian economy. Yet, due to the paucity of empirical research in this sector (Parry et al. 2005), little is known about the way performance is managed in NPOs. This study was therefore concerned with examining the core practice of PA in one public-benefit NPO (Dogood) and one member-benefit NPO (the Employee Rights Union). To that end, this study aimed to address the research questions:

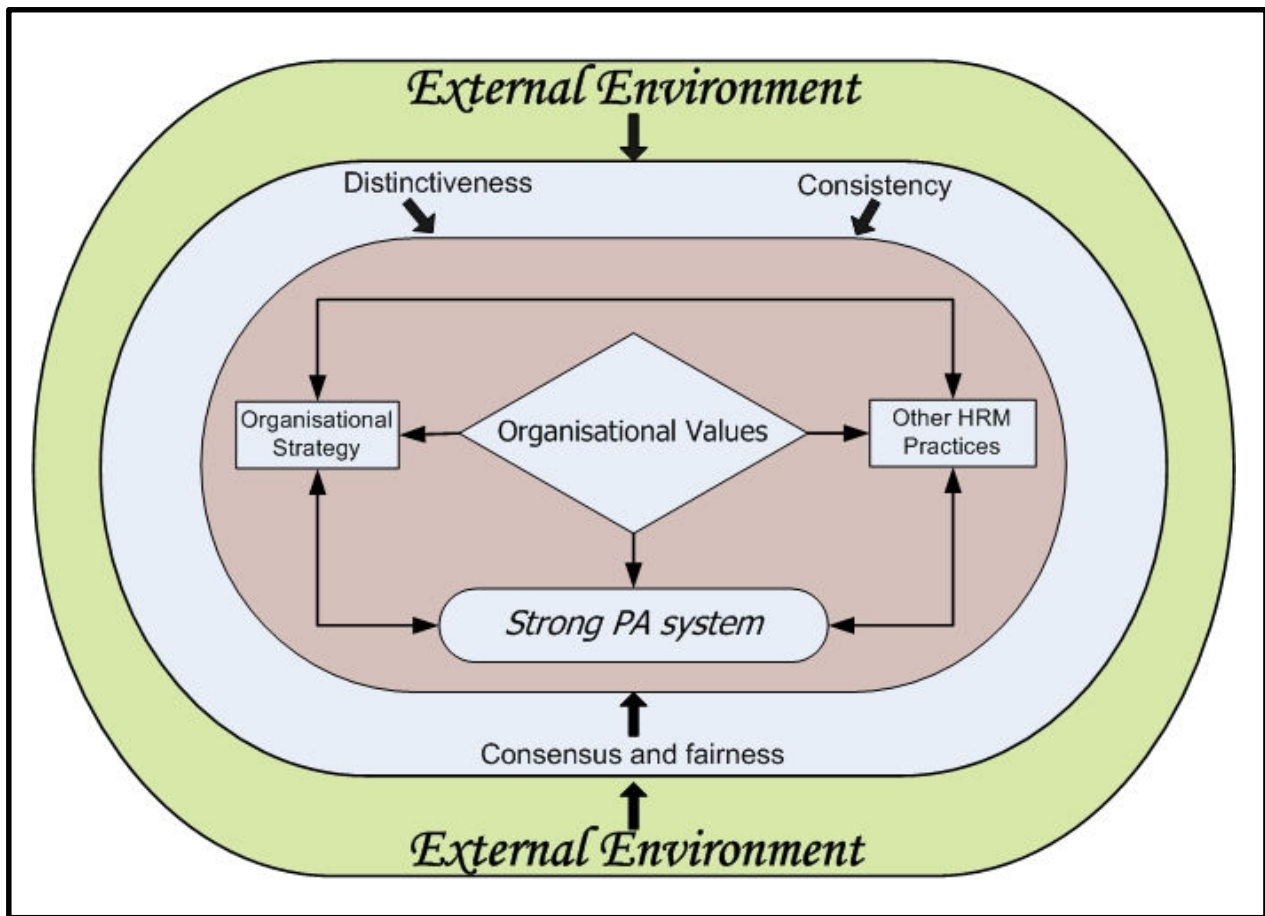
*RQ 1. How does the external environment of NPOs affect their PA practices?*

*RQ 2. To what extent do PA practices fit with the core values of NPOs?*

*RQ 3. To what extent do PA practices fit with the organisational strategy and other HRM practices of NPOs?*

*RQ 4. What are employees' justice perceptions towards the PA practices of NPOs?*

To do so, this study drew together the nonprofit literature, organisational culture literature, strategic human resource management (SHRM) literature and organisational justice literature to construct an integrated approach to PA in NPOs (Bies 2001; Bowen & Ostroff 2004; Burchielli 2006; Delery & Doty 1996; DiMaggio & Powell 1983; Folger, Konovsky & Cropanzano 1992; Greenberg 1986). This integrated approach, which served as the conceptual framework of the study, was explained in Chapter Three, section 3.5.5 (see pages 83-89) and reproduced here (as Figure 10.1).



**Figure 10.1 Conceptual framework**

The key theoretical premise of this conceptual framework is that a strong PA situation can be achieved in NPOs provided that the following conditions are met:

1. Drawing on the HR strength theory (Bowen & Ostroff 2004), PA practices must be characterised by the ‘metafeatures’ of distinctiveness, consistency and consensus;
2. Drawing on institutional theory (DiMaggio & Powell 1983), PA practices must take into account the dynamics of the external environment (thus the formulation of the first research question, RQ 1);
3. Drawing on the values literature (Burchielli 2006) and the process-based approach of (Bowen & Ostroff 2004) – which is in turn derived from the signaling theory – PA practices must be aligned with the core values of NPOs, including the values of justice and equity (thus the formulation of the second research question, RQ 2). This inter alia implies the transmission of visible, understandable legitimate, and consistent ‘values’

messages as well as a uniform agreement among senior managers as to the NPO's espoused values;

4. Drawing on the contingency and configuration approaches (Delery & Doty 1996) and the process-based perspective on fit (García-Carbonell, Martin-Alcazar & Sanchez-Gardey 2014), PA practices must be aligned with organisational strategy and other human resource management (HRM) practices (thus the formulation of the third research question, RQ 3); and
5. As argued by Bowen & Ostroff (2004), PA practices must be perceived as fair by employees so as to generate a consensual PA system (thus the formulation of the fourth research question, RQ 4).

More importantly, as discussed in Chapter Three (section 3.5.5), this conceptual framework applies the *process-based* approach (Bowen & Ostroff 2004) to the notions of PA, fit, values and organisational justice. In that regard, the conceptual framework puts forward a set of theoretical suggestions. First, the framework adopts the same line of reasoning as Bowen & Ostroff (2004), and underscores the importance of transmitting distinctive, consistent and consensual PA messages in order to build a strong PA system which attracts a shared interpretation among employees. Second, it proposes that alignment between PA and organisational values can be achieved through the transmission of distinctive, consistent and consensual PA and 'values' messages. Third, it suggests that the vertical and horizontal integration of PA requires the communication of distinctive, consistent and consensual SHRM messages. Four, it submits that NPOs can create a strong organisational justice climate by communicating distinctive and consistent 'justice' messages. Therefore, the conceptual framework suggests that a strong procedural justice climate can be created through the development of 'due process' PA practices (Folger, Konovsky & Cropanzano 1992) and the diffusion of distinctive and consistent 'procedural justice' messages regarding the fairness of the PA process and its implementation. Likewise, the framework proposes that a strong distributive justice climate can be built through the transmission of distinctive and consistent 'distributive justice' messages regarding the fairness of the PA ratings and rewards (Greenberg 1986). Finally, it proposes that a strong interactional justice climate can be created through the communication of distinctive and consistent 'interactional justice' messages that signal how derogatory judgments, deception, invasion of privacy and disrespect (Bies 2001) are avoided by NPOs. In sum, the conceptual framework proposes that the communication of messages is

key to creating a strong situation in the form of shared meaning, and to ultimately enhancing organisational performance.

In the light of this integrated approach and the formulated research questions, Chapter Ten presents a discussion and conclusion to this study. This chapter is divided into three main sections. It begins with the consideration of the research questions of this study. The second section discusses the theoretical contribution of the study as well as the practical implications of this study's findings for HR practitioners working in the nonprofit sector. The final section focuses on the limitations of the study, reflects on some future areas of research, and provides some concluding remarks.

## **10.2 Revisiting the research questions**

This section 10.2 focuses on addressing the research questions of this study. To do so, the section concurrently draws from the cross-case comparison in Chapter Nine and the conceptual framework depicted in Figure 10.1. The section is structured in the following manner: section 10.2.1 addresses the first research question, RQ 1; section 10.2.2 addresses the second research question, RQ 2; section 10.2.3 addresses the third research question, RQ 3; while section 10.2.4 addresses the fourth research question, RQ 4.

### **10.2.1 How does the external environment of nonprofit organisations affect their performance appraisal practices (RQ 1)?**

An institutional theory analysis highlights two important findings regarding the impact of the external environment on the PA systems of NPOs. First, the case studies indicate that NPOs face a wide range of coercive isomorphic pressures intervening at the organisational-level (i.e. imposed directly on them by donors) and/or at the system-level (i.e. imposed through the conduit of the legal system). These coercive pressures, directly or indirectly, provide an impetus for NPOs to strategically think about how to manage their resource dependencies (Pfeffer & Salancik 2003) and make the most efficient use of their scarce resources, enhance their performance, and achieve their mission. As a result, NPOs – through the vehicle of their professionalised workforce – adopt mimetic behaviours and attempt to copy the *content* of PA models and practices of the business world, thereby potentially resulting in what Considine,

Lewis & O'Sullivan (2011) termed as the convergence of NPOs' HRM practices towards those of for-profit organisations. Nevertheless, the case studies demonstrate that such businesslike PA practices generate tensions between business and nonprofit ideology. Moreover, the incorporation of business language within the context of PA leads to the diffusion of indistinctive PA messages. Indeed, since individuals working in the nonprofit sector are not generally familiar with such business rhetoric, they have difficulty understanding and/or relating to businesslike PA practices.

Second, this study indicates that institutional pressures (such as donors' accountability requirements) not only affect the PA content of NPOs, but they also have a negative impact on the implementation *process* of PA in public-benefit NPOs. Although it is legitimate for donors (such as government) to expect some form of accountability in exchange for fund disbursement, this study demonstrates that government's strategy of using funding as a leverage can create a volatile environment. Such environmental uncertainty leads to the inefficient and patchy implementation of HRM, and acts as an impediment to vertical integration. If these findings are generalized across public-benefit NPOs which predominantly depend on state funding for survival, it means that extreme government coercion and funding cuts may have the reverse effect of hindering the neoliberal goals of efficiency and performance that government is trying to inculcate in the nonprofit sector. These findings add to the existing panoply of criticisms against public-benefit NPOs' dependence on state funding (Brooks 2000; Choudhury & Ahmed 2002; Eikenberry & Kluver 2004) (outlined in section 2.4.2).

In sum, as underlined by institutional theory (DiMaggio & Powell 1983) and the conceptual framework (depicted in Figure 10.1 and discussed in section 3.5.5), this study illustrates how the forces in the external environment serve as constraints to what NPOs can realistically do with their PA systems at the conceptual and practical levels. To deal with such environmental forces, this study proposes the adoption of flexible PA practices by NPOs. This is reiterated in section 10.3.1.

### **10.2.2 To what extent do performance appraisal practices fit with the core values of nonprofit organisations (RQ 2)?**

Drawing on the work of Bowen & Ostroff (2004) and signaling theory, this study underscores the inability of NPOs to fully match their PA practices with their core values on two main



grounds, namely due to the weakness of their PA messages, and the weakness of their ‘values’ messages. As discussed in section 3.5.5, employees view PA practices and organisational values (and the manner in which the NPO and employer representatives enact these practices and values) as signals of the organisation’s intentions and characteristics, and hence draw conclusions on the nature of their psychological contracts.

With regards to the strength of PA messages, the case studies reveal that the PA practices adopted by NPOs are misunderstood by nonprofit employees and line managers. The reasons for such misunderstanding range from the informality (and hence invisibility) of PA to the complex business language around PA. Regardless of the source of misunderstanding, the ultimate outcome is that nonprofit employees and line managers cannot not hear the PA message as intended by the organisations. Of significant concern, the case studies also highlight double-bind communications emanating from the HR function and senior management, which in turn contribute to the inconsistency of PA messages. For example, by not framing PA as a compulsory HRM practice or by differentiating between employee groups, the HR function and senior managers are perceived as sending conflicting signals regarding the significance of PA. Such message incompatibility is exacerbated by management’s failure to consistently implement PA. Considering that such poor PA implementation has taken place for a long period of time (under both previous and current PA systems), and that no reinforcement principles have been applied by NPOs to rectify this situation (Bowen & Ostroff 2004), employees appear to have lowered their expectations of PA through this history of inconsistency. Collectively, all these factors seem to contribute to employees questioning the legitimacy of PA, and forming injustice perceptions towards the PA process and outcomes. In brief, in line with the arguments of Bowen & Ostroff (2004) – which have been incorporated in the conceptual framework (Figure 10.1) – NPOs’ inability to send strong PA signals imply that a shared interpretation of PA cannot be developed among nonprofit employees and line managers, and the strong situation identified by Bowen & Ostroff (2004) cannot not be created. Above all, such weak PA situation signifies that an important bridge to PA-values alignment is deficient. In sum, the indistinctiveness of PA messages characterised by the lack of ‘visibility’, ‘understandability’ and ‘legitimacy of authority’ as defined by (Bowen & Ostroff 2004), the inconsistency of PA messages characterised by the lack of ‘consistent HRM messages’ as defined by Bowen & Ostroff (2004), and the absence of consensual PA messages resulting from lack of ‘fairness’ as defined by (Bowen & Ostroff 2004) suggest that any documentary links made between PA and organisational values are poorly exercised in practice, and employees are not afforded uniform

and adequate opportunities to experience and construct a shared meaning about the PA-values relationship.

With regards to the strength of ‘values’ messages, the case studies present a mixed picture. On one hand, they establish that NPOs which are well down the path of corporatising their PA system are prone to get distracted by business logic and values, and to forego the development of their PA systems around their specific core values. As a consequence, such NPOs send inconsistent and indistinctive ‘values’ messages, which results in employees and managers being unaware of the exact core values espoused by their organisations and not fully comprehending how these values relate to their work and to PA. At the same time, the case data reveal that individuals try to make sense of their work and construe organisational values by drawing on the line of work of the NPOs. However, such idiosyncratic constructions are problematic. Indeed, in light of the subjectivity, inter-subjectivity and diversity of values (Burchielli 2006), the range of possible interpretations is unlimited. Moreover, it appears from this study that other factors such as workforce professionalisation (which brings about the injection of secular values into the humanistic value-system of NPOs) (Frumkin 2002) and high turnover rates tend to deepen the gap between NPOs’ espoused values and individuals’ inferred values. Ultimately, the weak ‘values’ messages transmitted by corporatised NPOs appear to lead to tensions between business and nonprofit values, and values incongruence within the PA system.

On the other hand, the case studies indicate that when NPOs are mindful of the tensions and challenges associated to corporatisation, when they are staffed with individuals whose personal values are in synch with organisational values, and when the sense of mission is deeply entrenched into the daily work activities and work lives of employees and managers, the ‘values’ messages are consistent and distinctive, and the shared meaning of values can be achieved. The case data also reveal that in such NPOs that spotlight their core values, a certain degree of alignment between PA and organisational values is possible even if the organisations do not have formal PA policies. This suggests that in NPOs with strong cultures and a ‘shared values’ climate, individuals intuitively know how to weave the PA system and mission together, and form an approximate understanding of the value-based behaviours expected from them.

In summary and as reflected by the conceptual framework (Figure 10.1), this study highlights the importance of NPOs communicating strong PA and ‘values’ messages *simultaneously* with

a view to creating PA practices that mirror the core values of NPOs and that provide meaningful and uniform experiences to employees and managers. In the nonprofit sector, strong PA messages (Bowen & Ostroff 2004) on their own do not represent the full picture. To create the strong situation imagined by Bowen & Ostroff (2004), NPOs also need to diffuse strong ‘values’ messages. As shown by the study, the negative consequences of weak ‘values’ messages are too significant and far-reaching to be ignored by NPOs which are progressively facing a crisis of identity and values erosion in an era of corporatisation (Dolnicar, Irvine & Lazarevski 2008; Eikenberry 2009; Frumkin 2002). The communication of ‘values’ messages by NPOs is examined in more detail in section 10.3.1.

### **10.2.3 To what extent do performance appraisal practices fit with the organisational strategy and other HRM practices of nonprofit organisations (RQ 3)?**

This study reveals the lack of vertical and horizontal integration of PA in the nonprofit sector. In terms of vertical integration, although NPOs are aware of the need to align PA with organisational strategy and have taken steps in that direction at the conceptual level (by designing vertically integrated PA systems), they are still unable to set the PA-strategy links in motion at the practical level. This gap between the rhetoric and reality of vertical alignment appears to be partly caused by the volatile conditions in the external and internal environments of NPOs. More importantly, this gap seems to stem from the weak PA situation prevailing in NPOs. The fact that PA is misunderstood and is inconsistently implemented reveals NPOs’ inability to communicate distinctive and consistent strategic PA messages. In turn, as reflected by García-Carbonell, Martín-Alcazar & Sanchez-Garvey (2014) and replicated in the conceptual framework (Figure 10.1), this suggests that NPOs are unable to foster a collective understanding and acceptance of vertical fit amongst employees and line managers. As shown by the case data, managers’ lack of comprehension is problematic since they are the ones who have to translate HRM messages to employees and operationalise the HRM strategy. For these reasons, PA can neither influence nonprofit employees’ behaviours nor nurture their commitment to organisational objectives (Kepes & Delery 2007).

At the same time, however, the case data demonstrate that, notwithstanding their weak PA messages, NPOs with strong cultural philosophies and a ‘shared values’ climate are still able to generate, *to a certain extent*, a shared understanding of vertical fit. This finding supports one of the fundamental components of the conceptual framework (Figure 10.1), i.e. the centrality

of values in NPOs. It also heralds that the creation of a strong collective climate where employees perceive vertical fit as intended by NPOs requires HRM and strategic goals to be closer to the values and language of the nonprofit sector. From this vantage point, this study contributes to the debate outlined in section 3.3.4 (regarding generic private sector practices versus inclusive and pragmatic practices) by siding with those who advocate for value-based and pragmatic SHRM approaches in the nonprofit sector (Beck, Lengnick-Hall & Lengnick-Hall 2008; Courtney 2001; Frumkin & Andre-Clark 2000; Lindenberg 2001).

In terms of horizontal integration, this study reveals that, rather than viewing their HRM system as a coherent and integrated set of practices, NPOs tend to develop and implement PA in isolation from other HRM practices. This begs the question of whether nonprofit HR practitioners are aware of the management concept of High Performance Work Systems (HPWS) and/or whether, as discussed by Haggerty & Wright (2010), HR practitioners have the necessary skills and knowledge to bring together individual practices into an integrated HRM system. From the case data, there is some indication that NPOs which do not have a formal HRM strategy, dedicated HRM staff, and highly capable HR practitioners are less likely to grasp the notion of HPWS than NPOs which place the HR function as having a central position in the organisation. In any case, seeing that NPOs fail to internally align their HRM practices at the conceptual level – and by the same token fail to send clear SHRM signals as to how PA is related to other HRM practices such as learning and development practices and reward systems – not only is there a lack of understanding of the notion of horizontal fit among managers, but there is also a degree of confusion among managers and employees as to the forms of rewards and development opportunities prevailing in the organisations. Such an ambiguous situation in turn appears to contribute to employees' sharing distributive injustice perceptions towards the outcomes of PA, and to undermine NPOs' ability to transmit consensual HRM messages as advocated by Bowen & Ostroff (2004).

In broad strokes, this study highlights NPOs' inability to achieve external fit (arising from the communication of weak SHRM messages by NPOs, and environmental volatility and uncertainty) and internal fit (arising from a lack of strategic thinking and planning in that direction). To address the impact of the environment on vertical fit, this study supports the achievement of fit through flexible PA practices (Wright & Snell 1998). Furthermore, this study reinforces the need for value-based SHRM practices which signal, in a distinctive and consistent manner, the links between PA, other HRM practices and the organisational strategy of NPOs. These points are discussed in section 10.3.1.

#### **10.2.4 What are employees' justice perceptions towards the performance appraisal practices of nonprofit organisations (RQ 4)?**

A mixed picture regarding the justice perceptions of nonprofit employees emerge from this study. On one hand, nonprofit employees feel that they are treated respectfully by their managers and that PA information is communicated to them in a way that demonstrates dignity, honesty and trust. In other words, they collectively share interactional justice perceptions towards PA. This suggests that, in the nonprofit sector, people generally embrace the concept of fairness in their interactions with each other. This is probably due to the type of individuals that NPOs tend to attract, i.e. intrinsically motivated individuals (Brandl & Guttel 2007; Nickson et al. 2008; Paton & Cornforth 1992) who are committed to values of social justice (Cunningham 2001), altruism (De Cooman et al. 2011), morality and ethics, and who work for an 'ideological currency' (Thompson & Bunderson 2003, p. 574). Additionally, as reflected in the conceptual framework (Figure 10.1), the strong interactional justice climate observed in the case study organisations suggests that NPOs are successful in signaling the need for respect, dignity and employee welfare through their policies and mission and value statements. This finding also suggests that, with regards to the interactional justice dimension, NPOs are on the right path to generating consensual PA messages that foster 'agreement among employees' perceptions of event-effect relationships' (Bowen & Ostroff 2004, p. 213).

On the other hand, the study reveals a gap between the rhetoric and reality of procedural justice in the nonprofit sector. Although nonprofit employees believe that some aspects of the PA process are fair, they mainly perceive the manner in which PA is structured and operated as unfair. As mentioned in section 10.2.2, this is mainly due to the ambiguity of the PA content and NPOs' failure to enforce consistent PA implementation, which collectively lead to the diffusion of inconsistent messages as regards the fairness of the PA process. As a consequence and as suggested by the conceptual framework (Figure 10.1), although the PA process incorporates the main principles of the due process model (Folger, Konovsky & Cropanzano 1992) at the conceptual 'rhetorical' level, in reality employees share procedural injustice perceptions due to the indistinctiveness (i.e. the lack of 'understandability' as defined by Bowen & Ostroff (2004)) and inconsistency (i.e. the lack of 'consistent HRM messages' as defined by Bowen & Ostroff (2004)) of PA messages. Worst still, the study highlights the incidence of *third-party* procedural injustice perceptions arising from the collective sense-

making processes of employees. This finding of how employees consult with each other to shape their own interpretations and behaviours (for example, by reacting to injustice directed at someone else) shows the downsides of weak and ambiguous HRM situations.

Moreover, this study shows how the granting of voice within the context of PA may enhance procedural justice perceptions. From the case studies, it is clear that line managers and employees expect to have an input in the way in which NPOs go about developing and running their PA systems. When NPOs fail to do so, procedural justice is undermined. This suggests that nonprofit individuals are more likely hear PA messages and accept them as being fair when they have a degree of voice in PA-related decisions and initiatives. Hence, this implies that NPOs must be alert to feedback messages from line managers and employees. This point is explored in section 10.3.1.

Finally, moving on to the dimension of distributive justice, this study highlights a range of justice perceptions from employees in connection with the way in which *monetary* and *nonmonetary* rewards are distributed by NPOs. In the former case, the case studies show how NPOs are reticent to implement performance-related pay systems due to financial constraints and legitimacy concerns and how employees who are committed to NPOs' values are predisposed to accept the absence of monetary rewards as a distinctive feature of the nonprofit sector. Simply put, it appears that employees *with 'shared values'* generally perceive the non-distribution of financial rewards by NPOs as fair. In contrast, employees *with secular values* seem to interpret the lack of financial rewards as unfair on the ground that PA outcomes are not commensurate with their performance and contribution to the organisation. At the same time, the case studies reveal that the latter finding is only valid if NPOs apply their non-distribution rule in a consistent manner (i.e. if NPOs transmit consistent 'distributive justice' messages). For example, the case data highlighted how NPOs are perceived as sending ambiguous and double-bind communications regarding their rhetoric of non-existent financial rewards and how they make an implicit use of financial rewards when they allocate salary increases to specific employee groups and discriminate against others. Such double-bind communications lead to perceived contradictions to what NPOs say and what they do in reality, and create a gap between the values espoused by NPOs and the values inferred by employees. As suggested by the conceptual framework (Figure 10.1), this eventually generates distributive injustice perceptions among employees who are not privy to such pay increases. In addition, employees who have not been personally affected by any justice violation still perceive NPOs'

differential treatment of their colleagues as unfair, and therefore hold *third-party* distributive injustice perceptions towards PA outcomes.

In addition, the case studies indicate that NPOs prefer to orientate PA outcomes towards nonmonetary rewards. However, the case data show there is no consistent definition or common understanding of the scope of nonmonetary rewards among managers who profess to use them. This heralds that NPOs are sending ambiguous messages in relation to their reward system. Also, given that NPOs have not integrated their HRM practices to form a coherent HRM system, links between PA and other HRM practices (like learning and development, and reward practices) are not readily observable and understandable. What this means is that NPOs have not managed to transmit distinctive messages (i.e. visible and understandable messages (Bowen & Ostroff 2004)) on the nature of nonmonetary rewards and the fair manner in which such rewards are distributed. Furthermore, the case studies show that in those public-benefit NPOs which are heavily reliant on external funding sources, environmental uncertainty and instability and donors' funding conditions have repercussions on NPOs' ability to distribute rewards consistently across employee groups. On this account, NPOs are perceived as emitting inconsistent messages regarding the fairness of nonmonetary reward distribution. In sum therefore, as reflected by the conceptual framework (Figure 10.1), the 'distributive justice' messages emanating from NPOs in connection with the fair allocation of nonmonetary rewards are indistinctive and inconsistent. Hence, as revealed by the case studies, nonprofit employees perceive the distribution of nonmonetary rewards in relation to their PA rating (Greenberg 1986) as unfair.

Interestingly, however, the case studies also show that in NPOs like trade unions (where individuals' values commitment appear to be almost flawless), such weak 'distributive justice' messages do not falter the organisational distributive justice climate. Indeed, in such NPOs, managers and employees perceive the absence and/or limited distribution of rewards (nonmonetary and monetary) as legitimate given the wider challenges faced by unions and the values espoused by the trade union movement. In essence, it appears that the strong 'shared values' climate of trade unions acts as a key factor to creating a strong distributive justice climate. This finding also supports the description of trade unions 'as a separate category of organization' (Child, Loveridge & Warner 1973, p. 72) with distinctive cultures and values (Clark 2009).

On basis of the above discussion, this study evokes the need for NPOs to send strong ‘justice’ messages, particularly in light of the high moral, justice and ethical values of nonprofit employees and the high incidence of third-party injustice perceptions being generated. More importantly, this study highlights the need for NPOs to address employees’ procedural and distributive injustice perceptions so as to create consensus about event-effect relationships (Bowen & Ostroff 2004). For instance, in terms of distributive justice, the study suggests that, regardless of the type of rewards that NPOs choose to distribute, a distributive justice climate can only be achieved provided that NPOs internally align their PA system with their reward system, they send clear and stable signals regarding the nature of the reward system and the reasons behind their reward portfolio (e.g. by specifying the constraints posed by the external environment), and consistently apply rewards across employee groups. In doing so, NPOs have a greater chance of transmitting ‘fair’ PA messages that foster consensus among employees and managers as to what reward distribution methods apply for what situation (Bowen & Ostroff 2004). By the same token, this study highlights the importance of ‘shared values’ as a fundamental contributor to organisational justice.

### **10.3 Implications and contribution of this study**

This section examines the key implications and contributions of this study. Section 10.3.1 identifies the contribution that this study makes to theory. Section 10.3.2, which focuses on the practical contribution of the study, raises some recommendations that NPOs can apply to address the identified issues and tensions inherent in the nonprofit sector.

#### **10.3.1 Theoretical implications and contribution**

As demonstrated by this study, managing the performance of nonprofit employees requires more than the development and implementation of PA practices. The full story is that PA goes hand in hand with the values, passions and ideologies of NPOs and individuals working for them. The evidence from the case studies even suggests that a strong organisational culture where employees share similar values as the organisation can correct some of the deficiencies of poor PA practices. From a theoretical perspective, this means that, in the nonprofit sector, it takes more than just the transmission of distinctive, consistent and consensual PA messages to



create the strong situations identified by Bowen & Ostroff (2004). What is additionally needed is the embedding of organisational values within each and every aspect of PA.

Current literature contains limited references to the integration of the nonprofit literature with the SHRM literature. As such, theoretical HRM frameworks that take into consideration NPOs' values and mission are scarce (Akingbola 2013a; Rau 2012; Ridder & McCandless 2010). Even these existing frameworks have some limitations. For example, they are restricted to specific types of NPOs, and do not consider the *process* approach – which is defined as the psychological processes through which employees attach meaning to HRM (Bowen & Ostroff 2004; Sanders, Shipton & Gomes 2014) and values. On this basis, a gap in the literature exists as regards the theoretical backdrop for exploring PA practices in the unique context of NPOs. This study has sought to close this gap by moving away from the traditional *content* approach, and instead suggesting a comprehensive *content* and *process* approach to PA in the nonprofit sector. Deciphering the principles of this approach is the focus of the remaining section 10.3.1.

#### *Communication of strong PA messages by NPOs*

Adopting Bowen & Ostroff's (2004) argument regarding how HRM acts as a signaling function through which organisations communicate to employees, this study reinforces the importance of strong PA messages being transmitted by NPOs. Evidence from the case studies suggests that, in the nonprofit sector, the diffusion of strong PA messages requires several conditions to be brought together. The first condition, which is concerned with the content of PA, is that PA must be formulated around the language of the NPO to make it understandable and relevant in the eyes of nonprofit practitioners. In a bid to become more businesslike, NPOs may invite upon themselves a business rhetoric that contradicts their ideology and *raison d'être*. Given the shortcomings associated to the corporatisation (Brainard & Siplon 2004; Eikenberry 2009; Eikenberry & Kluver 2004) and professionalisation of NPOs (Frumkin 2002; Landsberg 2004), it has become even more crucial for NPOs to pay specific attention to the language that they use around PA, particularly since, as stated by Sanders & McClellan (2014), language represents a source of meaning and communication, and portrays the values that guide organisations.

The second condition, which is closely related to the first one, pertains to the development of values-congruent and fair PA practices. The benefits of HRM practices which mirror organisational values (Granger 2006) and which are perceived as fair (Cropanzano, Bowen & Gilliland 2007; Latham & Mann 2006) are clear in the literature. Similarly, the costs of not

nurturing fair practices and processes have been established (Skarlicki & Folger 1997; Skarlicki & Turner 2014). As evidenced by this study and the literature, such costs include third-party injustice perceptions (Colquitt 2004; Kray & Lind 2002; Turillo et al. 2002). Unless NPOs are prepared to bear those costs, they need to create collective perceptions of fairness and values congruence in PA. To do so, they must, at the outset, conceptualise PA around their core values, i.e. those values that are nonnegotiable (Edwards 2013; Stride 2006) and for which founding members have originally invested ‘their blood, sweat, toil, tears, and dollars’ (Mason 1996, p. 107). The importance of framing PA around the particular values of the individual NPO and not just around the kinds of values prevailing in the nonprofit sector should be stressed here to ensure that NPOs are sending compatible ‘values’ messages (as outlined subsequently).

Third, PA must be designed as part of a coherent and integrated HRM system characterised by an internally aligned bundle of HRM practices that fit with organisational strategy. This is an important point since this study reveals that the internal alignment of core HRM practices contributes to the distributive justice climate of NPOs. Moreover, as indicated in Chapter Three, the literature extensively proclaims the need for vertical and horizontal fit as a means of enhancing performance (Boselie, Dietz & Boon 2005; Boxall & Purcell 2011; Jackson, Schuler & Rivero 1989). Nevertheless, for SHRM interventions to yield positive performance outcomes, HRM practices (both in their individual forms and as a complete integrated system) must be understood by line managers (to ensure that they operationalise HRM in the manner intended by the NPO) and by employees (to foster commitment to organisational objectives). As indicated by Bowen & Ostroff (2004), information that is not understood can have no authority. At its root, the creation of such a shared SHRM meaning requires nonprofit HR practitioners to possess the relevant knowledge and skills to align HRM practices with each other and with organisational strategy. However, as revealed by this study, NPOs’ failure to design horizontally integrated PA systems and translate vertical fit in practice questions the capability of nonprofit HR practitioners to understand and hence influence the HRM and organisational strategy of NPOs. At the same time, faced with a stream of challenges and insufficient skills and resources to tackle them, nonprofit HR practitioners may be tempted to imitate the best practices of the business world. However, the empirical findings suggest that professionally-oriented HRM and strategy documents do not necessarily contribute to creating a shared SHRM meaning in the nonprofit sector. For nonprofit individuals to hear and comprehend SHRM messages, pragmatic SHRM approaches that are closer to the language,

ethos and values of the nonprofit sector are desirable (Beck, Lengnick-Hall & Lengnick-Hall 2008; Courtney 2001; Frumkin & Andre-Clark 2000). Such a value-based SHRM approach would, for example, require NPOs to consistently base and express their organisational strategy and internal policies and procedures in terms of the organisation's declared values and commitments. It may also require NPOs to put in place mechanisms to ensure that they mirror their values within their internal organisational environment (Paton 2013). Such mechanisms may include clear communication channels, participative decision-making practices, and HRM system feedback mechanisms (all of which are discussed later on).

Finally, irrespective of the efforts that NPOs put into conceptualising a high quality, value-based, and strategic PA system, such efforts would be toothless if such a system is not consistently implemented by line managers in the manner intended by the organisation (Guest & Conway 2011; Guest & Woodrow 2012; Nishii & Wright 2008). Besides, considering that HRM consistency is a reflection of the discipline with which NPOs apply justice principles internally, it is imperative that PA practices are consistently and reliably implemented. The causes of poor PA implementation identified by this study underscore two salient observations. The first observation points to the need for educating line managers on the people management aspect of their roles (Purcell et al. 2009; Stanton et al. 2010). This is particularly important in a sector where individuals usually get promoted to managerial positions by reason of their seniority and work experience and not necessarily by virtue of their HRM knowledge and skills. Indeed, a robust PA system will not produce the desired outcomes if managers do not have the HR knowledge and competency to execute the system. This point is reiterated in section 10.3.2. The second observation points to the need for nonprofit HR practitioners to be clear about and agree on PA messages that will inform the actions of line managers. NPOs cannot reasonably expect line managers to implement PA up to their anticipated standards if the PA messages emanating from the HR function are themselves fraught with inconsistency and indistinctiveness. In other words, as argued by Sheehan et al. (2014b), HR practitioners need to be clear about their own priorities and roles so as to build a shared HRM understanding.

The need for distinctive and consistent PA messages also leads to the reflection of whether NPOs should rely on formal or informal means of PA. Evidence from the case studies suggest that, on one hand, informal PA approaches do not support the levels of consistency and distinctiveness that are required to create the strong signals envisioned by Bowen & Ostroff (2004). On the other hand, rigid and bureaucratic PA systems do not work in a nonprofit environment characterised by changes and volatility which are, most of the time, outside the

control of NPOs. Viewed this way, this study suggests that the focus should not be on the formality or informality of PA practices. As shown in this study, a formal PA system that transmits indistinctive and inconsistent PA messages is as bad as an informal PA system. Instead, emphasis should be placed on developing *adaptive* PA practices that are coherent, visible and well understood. Such adaptive HR practices would incorporate elements of resource and coordination flexibility (Wright & Snell 1998), and would require NPOs to vest decision-making at low hierarchical levels and to employ ‘shared values’ as the basis for such decisions (Haggerty & Wright 2010).

#### *Reception of PA messages from line managers and employees*

As important as it is for NPOs to communicate strong PA messages, it is equally, if not more important that NPOs hear messages back from those who operate and/or utilise PA practices on the ground. In the nonprofit sector, diligently following all the design and implementation steps of the HRM recipe book does not guarantee that PA practices will achieve the desired organisational outcomes. Contingencies always exist, particularly in the unpredictable environment of NPOs. Besides, nonprofit employees want to have a voice in NPOs’ processes and decisions (Cunningham 2010; Paton & Cornforth 1992) and expect that their voice will be sincerely listened to. As evidenced by this study, the failure of NPOs to do so negatively influences the procedural justice climate of the organisation. From this perspective, the creation of a strong PA situation in the nonprofit sector requires nonprofit HR practitioners to remain perceptive to and interpret signals emanating from line managers and employees on whether the PA system actually works in practice.

Logically, the reception of PA messages by the HR function requires the establishment of feedback procedures. A common procedure that is usually prescribed by the nonprofit literature is the utilisation of participative decision-making practices that integrate the competing claims of stakeholders and ensure that employees are motivated in support of agreed goals and standards (Paton 2013). Moreover, in the nonprofit sector, encouraging employee and line management participation in the development of PA systems can reconcile the emerging tensions between nonprofit work and business rhetoric. Maintaining such participative practices may, however, require an approach to HRM that steps outside the business norms that HR practitioners might have learnt in educational institutions and/or that they have encountered in the private sector. What this boils down to is that HR practitioners who choose to work in NPOs may need to challenge their ways of thinking about HRM and take the time to learn

about the norms and expectations prevailing in the nonprofit sector generally and in their own organisations. Additionally, the reception of PA messages requires NPOs to adopt effective system feedback mechanisms that, as stated by Wright & Snell (1998), will enable the HR function to hear feedback, within short time frames, on the efficacy of implemented PA systems. Besides, such system feedback mechanisms carry the added advantage of injecting the notion of flexibility into the HRM strategy (Wright & Snell 1998).

#### *Communication of strong ‘values’ messages by NPOs*

The nonprofit literature in Chapter Two unequivocally underscores the centrality of values in the nonprofit sector (Jeavons 1992; Lyons 2001; Rothschild & Milofsky 2006). The literature also acknowledges that NPOs tend to project certain images and values, on one hand, to the wider society to attract resources and justify their external legitimacy (Moore 2000; Paton 2013), and, on the other hand, to their internal organisational environment to earn legitimacy in the eyes of their employees (Galaskiewicz & Bielefeld 2003; Liu & Ko 2011). Nonetheless, what is not talked about in the literature is the *process* through which such internal organisational legitimacy can be achieved. As such, this study supports the need for NPOs to transmit strong ‘values’ messages internally – both in the *literal sense* and through the *symbolic implications of their HRM practices* – with a view to building a shared meaning of values among employees and managers. Here, it is argued that such strong ‘values’ messages bring, on one hand, a stronger agreement among individuals as to what type of value-based behaviours are expected of them, and on the other hand, what type of value-based initiatives they can expect from NPOs in return. In other words, strong ‘values’ messages contribute to upholding nonprofit individuals’ psychological contracts (Rousseau 1995), and safeguarding principles of justice and equity.

As demonstrated by this study, the diffusion of strong ‘values’ messages goes beyond the mere formulation and display of aspirational value statements. To communicate strong ‘values’ messages internally, NPOs need to develop HRM practices that channel and reinforce their values. To do so, they need to embed their *exact* core values into their HRM practices (Kerwin, MacLean & Bell-Laroche 2014), and avoid importing values from other NPOs and/or sectors. More importantly, such values need to be translated in practice by the HR function. Such translation process involves the integration of values into daily work systems, procedures and processes so that managers and employees are granted the opportunity to observe and understand organisational values as intended by the NPO. Such translation process also

requires nonprofit HR practitioners to be careful of the jargon and symbols associated to HRM practices. Above all, implanting values into everyday behaviours and attitudes of individuals (Mason 1996) requires nonprofit HR practitioners to work closely with managers to shape them into good role models who practice the values preached by the NPO. This is particularly important in light of the increasing trend of workforce professionalisation in the nonprofit sector and the injection of secular values by business-oriented individuals (as observed by this study). In addition to the above, it is clear from this study that the translation of values in practice is facilitated when the individuals' personal values are in tune with organisational values. On this basis, NPOs may find it beneficial to adopt mechanisms to promote 'shared values'. Through these collective initiatives, NPOs can aspire to transmit strong 'values' messages, and develop a shared meaning of values among employees and managers.

At the same time, however, creating a shared meaning of values in a dynamic and uncertain environment is not an easy feat. The wider environmental struggles faced by NPOs often take precedence over values considerations. Besides, the translation of intangible values into visible and well understood processes and practices is a complex undertaking that requires nonprofit HR practitioners to possess high HRM skills and knowledge, understand the values and culture of their organisation, and evolve within the same frame of mind as nonprofit employees (Haggerty & Wright 2010). Unfortunately, evidence from the case studies indicate that nonprofit HR practitioners are not anywhere close to this kind of knowledge and skills.

To summarise section 10.3.1, this study makes a distinctive theoretical contribution to the current body of knowledge. It acknowledges the importance of giving context and meaning to HRM, and proposes a pragmatic and an inclusive way of thinking about PA in the nonprofit sector. In doing so, the study extends the HR strength theory (Bowen & Ostroff 2004) by showing that, in the nonprofit sector, the strength of the PA system involves a two-way communication of PA messages that are firmly grounded within the value-based context of NPOs. Through this comprehensive approach, this study brings academics closer to unlocking the proverbial 'black box'.

### **10.3.2 Practical contribution**

This study provides a valuable knowledge base to HR practitioners in structuring and implementing PA in the unique context of NPOs. Given the symphony of challenges and

tensions that are inherent in the nonprofit sector (such as the tension between managing limited and inconstant resources and delivering efficient and quick outcomes, and tensions between adhering to organisational values and social justice principles and mission drift), NPOs cannot afford to wait for natural experimentation to develop PA practices that work for them. As such, this study orientates nonprofit HR practitioners in the right direction in terms of creating PA systems that fit the nonprofit sector.

From this perspective, this study offers three important future courses of action to nonprofit HR practitioners. First, this study highlights the significance of communication (both downward and upward). As such, nonprofit HR practitioners need to establish strong and effective communication practices. To promote downward information flow, they need to identify those communication channel(s) to which employees are regularly exposed and which have the potential of changing behaviour. If multiple conduits are used, they should all convey consistent information (Aguinis 2013). At the same time, information or channel overload that may end up producing white noise should be avoided. With regards to the communication of values, nonprofit HR practitioners need to put in place processes that act as cultural transmission vehicles. Such processes may include general meetings or newsletters through which real-life stories of how NPOs are living up to their values and how they are making a difference to people's lives are shared. More than this, nonprofit HR practitioners need to create channels to facilitate upward information flow (Ulrich & Brockbank 2005), such as suggestion boxes, open door policy, attitude surveys, formal or informal meetings and events, and a participatory approach to HRM. In the latter case, such participative practices imply some form of decentralisation of authority in the development of core HRM practices, and as suggested by Ohana, Meyer & Swaton (2013), may require NPOs to establish communities of practice that promote collective discussions on local problems.

Second, this study stresses the need for NPOs to invest in their training and development function to cater for the needs of all employees and managers at various levels. For example, for a collective understanding of newly-implemented HRM systems to be achieved, employees need to be trained in a timely manner on the content of the systems. Managers at all hierarchical levels need to be provided training and support (such as mentoring programs and professional qualifications) so as to enhance their people management skills (Purcell et al. 2009; Stanton et al. 2010), and learn the specific behaviours that promote procedural and distributive justice. Above all, nonprofit HR practitioners need to be trained so that they can reconcile their professionally-oriented HRM knowledge with the realities, values and language of the

nonprofit sector, and construct a coherent and value-based HRM philosophy. As rightly suggested by Haggerty & Wright (2010, p. 112), HR practitioners ‘must know their craft, practice it well, and receive the highest levels of continuing education’.

Finally, this study underscores the benefits of having individuals with the right frame of mind and values to work in the nonprofit sector. To nurture ‘shared values’, nonprofit HR practitioners need to develop selection processes that ensure that individuals who share the values of the NPO are recruited (Schneider 1987; Schneider, Smith & Goldstein 2000).

#### **10.4 Limitations of the study and future areas of research**

This study involves three limitations that serve as opportunities for future research. The first one is that this case study is informed by data gathered from two Australian NPOs which were different from each other on many aspects, including their different spatial locations. While it was argued in Chapter Four that the selection of these NPOs was appropriate because these organisations had strong value-bases and provided a valuable learning opportunity for this exploratory study, it should still be acknowledged that the transferability of findings may be limited due to the small sample size of NPOs. Furthermore, given the diversity of the nonprofit sector (Lyons 2001), it may be worthwhile to confine future studies to specific industries to enhance the likelihood of identifying a unique pattern of rules and/or challenges applicable to individual industries. Such further investigations might also extend in exploring NPOs of different sizes or NPOs confined to a smaller geographical area in order to provide a more comprehensive picture. Similarly, empirical investigation in other countries and/or in NPOs that work and collaborate internationally might reveal additional challenges for NPOs.

The second limitation is that the study was restricted to a specific temporal dimension. Since both case study organisations had just started their journey to PA implementation, a longitudinal study could have been conducted to track the progress of this initiative over a longer period of time and identify whether and how SHRM issues and employees’ perceptions change as the new PA practices become embedded into the organisations’ cultures and routines. Relatedly, it would be worthwhile to conduct further investigations in ERU to see whether and to what extent the change of leadership has impacted on the trade union’s decision to implement a formal PA system.



Third, although this study's theoretical model serves as a valuable point of departure for research on the communication and reception of PA and 'values' messages by NPOs, the model needs further investigation and refining. For example, the next step may consist of applying the model to other HRM practices to assess its usefulness in generating academic ideas and practical recommendations. Future research may also consider the role of senior managers and leadership styles in supporting the communication and reception of PA and 'values' messages by NPOs. Similarly, the role and capacity of the HR function in creating strong PA situations in NPOs deserves some empirical investigation. This study highlighted that nonprofit HR practitioners may not have the HR skills and sufficient understanding of the values and norms of the nonprofit sector to create strong HRM situations. Therefore, research in that direction is important. Another significant area for future research may consist of examining the perceptions of nonprofit employees from a demographic perspective, i.e. by taking into account their gender differences, age and ethnicity. Current studies have established the predominant female workforce existing in the nonprofit sector (Baines 2011; Baines, Charlesworth & Cunningham 2014). However, it is not known what role demography plays in the ability of nonprofit employees to hear and understand HRM and 'values' signals in the manner intended by NPOs.

## **10.5 Conclusion**

In conclusion, this study has established that, in the nonprofit sector, there are several important pieces to building and maintaining a strong PA system as prescribed by Bowen & Ostroff (2004). At the base, NPOs must build an adaptive and fair PA system which is consistently tied with other HRM practices, the organisational strategy and the core values of the NPOs. To be effective, such a system needs to be implemented fairly and consistently by line managers in the manner intended by the NPO. Conceptualising and operating such a system require NPOs to communicate and receive strong PA and 'values' messages. For this to happen, nonprofit HR practitioners need to be at the top of their game (Haggerty & Wright 2010) so as to put the pieces together and form a well-oiled and coherent HRM philosophy that is grounded in the essence, mission, spirit and values of their specific NPOs. It is only then that NPOs can aspire to face the looming challenges and achieve their mission in the long run.

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## **APPENDICES**

## **APPENDIX A**

# INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

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## You are invited to participate

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You are invited to participate in a research project entitled 'Performance Appraisal in Non-Government Organisations'.

This project is being conducted by a student researcher Ancy Ramasamy as part of a PhD study at Victoria University under the supervision of Prof. Pauline Stanton from the Faculty of Business and Law, Victoria University.

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## Project explanation

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This project aims at examining performance appraisal practices in non-government organisations (NGOs) in the Health and Welfare sector in Australia. This will be achieved by exploring:

1. The integration of NGOs' core values with performance appraisal.
2. The relationship between performance appraisal, organisational strategy and other human resource management practices.
3. Employee justice perceptions towards performance appraisal.
4. The impact of NGO's political and social context on performance appraisal.

To date, most of the research on has been conducted in for-profit organisations, with the assumption that the same findings will apply to other sectors. This research will thus address the deficit caused by the paucity of research in NGOs. The need for this study is also greatly felt in the NGO sector because NGOs have to operate in a highly competitive non-profit environment characterised by resource scarcity and mounting government and public scrutiny. As such, NGOs are increasingly facing pressure to enhance their performance and be accountable to their stakeholders. This project will therefore provide exploratory work on performance appraisal in the context of NGOs. Moreover, this study will benefit participating organisations by providing a comprehensive analysis of the organisation's appraisal process and possible recommendations.

This research is not intended as an evaluation of the effectiveness of the organisation's services, but rather as an analysis of the ways in which the organisation is dealing with employee performance appraisal.

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## What will I be asked to do?

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You will be asked to participate in a face-to-face interview that will take place at a mutually agreed upon time and place. The interview will last approximately one hour and will consist of questions that are exploratory in nature. All interviews will be recorded with a tape recorder to allow the researcher to transcribe and then analyse data. Your expected involvement would be to provide answers to the questions the researcher will ask you. Your participation in this study is entirely voluntary and you may withdraw your participation at anytime if you feel uncomfortable or distressed.

Additionally, you may be asked to supply background information on the organisation through organisational records such as HR policies, value and mission statements, strategy documentation, organisational structure and so forth.

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## What will I gain from participating?

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You will contribute to new knowledge that might be able to be used to influence public policy and lead to organisational change and/or improvement in the management of NGO employees.

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## How will the information I give be used?

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All information obtained in connection with this study will be anonymous, with all names people and organisations taken out unless we have your express permission to use your name or the name of your organisation. No one outside of the study will have access to the audiotapes. The tapes will be destroyed five years after the end of the study.

### **What are the potential risks of participating in this project?**

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To the best of our knowledge, no potential risks are associated with participation in this project. The names of the participants and or the names of their organisations will not be used without their express permission. All audio tapes and information collected under this research will be made accessible only to the research team and will be kept at a secure location.

### **How will this project be conducted?**

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All research participants will be distributed with an individual 'Informed Consent' form which they must sign and return to the researcher before the interview can take place. This may be done by returning the signed hard copy or by sending email confirming their consent from their own personal email account. All interviews will be recorded with a tape recorder and transcribed.

### **Who is conducting the study?**

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Victoria University, Melbourne

Chief Investigator: Professor Pauline Stanton (Email: [Pauline.Stanton@vu.edu.au](mailto:Pauline.Stanton@vu.edu.au))

Student: Ancy Ramasamy (Email: [Ancy.Ramasamy@live.vu.edu.au](mailto:Ancy.Ramasamy@live.vu.edu.au))

Any queries about your participation in this project may be directed to the Chief Investigator listed above. If you have any queries or complaints about the way you have been treated, you may contact the Research Ethics and Biosafety Manager, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 or phone (03) 9919 4148.

## **APPENDIX B**

# **CONSENT FORM FOR PARTICIPANTS INVOLVED IN RESEARCH**

## **INFORMATION TO PARTICIPANTS:**

We would like to invite you to be a part of a study into the practice of performance appraisal in non-government organisations (NGOs) in the Health and Welfare sector in Australia. This research study is conducted by Ancy Ramasamy who is a doctoral student from the School of Management and Information System at Victoria University, Melbourne.

The research title is 'Performance Appraisal in Non-Government Organisations'. The specific aims of the study are as follows:

1. To explore the extent to which NGOs integrate their core values within their performance appraisal practices.
2. To explore the manner in which performance appraisal practices in NGOs relate to organisational strategy and other human resource management practices.
3. To explore employee justice perceptions towards performance appraisal in NGOs.
4. To explore the impact of the political and social context of NGOs on performance appraisal.

This research project is under the supervision of Professor Pauline Stanton and Dr Annie Delaney of the School of Management and Information Systems at Victoria University, Melbourne Australia. There are no known risks if you decide to participate in this research study, nor are there any costs for participating in the study. You are being asked to participate in this study because of your experience of practicing performance appraisal in the NGO sector at a company level in Victoria, Australia.

Your participation will involve a face-to-face interview with the researcher. The interview will take place at a mutually agreed upon time and place and should last about one hour. The interview will be audio taped to allow the researcher to transcribe and then analyse data. Your expected involvement would be to provide answers to the questions the researcher will ask you. Your participation in this study is entirely voluntary and you may withdraw your participation at anytime if you feel uncomfortable or distressed. All information obtained in connection with this study will be anonymous, with all names people and organisations taken out unless we have your express permission to use your name or the name of your organisation. No one outside of the study will have access to the audiotapes. The tapes will be destroyed five years after the end of the study. The results of the study may be published or presented at conferences, but your identity will not be revealed.

**CERTIFICATION BY SUBJECT**

I, \_\_\_\_\_  
of \_\_\_\_\_

certify that I am at least 18 years old\* and that I am voluntarily giving my consent to participate in the study 'Performance Appraisal in Non-Government Organisations' being conducted at Victoria University by Professor Pauline Stanton.

I certify that the objectives of the study, together with any risks and safeguards associated with the procedures listed hereunder to be carried out in the research, have been fully explained to me by Ancy Ramasamy and that I freely consent to participation involving the below mentioned procedures:

- A face-to-face interview that will be conducted by Ancy Ramasamy.
- The interview will be audio taped, and the study results may be published or presented at conferences.

I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential.

Please tick the box as an indication for consent to participate and to have the interview tape recorded.

☐

Signed:

Date:

Thank you in advance for participating in this study. We know how important your time is, and we greatly appreciate your support and cooperation in furthering this research endeavour. Any queries about your participation in this project may be directed to Professor Pauline Stanton (**Tel:** 3 9919 1542 or **Email:** [Pauline.Stanton@vu.edu.au](mailto:Pauline.Stanton@vu.edu.au)). If you have any queries or complaints about the way you have been treated, you may contact the Ethics & Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (03) 9919 4148.

**[\*please note: Where the participant/s are aged under 18, separate parental consent is required; where the participant/s are unable to answer for themselves due to mental illness or disability, parental or guardian consent may be required.]**



## **APPENDIX C**

# INTERVIEW SCHEDULE

## Senior Management

1. Do you agree with performance appraisal in principle?
2. How would you describe the performance appraisal system in your organisation?
3. What are the organisation's core values? How do they relate to performance appraisal in your organisation?  
*Prompts:*
  - *Communication of values*
  - *PA-values alignment*
4. In terms of promoting core values, what do you think are the benefits and successes of your performance appraisal system?  
*Prompts:*
  - *Enhancing employee fairness perceptions*
  - *Promoting transparency*
  - *Supporting organisational values, mission and strategy*
  - *Increasing individual and organisational performance*
5. In terms of promoting core values, what do you think are some of the problems with your system and what improvements could be made?  
*Prompts:*
  - *Performance criteria*
  - *Management training*
  - *Learning and development issues*
  - *Communication*
6. Is your performance appraisal system linked to your organisation's strategic objectives? If so, how?  
*Prompts:*
  - *Links between PA & organisational strategy at policy level*
  - *How PA addresses strategic needs of organisation*
7. In your opinion, is your performance appraisal system working, and does it yield fair outcomes?  
*Prompts:*
  - *Procedural justice (e.g. fairness of PA process and its implementation)*
  - *Distributive justice (e.g. fairness of PA ratings in relation to performance; fairness of rewards in relation to rating)*

- *Interactional justice (e.g. avoiding derogatory judgments, deception, invasion of privacy and disrespect)*

**8. What do you think good performance appraisal practices ought to be in value-based organisations that are NGOs?**

*Prompts:*

- *Internal fit between PA and other HR practice*
- *Strategic fit between PA and organisational strategy*
- *Alignment of employee perceptions of HR practices with organisational values*
- *Compatibility between core values and PA*

**9. How would you describe the social context within which your organisation is operating? What is its impact on your performance appraisal system?**

*Prompts:*

- *Community*
- *Donor groups*
- *Support NGOs*
- *Partnerships*
- *Governmental agencies*

**10. How would you describe the political context within which your organisation is operating? What is its impact on your performance appraisal system?**

*Prompts:*

- *Government funding*
- *Relationship with government (e.g. supplementing or complementing government services or adversarial relationship)*
- *Supplementing, complement government services*
- *Goal displacement*
- *Value penetration*

## **APPENDIX D**

# INTERVIEW SCHEDULE

## HR Manager

1. **Do you agree with performance appraisal in principle?**
2. **How would you describe the performance appraisal system in your organisation?**
3. **What are the purposes of performance appraisal in your organisation?**  
*Prompts:*
  - *Reward for past effort*
  - *Motivation for the future*
  - *Managing underperformance*
  - *Executing strategy*
  - *Driving operational performance*
  - *Feedback on development*
  - *Talent inventory: work force planning and training needs' identification*
  - *System evaluation (e.g. recruitment and selection)*
  - *Documentation*
4. **What are the organisation's core values? How do they relate to performance appraisal in your organisation?**  
*Prompts:*
  - *Communication of values*
  - *PA-values alignment*
5. **In terms of promoting core values, what do you think are the benefits and successes of your performance appraisal system?**  
*Prompts:*
  - *Enhancing employee fairness perceptions*
  - *Promoting transparency*
  - *Supporting organisational values, mission and strategy*
  - *Increasing individual and organisational performance*
6. **In terms of promoting core values, what do you think are some of the problems with your system and what improvements could be made?**  
*Prompts:*
  - *Performance criteria*
  - *Management training*
  - *Communication*
  - *Learning and development issues*
7. **Is your performance appraisal system linked to other HRM systems? If so, how?**

*Prompts:*

- *Recruitment and selection*
- *Reward*
- *Employee counselling*
- *Disciplinary process*
- *Job design and human resource planning*
- *Human resource development*
- *Career development*
- *HRM evaluation system*
- *Other*

**8. Is your performance appraisal system linked to your organisation's strategic objectives? If so, how?**

*Prompts:*

- *Links between PA & organisational strategy at policy level*
- *How PA addresses strategic needs of organisation*

**9. In your opinion, is your performance appraisal system working, and does it yield fair outcomes?**

**10. What do you think are the fairness perceptions of employees towards your performance appraisal system?**

*Prompts:*

- *Procedural justice (e.g. fairness of PA process and its implementation)*
- *Distributive justice (e.g. fairness of PA ratings in relation to performance; fairness of rewards in relation to rating)*
- *Interactional justice (e.g. avoiding derogatory judgments, deception, invasion of privacy and disrespect)*

**11. What do you think good performance appraisal practices ought to be in value-based organisations that are NGOs?**

*Prompts:*

- *Internal fit between PA and other HR practice*
- *Strategic fit between PA and organisational strategy*
- *Alignment of employee perceptions of HR practices with organisational values*
- *Compatibility between core values and PA*

## **APPENDIX E**

# INTERVIEW SCHEDULE

## Line Management

1. **Do you agree with performance appraisal in principle?**
2. **How would you describe the performance appraisal system in your organisation?**
3. **What are the organisation's core values? How do they relate to performance appraisal in your organisation?**  
*Prompts:*
  - *Communication of values*
  - *PA-values alignment*
4. **In terms of promoting core values, what do you think are the benefits and successes of your performance appraisal system?**  
*Prompts:*
  - *Enhancing employee fairness perceptions*
  - *Promoting transparency*
  - *Supporting organisational values, mission and strategy*
  - *Increasing individual and organisational performance*
5. **In terms of promoting core values, what do you think are some of the problems with your system and what improvements could be made?**  
*Prompts:*
  - *Performance criteria*
  - *Management training*
  - *Learning and development issues*
  - *Communication*
6. **What is your experience of implementing performance appraisal in your organisation?**  
*Prompts:*
  - *Line manager ownership*
  - *Integrated approach to HRM*
  - *Alignment with organisational strategy and values*
7. **In your opinion, is your performance appraisal system working, and does it yield fair outcomes?**
8. **What do you think are the fairness perceptions of employees towards your performance appraisal system?**  
*Prompts:*



- *Procedural justice (e.g. fairness of PA process and its implementation)*
- *Distributive justice (e.g. fairness of PA ratings in relation to performance; fairness of rewards in relation to rating)*
- *Interactional justice (e.g. avoiding derogatory judgments, deception, invasion of privacy and disrespect)*

**9. What do you think good performance appraisal practices ought to be in value-based organisations that are NGOs?**

*Prompts:*

- *Internal fit between PA and other HR practice*
- *Strategic fit between PA and organisational strategy*
- *Alignment of employee perceptions of HR practices with organisational values*
- *Compatibility between core values and PA*

## **APPENDIX F**

# INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

## **You are invited to participate**

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You are invited to participate in a research project entitled 'Performance Appraisal in Non-Government Organisations'.

This project is being conducted by a student researcher Ancy Ramasamy as part of a PhD study at Victoria University under the supervision of Prof. Pauline Stanton from the Faculty of Business and Law, Victoria University.

## **Project explanation**

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This project aims at examining performance appraisal practices in non-government organisations (NGOs) in the Health and Welfare sector in Australia. This will be achieved by exploring:

1. The integration of NGOs' core values with performance appraisal.
2. The relationship between performance appraisal, organisational strategy and other human resource management practices.
3. Employee justice perceptions towards performance appraisal.
4. The impact of NGO's political and social context on performance appraisal.

To date, most of the research on has been conducted in for-profit organisations, with the assumption that the same findings will apply to other sectors. This research will thus address the deficit caused by the paucity of research in NGOs. The need for this study is also greatly felt in the NGO sector because NGOs have to operate in a highly competitive non-profit environment characterised by resource scarcity and mounting government and public scrutiny. As such, NGOs are increasingly facing pressure to enhance their performance and be accountable to their stakeholders. This project will therefore provide exploratory work on performance appraisal in the context of NGOs. Moreover, this study will benefit participating organisations by providing a comprehensive analysis of the organisation's appraisal process and possible recommendations.

This research is not intended as an evaluation of the effectiveness of the organisation's services, but rather as an analysis of the ways in which the organisation is dealing with employee performance appraisal.

## **What will I be asked to do?**

---

You will be asked to participate in a focus group consisting of employees of the organisation. The focus group will take place at a mutually agreed upon time and place and should last about one hour. The focus group discussions will be audio taped to allow the researcher to transcribe and then analyse data. Your expected involvement would be to provide answers to the questions the researcher will ask. Your participation in this study is entirely voluntary and you may withdraw your participation at anytime if you feel uncomfortable or distressed.

## **What will I gain from participating?**

---

You will contribute to new knowledge that might be able to be used to influence public policy and lead to organisational change and/or improvement in the management of NGO employees.

## **How will the information I give be used?**

---

All information obtained in connection with this study will be anonymous, with all names people and organisations taken out unless we have your express permission to use your name or the name of your organisation. No one outside of the study will have access to the audiotapes. The tapes will be destroyed five years after the end of the study.

### **What are the potential risks of participating in this project?**

---

The names of the participants and or the names of their organisations will not be used without their express permission. All audio taped and information collected under this research will be made accessible only to the research team and will be kept at a secure location. However, since the focus group sessions require the simultaneous participation of other employees, others in the group will hear what you say, and it is possible that they could tell someone else. Because we will be talking in a group, we cannot promise that what you say will remain completely private, but we will ask that you and all other group members respect the privacy of everyone in the group.

### **How will this project be conducted?**

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All research participants will be distributed with an individual 'Informed Consent' form which they must sign and return to the researcher before the focus group can take place. This may be done by returning the signed hard copy or by sending email confirming their consent from their own personal email account. All focus groups will be recorded with a tape recorder and transcribed.

### **Who is conducting the study?**

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Victoria University, Melbourne

Chief Investigator: Professor Pauline Stanton (Email: [Pauline.Stanton@vu.edu.au](mailto:Pauline.Stanton@vu.edu.au))

Student: Ancy Ramasamy (Email: [Ancy.Ramasamy@live.vu.edu.au](mailto:Ancy.Ramasamy@live.vu.edu.au))

Any queries about your participation in this project may be directed to the Chief Investigator listed above. If you have any queries or complaints about the way you have been treated, you may contact the Research Ethics and Biosafety Manager, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 or phone (03) 9919 4148.

## **APPENDIX G**

# CONSENT FORM FOR PARTICIPANTS INVOLVED IN RESEARCH

## INFORMATION TO PARTICIPANTS:

We would like to invite you to be a part of a study into the practice of performance appraisal in non-government organisations (NGOs) in the Health and Welfare sector in Australia. This research study is conducted by Ancy Ramasamy who is a doctoral student from the School of Management and Information System at Victoria University, Melbourne.

The research title is 'Performance Appraisal in Non-Government Organisations'. The specific aims of the study are as follows:

1. To explore the extent to which NGOs integrate their core values within their performance appraisal practices.
2. To explore the manner in which performance appraisal practices in NGOs relate to organisational strategy and other human resource management practices.
3. To explore employee justice perceptions towards performance appraisal in NGOs.
4. To explore the impact of the political and social context of NGOs on performance appraisal.

This research project is under the supervision of Professor Pauline Stanton and Dr Annie Delaney of the School of Management and Information Systems at Victoria University, Melbourne Australia. There are no known risks if you decide to participate in this research study, nor are there any costs for participating in the study. You are being asked to participate in this study because of your experience in undergoing performance appraisal in the NGO sector.

Your participation will involve taking part in a focus group organised by the researcher. The focus group will take place at a mutually agreed upon time and place and should last about one hour. The focus group discussions will be audio taped to allow the researcher to transcribe and then analyse data. Your expected involvement would be to provide answers to the questions the researcher will ask. Your participation in this study is entirely voluntary and you may withdraw your participation at anytime if you feel uncomfortable or distressed.

During the focus group session, others in the group will hear what you say, and it is possible that they could tell someone else. Because we will be talking in a group, we cannot promise that what you say will remain completely private, but we will ask that you and all other group members respect the privacy of everyone in the group. All information obtained in connection with this study will be anonymous, with all names people and organisations taken out unless we have your express permission to use your name or the name of your organisation. No one outside of the study will have access to the audiotapes. The tapes will be destroyed five years after the end of the study. The results of the study may be published or presented at conferences, but your identity will not be revealed.

**CERTIFICATION BY SUBJECT**

I, \_\_\_\_\_  
of \_\_\_\_\_

certify that I am at least 18 years old\* and that I am voluntarily giving my consent to participate in the study 'Performance Appraisal in Non-Government Organisations' being conducted at Victoria University by Professor Pauline Stanton.

I certify that the objectives of the study, together with any risks and safeguards associated with the procedures listed hereunder to be carried out in the research, have been fully explained to me by Ancy Ramasamy and that I freely consent to participation involving the below mentioned procedures:

- A focus group that will be conducted by Ancy Ramasamy.
- The session will be audio taped, and the study results may be published or presented at conferences.

I certify that I have had the opportunity to have any questions answered and that I understand that I can withdraw from this study at any time and that this withdrawal will not jeopardise me in any way.

I have been informed that the information I provide will be kept confidential by the researcher.

Please tick the box as an indication for consent to participate and to have the interview tape recorded. ☐

Signed:

Date:

Thank you in advance for participating in this study. We know how important your time is, and we greatly appreciate your support and cooperation in furthering this research endeavour. Any queries about your participation in this project may be directed to Professor Pauline Stanton (**Tel:** 3 9919 1542 or **Email:** [Pauline.Stanton@vu.edu.au](mailto:Pauline.Stanton@vu.edu.au)). If you have any queries or complaints about the way you have been treated, you may contact the Ethics & Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (03) 9919 4148.

**[\*please note: Where the participant/s are aged under 18, separate parental consent is required; where the participant/s are unable to answer for themselves due to mental illness or disability, parental or guardian consent may be required.]**

## **APPENDIX H**



# FOCUS GROUP SCHEDULE

## Employees

### **1. What are your views on your organisation's performance appraisal system?**

*Prompts:*

- *The process*
- *Benefits*
- *Problems*

### **2. Are you satisfied with your organisation's appraisal system? Why and why not?**

*Prompts:*

- *Links to reward*
- *Ease of use and understanding*
- *Implementation of the process*
- *Communication with supervisor*
- *Transparency*

### **3. Do you think your organisation's performance appraisal system is fair? Why and why not?**

*Prompts:*

- *Procedural justice (e.g. fairness of PA process and its implementation)*
- *Distributive justice (e.g. fairness of PA ratings in relation to performance; fairness of rewards in relation to rating)*
- *Interactional justice (e.g. employee treatment; avoiding derogatory judgments, deception, invasion of privacy and disrespect)*

### **4. What improvements could be made to improve the fairness of the system?**

### **5. What are the organisation's core values? Which value(s) would personally consider as being more important?**

### **6. How do you think the organisation's core values relate to its performance appraisal system?**

*Prompts:*

- *Communication of values*
- *PA-values alignment*

## **APPENDIX I**

## APPENDIX I

**Table 1. Participants' attributes, sampling strategy and data collection method**

Case study organisation	Participant type	Official position (Location if applicable)	Sampling strategy	Research method
<b>Dogood</b>	SM	Senior HR Manager	Criterion sample	FI
	SM	Group GM Community Services	Criterion & nominated sample	FI
	SM	Senior Manager Community Services	Criterion & nominated sample	FI
	LM	National Manager	Criterion & nominated sample	FI
	LM	Project & Contracts Manager	Criterion & nominated sample	FI
	LM	IT Manager	Criterion & nominated sample	FI
	LM	Care Manager	Criterion & nominated sample	FI
	LM	Senior Project Manager	Opportunistic sample	FI
	E	Community Engagement Coordinator	Snowball sample	FG (1)
	E	HR Administration Officer	Criterion & nominated sample	FG (1)
	E	HR Consultant	Criterion & nominated sample	FG (1)

	E	Administration Assistant	Criterion & nominated sample	FG (1)
	E	Program Officer	Convenience sample	FG (3)
	E	Teacher	Convenience sample	FG (3)
	E	Education Program Coordinator	Convenience sample	FG (3)
	E	Project Worker	Snowball sample	FG (1)
	E	Site Administration Officer	Snowball sample	FG (2)
	E	Migration Program Officer	Snowball sample	FG (2)
	E	Community Engagement Officer	Criterion sample	FG (2)
	E	Marketing Officer	Criterion sample	FG (1)
	E	Administration Coordinator	Criterion sample	FG (2)
<b>ERU</b>	M	National Secretary – State Branch 2	Criterion sample	FI & VI
	M	HR Manager – State Branch 1	Criterion sample	VI
	M	Operational Manager – State Branch 2	Criterion & nominated sample	VI
	M	State Branch Manager – State Branch 4	Criterion & nominated sample	VI
	M	Team Leader – State Branch 4	Snowball sample	VI

	E	Organiser 1 – State Branch 4	Snowball sample	VI
	E	Organiser 2 – State Branch 3	Criterion & nominated sample	VI
	E	Organiser 3 – State Branch 1	Criterion & nominated sample	VI
	E	Administrative Assistant – State Branch 2	Criterion & nominated sample	VG
	E	Administration Officer – State Branch 1	Criterion & nominated sample	VG
	E	Administrative Co-ordinator – State Branch 3	Criterion & nominated sample	VG
	E	Communications/Training Officer – State Branch 4	Criterion & nominated sample	VI

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### **Legend**

*Participant type:*    *SM/LM/E*                      *stands for*                      *Senior Manager/Line Manager/Employee*

*M*                                      *stands for*                      *Manager*

*Research method:*    *FI/VI/FG/VG*                      *stands for*                      *face-to-face interview/virtual interview/face-to-face focus group/virtual group*

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## **APPENDIX J**



## **CONFIDENTIALITY AND INTELLECTUAL PROPERTY UNDERTAKING**

**THIS UNDERTAKING** is made as a Deed on the 1st day of October, 2013

**BY** (the "Transcriber")

Smartdocs P/L  
1/15 Franklin St  
Lindisfarne  
TAS 7015

### **Introduction**

A. The Transcriber is employed on a casual basis by (the "Client") **Ancy Ramasamy of Victoria University** (to transcribe interviews ("the Transcriptions") from audio or visual recordings ("the Recordings")

B. The Transcriber has agreed to provide transcription subject to the terms and conditions in this Agreement.

### **The Transcriber agrees, undertakes and acknowledges as follows:**

1. The Transcriber agrees:

1.1 To treat the Recording and the Transcriptions as private and confidential

1.2 Not to copy, reproduce (in whole or in part) or use the Recordings or the Transcriptions for any purpose other than for the purposes of transcribing the Interviews.

1.3 Not to disclose the contents of the Recordings or the Transcriptions to any person other than persons authorised by the Client.

2. The Transcriber acknowledges that the Recordings and the Transcriptions are the property of the Client and undertakes to store them in a safe and secure manner while they are in the Transcriber's possession.

SmartDocs Pty Ltd  
ACN 157 849 039  
1/15 Franklin St, Lindisfarne  
PO Box 1405, Lindisfarne  
Tas Australia 7015  
**t) + 61 3 6243 5166**  
f) + 61 3 6243 9511  
e) smart@smartdocs.com.au




3. The Transcriber agrees that all intellectual property rights in the Recordings and the Transcriptions vest in the Client.


4. This Deed is governed by the Law of Tasmania.

5. Any purported variation of a provision of this Deed shall be ineffective unless in writing and executed by the Transcriber and the Client.

Executed as a Deed on the date set out at the commencement of this Deed.

**SIGNED SEALED and DELIVERED**

By: (Print)  P. NIELSEN  
SmartDocs General Manager

Signature: 

in the presence of:

Witness: (Print)  Grant Fagan

Signature: 



## **APPENDIX K**

