



भारतीय प्रबंध संस्थान बेंगलूर
INDIAN INSTITUTE OF MANAGEMENT
BANGALORE

WORKING PAPER NO: 328

Talent Acquisition and Retention in Social Enterprises:
Innovations in HR Strategies

Abhishek Bhati

Indian Institute of Management

Bangalore

abhishek.bhati@iimb.ernet.in

Mathew J Manimala

Indian Institute of Management

Bangalore

manimala@iimb.ernet.in

Abstract

Over the years there has been a phenomenal growth in the number of social enterprises in India. This is partly a consequence of a new policy of the government to gradually withdraw from social development activities. The gap thus created is being filled by social enterprises. A social enterprise can be a 'for-profit' or 'not-for-profit' venture engaged in income-generating activities with an agenda of bringing about a positive change in the society. While social enterprises are engaged in the development of people, it is rather paradoxical that they experience a variety of problems with respect to the management of human resources within their enterprises. It is common knowledge that social enterprises perennially struggle with various critical human resource issues such as getting employees at low rates of compensation, providing growth opportunities for employees within the organization, retaining talent especially in the middle management, providing clearly defined roles and tasks to employees, etc, leading to high attrition and increasing the cost of acquiring and training new employees. It thus, becomes critical for social enterprises to think out-of-the-box and try a variety of innovative strategies to overcome these problems. This paper discusses a few such innovative HR strategies adopted by social enterprises to attract and retain talent, such as offering jobs to people with vision and value congruence, enhancing the credibility of the organization through brand building, providing opportunities for personal growth, creating a sense of ownership among employees through participation in decision making, creating sense of ownership among employees by giving equity shares, creating entrepreneurial opportunities within the organization, finding employees from among beneficiaries, attracting employees to serene lifestyle in peaceful and scenic location and providing attractive fringe benefits to employees. Collectively these strategies seem to suggest that social enterprises adopt a 'partnership paradigm' for managing their employees.

Keywords: Social Enterprise, Social Entrepreneurship, HRM, Talent Acquisition, Talent Retention

Introduction

Social development in developing countries has traditionally been viewed as the responsibility of the governments because of the massive scale of its operations and the limited or no capacity of its beneficiaries to pay for the services. While the need for social development in developing countries is enormous, the resources available even with the governments are limited. Besides, the government machinery and the bureaucracy are ill-equipped to monitor the implementation of social development projects at the grass-root level. Hence, over the years, governments in the developing countries adopted a policy of gradual withdrawal from various social development activities. This has created multiple voids in the social realm which have been filled by nongovernmental agencies commonly known as nonprofits. The nonprofits play an increasingly important role in providing services, for which the public and the private sector lack time, information, resources and inclination. They advocate for a variety of social, political, environmental, ethnic, and community interests and concerns, contribute to the social and cultural life of the society, and actively participate in community building (Salamon & Sokolowski, 2004). They combine economic and market forces with social goals (Vigoda & Cohen, 2003) and their employees are expected to fulfill business requirements as well as strictly adhere to ethics, accountability, and equity in services. The nonprofit organizations, in the course of their service, face several challenges in terms of reductions in government funding, decline in charitable contributions, competition from for-profit providers of certain services, and demands for increasingly higher levels of accountability.

In recent times, however, an increasing number of non-profits have been seeking additional revenues by behaving more like for-profit organizations. According to (Dees, Emerson, & Economy, 1998), the nonprofits are scrambling to find commercial opportunities for a number of reasons. First, a new pro-business *zeitgeist* has made for-profit initiatives more acceptable. With the apparent triumph of capitalism worldwide, market forces are being widely celebrated. There is a growing confidence in the power of competition and the profit motive to promote efficiency and innovation in development organizations. Second, many social enterprises believe that institutional charity can undermine beneficiaries' self esteem and create a sense of helplessness and dependence; self-reliance is the new mantra. Third, the sources of funds available to nonprofits are tending to favor more commercial approaches. There is greater availability of

money for operating on a more commercial basis. Lastly, and most importantly, social enterprises view income-generating activities as a more reliable funding source than donations and grants. Many of them now consider extensive dependency on donors as a sign of weakness and vulnerability.

Social enterprises generally are heavily dependent on individual and/or institutional donors for funding specific projects or initiatives. It is but natural for donors to closely monitor the usage of funds donated by them. In order to regulate and control the spending of social enterprises, the funding agencies put various restrictions on the usage of funds. One such restriction is spending on human resources within the organization in the form of salaries, benefits, incentives, training and the like. This situation is paradoxical, as these organizations experience a variety of human resource issues within their own organizations while taking up the ultimate goal of augmenting the human development in the larger society.

All social enterprises - irrespective of their size, type, sector or profit-orientation - experience human resource management issues of one type or another. As talent is rare, valuable, difficult and hard to substitute, organizations that attract, select and retain better talent outperform those that do not (Barney & Wright, 1998). Social enterprises, like other organizations, compete with each other to attract better talent, which is further intensified by the fact that the talent pool available to social enterprises is often limited, since the sector is not perceived to be glamorous and remunerative as the corporate sector. The high turnover of qualified employees in social enterprises has increasingly negative impact on recruitment, training, and service effectiveness. Filling a position in a social enterprise poses a significant challenge, given the lack of competitive incentive systems in the sector. Vacant positions may eventually be filled, but with reduced chances of obtaining qualified candidates, additional costs for employee training and development, and higher chances of service disruption.

The 21st century has witnessed an explosive pace of technological advancement, facilitating global sourcing and the consequent global operations, which are the main drivers of change in employment patterns, leading to intense competition among employers to attract and retain talented workers (Osborn-Jones, 2001). Without doubt it can be said that today an organization's success is directly linked to the talent it can recruit and retain. Recruitment is critical not only for

sustaining competitive advantage but also for basic organizational survival (Taylor & Collins, 2000). Escalating demand for highly talented and skilled employees coupled with limited supply makes the acquisition and retention of talented employees a major priority for organizations (Fegley, 2006) especially for social enterprises. The nature of social enterprises and their socially desirable goals create an expectation that the employees work for the cause rather than for the paycheck. Further-more, social enterprises especially the nonprofits are unable to compete with for-profit organizations in providing good pay and incentives to employees (Brandel, 2001). Hence it is almost impossible for them to survive without innovations in the field of human resource management, especially for acquiring and retaining talent.

This paper attempts to understand the various types of social enterprises and their nature of work, with a view to appreciating the human resources issues faced by them. The paper examines the different strategies and practices adopted by social enterprises to innovatively deal with the many and varied human resource related issues faced by them, especially those relating to talent acquisition and retention within the organization.

Social enterprises: Nature and types

The term ‘social enterprise’ evokes various kinds of images and impressions among researchers and practitioners. According to (Alter & Children, 2000), social enterprises are driven towards innovation primarily by two forces: first, the nature of the desired social change often benefits from innovative, entrepreneurial or enterprise-based solutions; second, the sustainability of the organization and its services is dependent on innovations in identifying various streams of income generating activities so as to diversify its funding sources.

Social enterprises are hybrid organizations that have mixed characteristics of philanthropic and commercial organizations in several aspects, such as motives, methods, goals and key stakeholders (Dees et al., 1998). Building upon this perspective, Dees proposed an organizational spectrum (Exhibit–1), where pure forms of nonprofit and for-profit organizations are placed at opposite ends of a continuum, and the social enterprise, having characteristics of both, is placed somewhere in between.

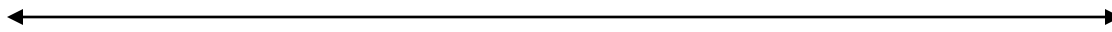
Exhibit-1: The organizational spectrum: positioning of social enterprises on a continuum ranging from philanthropic to commercial.

		Purely philanthropic	Social Enterprises ←————→	Purely Commercial
Motives		-Appeal to goodwill	-Mixed motives	-Appeal to self interest
Methods		-Mission driven	-Mission & market driven	-Market driven
Goals		-Social value	-Social & economic value	-Economic value
Key Stakeholders	Beneficiaries	Pay nothing	Pay subsidized rates, or are a mix of full payers and non-payers	Market – rate prices
	Capital	Donations and grants	Below market capital, or a mix of donations and market rate capital	Market–rate capital
	Workforce	Volunteers	Employees retained at below-market wages, or mix of volunteers, part-time and fully paid staff	Employees retained at market-rate compensation
	Supplies	In-kind donations	Acquired at special discounts, or are a mix of in-kind donations and fully paid facilities	Acquired at market-prices

Source: Adapted from (Dees et al., 1998)

In view of the difficulties in clearly defining a social enterprise because of it incorporating the features of ‘non-profit’ and ‘for-profit’ organizations, (Alter & Children, 2000) attempted to place it on a continuum, which he called the ‘hybrid spectrum’ (see Exhibit–2). The Hybrid spectrum identifies social enterprises as combining the features of non-profit and for-profit organizations. On the spectrum, hybrid organizations get defined and positioned by the degree of variations in their motives, accountability, and use of surpluses/profits.

Exhibit-2: The hybrid spectrum: the non-profit/for-profit continuum



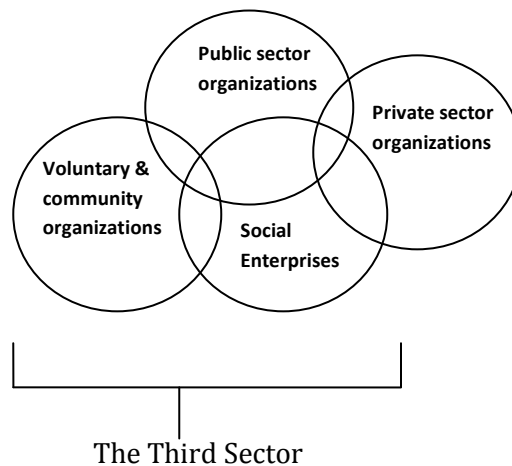
Traditional nonprofit organizations	Nonprofit with income-generating activities	Social enterprise	Socially responsible business	Corporation practicing social responsibility	Traditional for-Profit organizations
<ul style="list-style-type: none"> • Mission motive • Stakeholder accountability • Income reinvested in social programs or for meeting operational costs 			<ul style="list-style-type: none"> • Profit-making motive • Shareholder accountability • Profits distributed to shareholders 		

Source: Adapted from (Alter & Children, 2000)

On the right hand side of the spectrum are for-profit entities that may also create social value but whose main motives are profit-making and distribution of profits to shareholders. On the left hand side of the spectrum are nonprofits that may or may not undertake commercial activities to generate economic value which is used to fund social programs, because their main motive is to serve the economically weaker sections of the society and/or to bring about a culture-change in the society rather than to generate profits for the stakeholders. Once again, it should be pointed out that social enterprises would combine the features of both.

Since it is easy to understand the nature of organizations by specifying the sector they belong to, (Westall & Chalkley, 2007) made an attempt to specify the sectoral affiliation of voluntary organizations and social enterprises. As these organizations do not fully belong either to the public or private sector but combine features of both, they preferred to call it the ‘third sector’ (see Exhibit-3), even though this is not a fully homogeneous sector. It is possible to identify at least two major subtypes of organizations within this sector, namely (i) voluntary and community organizations, and (ii) social enterprises.

Exhibit-3: Voluntary/community organizations sector and social enterprises in the Third sector



Source: Adapted from (Westall & Chalkley, 2007)

(Westall & Chalkley, 2007) maintain that ‘it is not always easy to differentiate voluntary organizations from social enterprises. With this attempt to de-emphasize the differences between voluntary organizations and social enterprises, they seem to suggest that there is a rather homogenous ‘Third Sector’, which is debatable for reasons we have mentioned above. While ‘Third Sector’ organizations may be similar in terms of their larger purpose, they do have substantive differences in terms of their stake-holder objectives as well as the nature of their activities.

It appears that there is a widely held misconception that the primary distinction between a volunteer/community organization and a social enterprise is that the latter are entrepreneurial and the former are not. As (Bornstein, 2007) has pointed out, most of the volunteer/community organizations are entrepreneurial and innovative in developing new and more effective ways of achieving their social objectives, and cites the case of Childline International as an example. The critical difference therefore is whether the innovativeness is used for designing and implementing income-generating activities as a source of funds for achieving their social objectives (Nicholls, 2006). For social enterprises, the major part of their funds comes from such income-generating activities, whereas for volunteer/community organizations, the major source of funds is donations from individuals or organizations. Among the social enterprises which have

income generating activities, there are two types based on their profit-orientation-the not-for-profit and for-profit social enterprises. This difference is illustrated with some examples in (see Exhibit-4)

Exhibit-4: Differentiating voluntary/community organizations from social enterprises based on their funding sources: some examples

Name of organisation	Social objectives	Type (non-profit or SE)	Funding/Income source
Greenpeace	Developing environmental awareness and promoting environmental activism	Nonprofit-activist organization	Donations from individuals
Actionaid	Poverty alleviation	Nonprofit organization	Individuals, corporations and governments
SEWA (Self-Employed Women's Association)	Creating employment and livelihood opportunities for unorganized woman laborers	Social Enterprise	Donations and income from commercial activities
Aravind Eye Hospital	Providing eye-care to the poor and the aged	Social Enterprise	Full-paying customers, who subsidize the services for two thirds of the total patients
FAB India	Helping artisans with the marketing of their handicraft products	Social Enterprise	Income from commercial activities

Human resource issues of social enterprises

Human Resource Management (HRM) is of utmost importance to social enterprises mainly for three reasons. First, the personal services provided by social enterprises mean that these organizations cannot replace employees with investment in physical facilities and equipment. In most cases, the service-providers employees are equated with the services and therefore are the single most important asset of nonprofits and social enterprises (Barbeito & Bowman, 1998);(Hall & Banting, 2000). Second, more than in other organizations, employees of social enterprises are attracted and motivated by intrinsic factors such as a belief in the organization's mission and values and an opportunity to actualize their individual values, and participation in decision-making (Brandel, 2001; Brown, Yoshioka, & Munoz, 2004; McMullen, Schellenberg, & Networks, 2003). Obviously, these factors have an impact on the recruitment, retention and motivation of people in social enterprises (Brown et al., 2004). Third, in view of the need for professional delivery of services and accountability requirements of the new funding environment, employees are arguably the most critical stakeholders in the strategic positing of social enterprises.

It could be argued that employees of social enterprises are more likely to experience job dissatisfaction if: (a) they perceive that their organization is not achieving the public good that attracted them; (b) the mission is de-emphasized or derailed by other considerations and (c) the espoused values are inconsistent with those practical in the organization. It has been observed in a study by (Howe & McDonald, 2001) that the increased accountability requirement has become a source of stress and job dissatisfaction among employees of a child welfare organisation. Similarly, (Peters & Masaoka, 2000) found that disgruntlement among employees, particularly relating to lack of participation in the decision-making process contributed to increased unionization in nonprofits organizations. HRM impacts and is impacted by the context within which it exists(Belcourt & McBey, 2010). Social enterprises often get pulled in opposing directions: on the one hand, there is an urgency to do more of what they already do in achieving their social objectives: on the other hand, there is pressure to become more effective and efficient (Barbeito & Bowman, 1998). This has resulted in drastic changes in the operating environment of social enterprises over the past two decades (Hall & Banting, 2000); (Reed, Howe, & Canada,

2000);(Smith & Lipsky, 1993). Because human resources are the primary assets of social enterprises (Barbeito & Bowman, 1998), the need to adapt to change and the pressure to do more are causing a lot of strain in the management of human resources in these organizations.

(Ban, Drahnak-Faller, & Towers, 2003) maintain that recruitment, retention, and workforce diversity are some of the major problems being faced by HR managers in nonprofit organisation. In addition, they found that it is difficult for nonprofits to recruit in certain areas, such as information technology and business development, as the salaries prevalent among these professionals are too high for them to afford. The third sector organizations, with limited resources are trying hard to balance the expectations of top talent in the globally networked economy while pursuing their donors and persuading them to provide flexibility in spending on human resource so that they can retain them effectively and efficiently to bring about a change in the larger society. Though the donor-dependency is relatively low for social enterprises, they too are not in a position to offer high salaries and perks to their employees.

(Brown et al., 2004) argue that compensation is an important factor that influences employee turnover in social enterprises. Even though employees are attracted by the mission of the social enterprises and are satisfied with their work, they do not find the compensation attractive enough for them to remain in the organization for long.

While it is often claimed by researchers that individuals who choose to work in the non-profit sector are differently motivated than those who work in the for-profit sector (Frederickson & Hart, 1985);(Houston, 2006); (Rainey, 1983); (Wittmer, 1991), it is not unreasonable for employees of the third sector to expect a decent compensation for their work career growth opportunities, though not on par with those in business and commercial enterprises.

The lack of investment in human resources leads to various critical problems for the third sector organizations, such as low motivation, high frustration, quick job shifts, etc among employees, which act against the growth and development of the organization. On the other hand, social enterprises spend large portions of their scarce resources on recruiting and training new employees from time to time. This is a paradox that makes observers wonder if the resources spent on recurring recruitment and training could be spent more beneficially towards

compensating the employees adequately so that they would stay longer with the organization and ensure smooth and continuous operations, and thereby leading it to higher levels of effectiveness.

Talent acquisition in social enterprises

It is widely recognized that human resource plays a significant role for enhancing an organization's performance and effectiveness (Huselid, 1995). No wonder there are persistent efforts by organizations irrespective of their size, age, type sector, etc to attract the best talent available. Talent has become the key differentiator for performance management and for leveraging competitive advantage especially in knowledge-based organizations (Bhatnagar, 2007). With better talent acquisition and development, employee engagement improves and so does productivity. Maximizing team engagement, motivation, and retention through due diligence in talent acquisition is vital in today's highly competitive environment. Only a talent resourcing process that is well defined and well-executed from start to finish yields consistent and compliant results which will in turn yield a competitive advantage in the war for talent (Srivastava & Bhatnagar, 2008).

For recruiting employees at the lower levels, especially for jobs requiring knowledge of local language and familiarity with local conditions, social enterprises often use employee referrals and local newspaper advertising - methods that are relatively inexpensive and have a local focus. Although referrals are highly effective, the tendency of people to recommend individuals like themselves or recommend them for non-professional reasons can potentially lead to the reduction in diversity as well as quality among the workforce (Ban et al., 2003). There could, however, be an advantage for the employee referral system that the employees, with their thorough knowledge of the organization, would be able to bring in the most appropriate candidates, especially in terms of ideological congruence with the organization. This is of particular relevance for social enterprises in view of the fact that research studies have consistently shown that a better match between the employee values and the organizational values predicts employee commitment and satisfaction on the job (O'Reilly III, Chatman, & Caldwell, 1991).

As social enterprises have limited resources to spend on recruitment, most of them now-a-days use the Internet and campus recruitment mechanisms for recruiting large numbers, especially

those with specialized knowledge and skills. For example, microfinance organizations such as BASIX and FINO (Financial Information Network Organization) regularly go through campus recruitment. For specialized skills and for sourcing from wider, areas social enterprises generally use the available web-based job portals to advertise about their organizations and post the job profiles of the vacant positions. Usually these organizations prefer dedicated development-sector job-portals such as *devnetjobs.org*, *barefootjobs.com* etc rather than general job portals such as *naukri.com* or *monster.com*. While it is difficult for social enterprises to mobilize job applications, it is even more difficult for them to process these applications due to limited or no HR specialists available with them. Such difficulties are aggravated by the indiscriminate applications by candidates who apply without looking at the profile and the nature of the job.

Over the years, the number of corporate executives looking for a career shift has drastically increased. Although this talent pool is a very good source of recruitment for social enterprises, the latter are finding it tough to tap this growing potential employee pool, because of their limited capability to meet the high expectations of this group. Notwithstanding this, there are some social venture-funds organizations such as *Aavishkaar*, based in Mumbai, who make use of this trend as an opportunity to attract the corporate talent at relatively low cost. For recruiting fresh graduates, however, a method that is becoming increasingly popular is the volunteer program (used by Acumen Funds for example), which is an apprenticeship scheme for those interested in the field. In a volunteer program, interested candidates get a taste as well as training of the actual work. This reduces the cost of training and development of the employees and also helps them to assess the interest and suitability of candidates ‘on the job’ and recruit and retain them at a significantly low cost. The candidates would also benefit from the volunteer program, as it gives them an opportunity to assess themselves vis-à-vis their ‘future’ job and organization before committing themselves.

Talent retention in social enterprises

Retention of non-leadership staff in social enterprises deserves special attention since the loss of such staff is costly in terms of new recruitment, training and development, interruptions service, and decreased employee morale (Ban et al., 2003); (Lynn, 2003). Researchers maintain that the most important goal of the contemporary human resource systems is not to recruit the finest professionals, but to create congruence between people and organizations so that they would stay and work with the organization (Lynn, 2003); (Vigoda & Cohen, 2003) . (Watson & Abzug, 2005) refer to it as the process of creating “fit and embeddedness”. Value and goal congruence positively affect employee performance, job satisfaction, tenure, and career success. In the absence of such congruence, an employee cannot reach the expected level of performance, and tends to accuse the organization of being politically discriminative and inequitable. In order to avoid such a potentially destructive situation, there has to be a continuous assessment of the interface between the employees and their work environment, and the development of advanced HR strategies for recruitment and retention (Vigoda & Cohen, 2003). This is particularly relevant for the current situation when the retention rates for social enterprises especially the nonprofit organizations continue to decline, with more workers turning to the for-profit corporate sector as an alternative (Light, 2000); (Salamon, 2002).

Against this background, it is not surprising to see that social enterprises, many of which are also not-for-profit organizations, undertake HR innovations almost on a continuous basis, particularly in the area of employee retention. In the ensuing section of this paper, we provide a brief description of a few such innovative employee retention strategies used by social enterprises and illustrate them with case examples.

1. Offering jobs to people with vision and value congruence

There are many social enterprises which work on sensitive issues such as HIV, gay rights, child abuse, women’s empowerment, disabilities, etc. Employees in these organizations are mostly either of unfair treatment relating to such issues or feel strongly about them. Hence they are naturally motivated to bring about a change in the society. These organizations to a certain extent, act like religious institutions where devotees have faith in the ideology and therefore do

selfless service. They treat their jobs as an opportunity to actualize their ideologies and get them accepted by the society (see Exhibit-5).

Exhibit-5: Offering jobs to people with vision and value congruence: The case of *Mirakle Courier*

Mirakle Courier is a for-profit socially oriented courier company started in 2008 by Oxford alumni Dhruv Lakra with the tagline of '*Delivering possibilities*'. The vision of the organization is to provide a platform to deaf people to utilize their potential effectively and thereby become economically independent. The company's mission is to provide gainful employment to deaf adults. The deaf gets trapped in the vicious circle of poverty since there is low awareness of their problems and limited education facilities for them, which seriously affect their employability. The organization aims at providing better service to its clients at competitive prices by enlisting the services of deaf people as employees. Naturally the deaf employees would also benefit immensely from this arrangement.

Mirakle courier has difficulties in finding suitable employees for managerial positions, who have patience and skills to manage deaf employees. These managers will have to work hard or design superior strategies for competing with other courier companies. Talented managers have high expectations of compensation and are always in demand from competitors.

The top management of *Mirakle Courier* service consists of committed individuals, who have the passion for the cause and are committed to bring about a change in the lives of deaf people all over the world. There is a sense of purpose attached to the work done by the employees of *Mirakle Courier*, and this is perhaps the biggest reason for the sense of satisfaction they derive from their work. The organization is able to retain competent employees because of high levels of job satisfaction flowing from a sense of accomplishing their mission and actualizing their ideology.

Source:

Mirakle Courier website: <http://www.miraklecourier.com> (September 2010)

<http://www.thebetterindia.com/1330/mirakle-couriers-career-haven-for-the-deaf/> (November 2010)

<http://blog.ennovent.com/2010/04/empowering-deaf-adults-mirakle-couriers/> (November 2010)

2. Enhancing the credibility of the organization through brand-building

It is not difficult for large and reputed social enterprises to retain their employees since these organizations have a brand name. Employees feel a sense of pride and recognition by associating themselves with such organizations. These are mostly international social enterprises or large social enterprises, for whom the acquisition and retention of talent is apparently not a problem.

However, organizations do not grow large overnight; nor are they started as large ones in the first place. Along with the growth in size, some organizations make deliberate attempts to enhance their brand image. While the image-building exercise is relatively easy for social enterprises because of the generally acceptable nature of their social objectives, it is the consistency and commitment with which they promote such social objectives that builds the image of the organization. This is adequately illustrated by the case of Aravind Eye Hospital (see Exhibit -6).

Exhibit-6: Enhancing the credibility of the organization through brand building: The case of *Aravind Eye Hospital*

Aravind Eye Hospital was founded in 1976 by Dr Govindappa Venkataswamy (affectionately known as Dr V). Almost 30 years later, Aravind's innovative eye care delivery system is renowned worldwide for its technical excellence, operational efficiency and pioneering community work. Aravind follows the ideal of providing, high quality service at very affordable prices to a large number of clients.

The hospital collectively performs over 250,000 surgeries every year. The organization gives utmost importance to ensuring that all patients are provided the same level of care and high quality service, regardless of their economic status. As a result of a unique fee system and effective management, Aravind is able to provide free eye care to two-thirds of its patients from the revenue generated from the other third - its paying patients. It is this unswerving commitment to serve the poor that has built Aravind's brand image even from its early difficult years.

Aravind Eye Hospital has a strong mission of eradicating needless blindness. The organisation puts strong emphasis on operational efficiency and effectiveness to make the services affordable to the poor people. During the initial days the organization attracted talented doctors by announcing that doctors will get much more exposure of doing surgery than they would get in any other hospital. Also they induced feel good-factors in the doctors and staff that they are serving the poor, especially the old people.

Over the years, the organization has built a strong credibility among the common people as well as international development organizations such as WHO, Bill & Melinda Gates Foundation, and so on. This has given them the strategic advantage of being a known and respected organization in the health sector. The organization has the policy of not giving any kind of advertisement for jobs. In spite of this, a large number of applications for all kinds of jobs keep coming to the organization from different parts of the world, which is obviously a testimony to the power of brand image created by Aravind.

Sources:

Aravind Eye Hospital: website <http://www.aravind.org> (September 2010); Tidd et al, 2010; Sharma 2010

3. Providing opportunities for personal growth

Unlike the large social organizations like Aravind Eye Hospital, the smaller ones are unable to attract talented employees because they are not widely known amongst people. To attract and retain talented employees some of the social enterprises create opportunities for their employees to participate in conferences and workshop within and outside the organization so that they could develop themselves for effective performance on the job as well for career growth. For employees interested in pursuing studies abroad, some organizations provide support in the form of information and references and facilitation of sponsorship. They also encourage the employees to write papers and case studies which could be presented in national and international conferences and seminars. Some organizations have tie-ups with various national and international funding agencies such as Ford Foundation, UNDP, Bill & Melinda Gates Foundation, Sudha Murthy Foundation, etc which sponsor promising students as well as employees of social development organizations to pursue studies abroad. In some cases these funding agencies also sponsor the travel expenses for the employees to attend international conferences (see Exhibit -7).

Exhibit-7: Providing opportunities for personal growth: The case of Grassroots

Grassroots, also known as Pan Himalayan Grassroots Development Foundation, was established in 1991. The focus of the organization is - on the ways and means to improve the quality of life of the rural communities. The organization empowers the rural communities by successfully running various projects for sustainable development of the region such as watershed management, bio-gas plant, sanitation and forest management.

The organization also focuses on income generating activities to provide means of livelihood to the poor establishing a producer company called *Umang*, managed and run by 2,200 women from 148 SHGs (Self Help Groups). *Umang* is an 'umbrella' organization that houses several small manufacturing units, which generate revenues by producing and selling various items such as woolen knitwear, pickles, jams, honey, organic fruits and vegetables to various consumer groups in India and abroad. Currently the turnover of the organization is around Rs 7.5 million and plan to scale up to Rs 100 million in the next 4 years. Surpluses from *Umang* are also used for supporting the sustainable development projects.

The organization is always in the lookout for socially conscious employees who are efficient as well as service-minded. Since the organization is situated in the Himalayan region, it is very difficult to get good quality management graduates who are willing to live in an isolated locality

at low compensation for long periods (more than 2 year).

Grassroots encourages employees to go for foreign degrees or short term courses and support them through a tie with Ford Foundation, which provides scholarships to students in developing countries to study at foreign universities. The organization also seeks to market itself by encouraging its employees to write working papers and case studies on their various programs and projects and provide the employees opportunities and support to attend national and international conferences and seminars. At Grassroots, the employees have a feeling that they are growing with the organization, which acts as motivation to continue with the organization in spite of the isolated locality of mountainous terrains as well as low financial compensation.

Sources:

Grassroots website: <http://www.grassrootsindia.com/>

Anurag Prasad (Outlook, September 05,2009) available at: <http://business.outlookindia.com/article.aspx?261366>

4A. Creating a sense of ownership among employees through participation in decision making

Highly networked organizations like grassroots are able to provide learning and development opportunities to their employees through the support of their associates, which becomes a powerful retention strategy. However, when the organisation is low on networking they sometimes adopt a strategy of providing autonomy and entrepreneurial opportunities to employees within the organization. In other words, they create a sense of ownership in their employees in various other ways such as giving them freedom to choose a specific project or issue, permitting flexible timings of work, inviting them to participate in decision-making, providing support to employees to start new ventures under the umbrella of the parent organization, and encouraging employees to work in other organizations and get more hands-on experience for develop new skills, which they could utilize in their subsequent work. Needless to state that such policies serve as an influential retention strategy, as employees feel a sense of ownership and importance within the organization, and continue to work for it (see Exhibit-8).

Exhibit-8: Creating a sense of ownership among employees through participation in decision making: The case of *Aarohi*

Aarohi was established in the Himalayan region of India in 1992 with a view to creating opportunities for rural communities in the hills to lead a more self-dependent existence. The area in which *Aarohi* has been set up was underdeveloped with little government infrastructure, livelihood opportunities or access to basic health and education facilities. Government-aided development was sporadic and hardly benefited the ordinary hill family. *Aarohi* addresses various issues of poverty through activities related to forest management, health care, livelihood, drinking water and sanitation, women's empowerment and education. The main source of funding for these activities is the revenue generated by selling various types of forest products used in body care, fragrance and culinary services in high end markets in India and abroad.

Aarohi's area of operation is spread over 100 villages in the Nainital and Almora districts of Uttarakhand. There are about 50 full time staff and over 250- associate staff from all over the world working for it. The organization does experience some HR related issues such as the inability to attract good talent in the middle management, high attrition rate in talented staff because of low compensation and lack of growth opportunities. The organization tries to address these issues through employee empowerment and participation schemes.

At *Aarohi*, the employees especially the middle management and top management are provided sense of ownership towards the organization. They are invited to all meetings of the organization irrespective of their area of operations with a view to seeking their advice on various day to day issues relating to their operations. The employees are also given the freedom to choose their time of working. The organization encourages young staff to go for industrial visits to understand the practices and functioning of various other organizations and implement those practices in the organization.

Source:

Aarohi website: <http://www.aarohi.org> (September 2010)

Aarohi blog: <http://blog.aarohi.org> (October 2010)

<http://ayanam.blogspot.com/2006/12/aarohi-satoli.html> (November 2010)

4B. Creating a sense of ownership among employees by giving equity shares

Some social enterprises create a sense of ownership in their employees by giving them an equity stake in the organization or elevating some employees as co-founders. Such strategies have multiple benefits such as the employees sharing the risk and burden of the organization and at the same time going the extra mile to achieve results, since they are directly affected by the future of the organization (see Exhibit-9).

Exhibit-9: Creating a sense of ownership by giving equity shares: The case of *Sattva*

Sattva is a social enterprise located in Bangalore which was established in 2008 by four social activists. It is basically a consulting organization and has three main divisions: media, research, and consulting. The media division aims to be a strong voice in development through highlighting key issues and mobilizing people on various aspects of social development. The research division provides relevant, actionable insights to social organizations and enterprises. They publish case studies, white papers and impact assessment reports. The third division - *Sattva Consulting* - delivers consulting and program management services to NGOs, corporations, investors, donors and foundations.

The organization currently generates revenues through its consulting and research activities and aims at enhancing its visibility and acceptance through publishing an online magazine by its media division. *Sattva* needs high quality employees with management background and deep interest in social development. This being a rare combination, *Sattva* got very few applicants for its jobs, and found it difficult to retain the ones that have joined them, as they were unable to offer the high salaries and the career growth expected by management graduates. Hence they introduced an innovative retention strategy, which was to elevate some of the early employees as founders and giving equity shares to others. This has turned out to be a win-win situation to both the organization and the 'employee-owner'. The organization is able to attract and retain good talent for longer periods, and the employees are motivated to work hard to achieve better performance and thereby enhance their share of the financial and non-financial outcomes.

Source:

Sattva website <http://www.sattva.co.in> (September 2010)

NGO Gateway website: <http://ngogateway.com/interview/vikram-rai-sattva/> (October 2010)

ITI HAS website: <http://www.itihhas.org.in/sattva.html> (November 2010)

MINT: <http://www.livemint.com/2009/06/02004831/A-social-consultancy-takes-aim.html> (November 2010)

5. Creating entrepreneurial opportunities within the organization

An innovative practice of some social enterprises for retaining their employees is to create career or entrepreneurial opportunities within the organization. Employees are given the freedom to execute projects as entrepreneurs. This brings out their creativity and enables them to try new things, which in turn encourages them to set higher goals for themselves. In some cases the freedom given, is large enough to enable and empower them to work on multiple projects and issues at the same time (see Exhibit-10) which they would not have been able to do in a

structured job. Besides, the employees are also given the freedom of choice to work in different sectors/areas such as green technology, agriculture, microfinance, handicraft etc, according to their own special interest and competencies. The system also creates a network of entrepreneurs, which provides them opportunities to work with different entrepreneurs and thereby create an ecosystem for helping the poor.

Exhibit-10: Creating entrepreneurial opportunities within the organization: The case of Aavishkaar

Aavishkaar was established in 2002 and aims to support rural and semi-urban entrepreneurs in India through appropriate financial investment and by providing management support, professional expertise and other resources. Aavishkaar looks for start-ups and functioning enterprises that impact the average rural or semi-urban population in India and offers financial assistance to these enterprises. The organisation aims at making the social entrepreneur self-sustaining, often by helping them to obtain funding from larger institutions.

Aavishkaar was started with an investment of Rs 0.1 million (USD 2400) and within 8 years it has built the corpus fund of more than Rs 1650 million (USD 35 million). The funds are generated from commercial banks, institutions and private investor at lower interest rates and invest these funds into small socially oriented organizations which are incapable of getting money from banks and large institutions.

Aavishkaar is an entrepreneurial organization which hires enterprising people who may or may not be entrepreneurs themselves but understand various aspects of entrepreneurship. At *Aavishkaar* each employee is treated as an entrepreneur and there is no hierarchy within the organization. The organization gives freedom to their employees to choose the project or issue in which they want to work and provides all kinds of support for them to design and implement the project. In providing such support, there is an implicit expectation that the entrepreneur would complete the project as planned, in spite of any constraints.

Source:

Aavishkaar website: <http://www.aavishkaar.in> (September 2010)

Aavishkar : <http://smblog.changemakers.com/transcript-our-interview-with-vineet-rai> (November 2010)

<http://www.dare.co.in/people/featured-investor/vineet-rai-aavishkaar-venture-management-services.htm>(November 2010)

6. Finding employees from among beneficiaries

Social enterprises all over the world often recruit their own clients or beneficiaries as employees. This strategy of developing beneficiaries-employees is particularly suitable for organizations that

provide subsidized or free services to their clients. Since the 'clients' have received free or subsidized service from the organization they would be willing to work for it for low pay or no pay. There is the case of a hospital that picks up sick and abandoned people from the streets and treats them to health. Once they are restored to health, many of them do not have a place to go to, and so decide to work for the hospital. Similar in the case of a home for mentally challenged children, where the mothers of some of these children work as nurses and care-givers. Needless have strong loyalties for the organization and stay with it for life. Retention strategies of this kind may not have many parallels. Such employees are among the most committed and empathetic, as they are aware and sensitive to the mental and physical agony of the clients because of their own experience of having gone through the same situation. Besides, they do have a thorough understanding of the functioning of the organization (see Exhibit-11).

Exhibit-11: Finding employment from among beneficiaries: the case of Jaipur Foot

Jaipur Foot was established in 1968 by Dr. P.K. Sethi to provide light weight, low cost hand-made artificial foot and lower limb prosthesis for which he borrowed the technology from Indian Army. The product was designed to facilitate the Indian Style of living (which involves squatting, cross-legged sitting and barefoot walking). Though the product had several advantages over its western counterpart, its movement in the market was rather sluggish. There was a drastic turnover in the fortunes of this product in 1975, when it was adopted by BMVSS (Bhagwan Mahaveer Vikalang Sahayata Samiti) Jaipur, which is a non-profit social enterprise, for large scale fabrication and marketing. In the last four decades, BMVSS has served around 1 million patients by successfully running 10 marketing centres and a number of mobile camps every year in various parts of the country. The Jaipur Foot is fitted on approximately 16,000 patients annually, while allied services such as sourcing spare parts, aids and appliances are provided to more than 60,000 patients in India. In addition to this, Jaipur Foot camps conducted in 19 other countries such as Afghanistan, Bangladesh, Dominican Republic, Honduras, Indonesia, Malawi, Nigeria, Kenya, Panama, Papua New Guinea, Rwanda, Somalia, Trinidad, Vietnam, Zimbabwe and Sudan.

BMVSS does not face much problem in finding the right kind of employees who are recruited primarily from among its own clients. The employees work hard to meet the requirement of each and every customer and provide a complete solution within a day. The whole process of providing an amputee with prosthetic limb is a very labour intensive requiring high level of skills. In fact the labour component of the product costs around 34% of the total cost. The major strength of BMVSS lies in its committed employees who work hard and go the extra mile to bring smiles on the faces of its clients at dirt cheap prices. And the world too recognized the product and services by conferring the Ramon Magsaysay Award to Dr Sethi.

Sources:

BBVSS website: <http://www.jaipurfoot.org/>

Case study on Jaipur Foot by Scott Macke, Ruchi Mishra and Ajay Sharma under the supervision of Professor C.K. Prahalad available at: <http://www.nextbillion.net/lib/assets/documents/JaipurFoot.pdf>

7. Attracting employees to serene lifestyle in peaceful and scenic locations

Social enterprises which are located in picturesque locations in India such as the hilly regions, North Eastern plains or Andaman Nicobar Islands are able to retain their employees because of their geographical locations. Employees working in these areas like the scenic beauty and serene life style that are characteristic of these areas. Employees build a family kind of relation with local inhabitants and get deeply attached to these people and their lifestyles. Having lived in these areas for some time, the employees find it difficult to adjust themselves to the crowding and the rat race in cities or busy areas. Moreover, in these areas the cost of living is low, which along with moderate spending habits make a low compensation acceptable to employees (see Exhibit-12).

Exhibit-12: Attracting employees to serene life-styles in peaceful and scenic locations: The Case of CHIRAG

CHIRAG is a rural development organization based in the Kumaun region of Uttarakhand in India. It was started in 1987 with the mission to improve the quality of life of rural families – with a special emphasis on women, children and the poor – residing in the villages of the Central Himalayan region, with an integrated approach of improving the lives of people in various ways. The activities of CHIRAG include community forestry, soil and water conservation, development of watersheds, increasing the availability of fodder, animal husbandry, agriculture and horticulture, provision of drinking water, primary health care, primary education and the development of knowledge and skills amongst young people.

In order to develop synergies with the work of other organizations and to support them in their work, CHIRAG provides technical support to other organizations in different regions of the country. It also generates revenue by selling handicrafts and other agricultural commodities. CHIRAG too has its share of typical HR related issues faced by social enterprises, such as high attrition because of low compensation and the difficulties in attracting people to work in mountainous terrains. Besides, there is perennial scarcity of talented and efficient managers who can also understand the various issues affecting the lives of rural people.

CHIRAG works in over 250 villages in Nainital, Bageshwar, Pithoragarh and Almora districts. These places are known throughout the world for their scenic beauty and close proximities

with nature and are inhabited by very simple and friendly people. Many of CHIRAG employees get inspired by the lifestyle of the local population and start cherishing the natural beauty and simple lifestyle. It then becomes easier for the organization to retain these nature-lovers within the organization.

Source:

CHIRAG website: <http://www.chirag.org> (September 2010)

8. Providing attractive fringe benefits to employees

Since the small social enterprises cannot afford to pay high compensation to their employees, they try many other different methods to compensate their employees. One of them is to provide fringe benefits. Such benefits may be offered in many ways such as support for employees to pursue higher studies at foreign universities, provide opportunities to do part time consultancy work for other organizations which could supplement their income. Encourage employees to go for various national and international conferences, provide all kinds of support to employees if they want to change their work profile to other areas so that their interest can be retained etc (see Exhibit-13).

Exhibit-13: Providing fringe benefits: The case of Dream a Dream

Dream a Dream is a social enterprise founded in 1999 with a mission to empower children from vulnerable backgrounds by developing their life skills at the same time sensitizing the community through active volunteering and thereby creating a non-discriminatory society where unique differences are appreciated. Dream a Dream provides children with non-traditional educational opportunities designed to allow them to explore, innovate and build important life skills. The organization also provides consultancy and life-skills development support in various private schools, it act as one of the sources of income. Since the organization is based in Bangalore, it finds tough to attract talented staff because of its inability to pay high compensation. Organization also suffers with high attrition rate because of availability of large number of options with employees.

Dream a Dream tries to provide various fringe benefits to its employees such as encouraging them to do part-time consultancy, inviting various bankers and tax planners to advice its employees on investment and tax planning issues etc.

Source:

Dream a Dream website: <http://www.dreamadream.org> (September 2010)

Conclusion

There is no doubt that the world is currently experiencing major social, environmental and ethical crises, and no institution in the government, civil society or private sector, can alone effectively deal with crises of such magnitude. It is essential for all the stakeholders of the society to come together and deal with the growing concerns of the world. Over the years there is a huge rise in the number of social enterprises - both the for-profit and the not-for-profit varieties - which aim at serving the poor and disadvantaged groups through revenues generated from commercial activities. The major challenge faced by social enterprises is to stick steadfastly to their social mission while pursuing commercial activities and the revenues generated by them.

Inadequacies in the availability and management of human resources have been among the most critical reasons for the failure of many social enterprises, which continue to be as critical as ever. It is a paradox that the social enterprises, who work on various human development issues are not able to cater to the human resource management issues within their own organizations. Social enterprises are hence looking at various ways to reduce the severity of this issue.

As the traditional source of funding for social development activities has been the grants and donations from government and private agencies, it is but natural that they impose restrictions on the use of such funds for employee salaries and perks. It is the quest for reducing grant-dependency of social development activities that has given rise to a new form of organizations, namely social enterprises, whose main funding source is the revenues generated by commercial activities. While this new form of organization would have greater financial autonomy, the resources generated by them are not large enough for them to afford market-rate compensation and perks for their employees. Hence their HR strategies have to be designed around a different paradigm than the traditional one based on salaries and perks.

In an analysis of the people-management practices of commercial organizations, it was observed by Manimala (2010) that the philosophical assumptions underlying these practices can be

described as the 'Outsider Paradigm', where the employer treats the employee as an outsider to the system. Under this paradigm, the ultimate responsibility for achieving the organisational objectives rests with the employer, who therefore has to motivate his 'uninterested' and 'uninvolved' outsider-employee through financial compensation, perks and incentives. Hence the dominant basis of HR strategies in commercial organizations is monetary compensation.

Social enterprises, on the other hand, seem to operate on the basis of a 'Partnership Paradigm' (Manimala 2010) of human resource management. Apparently, this is a matter of necessity rather than choice, in spite of the fact that an ideology of inclusiveness is fundamental to the creation of social development organizations. One reason why an employee of a social enterprise has to be a partner is the fact that social enterprises are mostly service-providers, where it is extremely difficult to separate the service from the person providing the service. Hence the employee has to be fully integrated with the organisation and thereby imbibe its service ideology to be effective in his/her work. The second reason why the partnership paradigm is more suitable for social enterprise is that there will be a sharing of risks and responsibilities, because of which the work is perceived as more important than the monetary rewards associated with it. Thus the employees would be prepared to work for relatively low compensation, which could become a significant factor contributing to the long-term survival of most social enterprises. These are the theoretical reasons as to why social enterprises are likely to adopt a partnership paradigm for managing their employees.

In the empirical exercise of analyzing a few cases of social enterprises to identify the HR strategies frequently used by them, the findings do strongly support the above theoretical perspective - social enterprises tend to adopt a partnership paradigm for managing their employees which is especially relevant for acquiring and retaining them. Out of the eight strategies we have identified, that majority are about developing partnership with employees. Of special relevance in this context are the strategies like: building vision and value congruence; brand building of the organization; developing a sense of ownership among employees through participation in equity as well as decision-making; providing learning and development opportunities to employee so as to better equip them for their service-tasks; and creating entrepreneurial opportunities for employees within the organization. It is therefore legitimate for

us to propose that the theoretical paradigm governing the HR strategies of social enterprises can be described as a partnership paradigm.

References

- Alter, S, & Children, ST. (2000). *Managing the Double Bottom Line: A Business Planning Reference Guide for Social Enterprises*: Pact Publications.
- Ban, C, Drahnak-Faller, A, & Towers, M. (2003). 'Human resource challenges in human service and community development organizations', *Review of Public Personnel Administration*, 23: 2, 133.
- Barbeito, C, & Bowman, J. (1998). *Nonprofit compensation and benefits practices*: John Wiley & Sons Inc.
- Barney, J, & Wright, P. (1998). 'On becoming a strategic partner: The role of human resources in gaining competitive advantage', *Human Resource Management*, 37: 1, 31-46.
- Belcourt, M, & McBey, K. (2010). *Strategic human resources planning*: Nelson Education.
- Bhatnagar, J. (2007). 'Talent management strategy of employee engagement in Indian ITES employees: key to retention', *Employee Relations*, 29: 6, 640-663.
- Bornstein, D. (2007). *How to change the world: Social entrepreneurs and the power of new ideas*: Oxford University Press, USA.
- Brandel, G. (2001). 'The truth about working in not-for-profit', *CPA Journal*, 71, 10-13.
- Brown, W, Yoshioka, C, & Munoz, P. (2004). 'Organizational mission as a core dimension in employee retention', *Journal of Park and Recreation Administration*, 22: 2, 27-42.
- Dees, J, Emerson, J, & Economy, P. (1998). 'Enterprising nonprofits', *Harvard Business Review*, 76: 1, 54-67.
- Fegley, S. (2006). 'Talent management survey report', *SHRM Research*.
- Frederickson, H, & Hart, D. (1985). 'The public service and the patriotism of benevolence', *Public Administration Review*, 45: 5, 547-553.
- Hall, M, & Banting, K. (2000). '«The Nonprofit Sector in Canada: An Introduction»', *The nonprofit sector in Canada: Roles and relationships*, 1-28.
- Houston, D. (2006). "'Walking the Walk" of Public Service Motivation: Public Employees and Charitable Gifts of Time, Blood, and Money', *Journal of Public Administration Research and Theory*, 16: 1, 67.
- Howe, P, & McDonald, C. (2001). 'Traumatic Stress, Turnover, and Peer Support in Child Welfare', *Washington: Child Welfare League of America*.
- Huselid, M. (1995). 'The impact of human resource management practices on turnover, productivity, and corporate financial performance', *Academy of management journal*, 38: 3, 635-672.
- Light, P. (2000). *Making nonprofits work: A report on the tides of nonprofit management reform*: Brookings Institution Press.
- Lynn, D. (2003). 'Symposium', *Review of Public Personnel Administration*, 23: 2, 91.
- McMullen, K, Schellenberg, G, & Networks, CPR. (2003). *Job quality in non-profit organizations*: CPRN= RCRPP.
- Nicholls, A. (2006). *Social entrepreneurship: new models of sustainable social change*: Oxford University Press, USA.
- O'Reilly III, C, Chatman, J, & Caldwell, D. (1991). 'People and organizational culture: A profile comparison approach to assessing person-organization fit', *Academy of management journal*, 34: 3, 487-516.
- Osborn-Jones, T. (2001). 'Managing talent Exploring the new psychological contract'.

- Peters, J, & Masaoka, J. (2000). 'A house divided: How nonprofits experience union drives', *Nonprofit Management and Leadership*, 10: 3, 305-317.
- Rainey, H. (1983). 'Public agencies and private firms', *Administration & Society*, 15: 2, 207.
- Reed, P, Howe, V, & Canada, S. (2000). *Voluntary Organizations in Ontario in the 1990s*: Statistics Canada Ottawa.
- Salamon, L. (2002). *The state of nonprofit America*: Brookings Inst Pr.
- Salamon, L, & Sokolowski, S. (2004). *Global civil society: dimensions of the nonprofit sector*: Kumarian Press.
- Smith, S, & Lipsky, M. (1993). *Nonprofits for hire: The welfare state in the age of contracting*: Harvard Univ Pr.
- Srivastava, P, & Bhatnagar, J. (2008). 'Talent acquisition due diligence leading to high employee engagement: case of Motorola India MDB', *Industrial and Commercial Training*, 40: 5, 253-260.
- Taylor, M, & Collins, C. (2000). 'Organizational recruitment: Enhancing the intersection of research and practice', *Industrial and organizational psychology: Linking theory with practice*, 304-330.
- Vigoda, E, & Cohen, A. (2003). 'Work congruence and excellence in human resource management', *Review of Public Personnel Administration*, 23: 3, 192.
- Watson, M, & Abzug, R. (2005). 'Finding the ones you want, keeping the ones you find: Recruitment and retention in nonprofit organizations', *RH Associates, The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 623-659.
- Westall, A, & Chalkley, D. (2007). 'Social enterprise futures', *The Smith Institute, London*, available at: www.smith-institute.org.uk/pdfs/social_enterprise.pdf (accessed May 2007).
- Wittmer, D. (1991). 'Serving the people or serving for pay: Reward preferences among government, hybrid sector, and business managers', *Public Productivity & Management Review*, 14: 4, 369-383.