Chapter 10
The Role of Human Resource Strategies and Practices in Developing Intellectual Capital for Innovation in Nonprofit Organizations

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ABSTRACT
Managing Nonprofit Organizations (NPOs) has become much more complex, particularly under the influence of New Public Management (NPM). Like their for-profit and public sector counterparts, NPOs need to utilize their Intellectual Capital (IC) for maintaining humanistic and social values that traditionally characterized the nonprofit sector and yet remain innovative and sustainable in the competitive environment. Today, more research has been conducted to understand the management of IC as a conceptually robust framework for NPOs. Very little research has been done to examine what constitutes the development of IC for innovation in the organizations. Through an analysis of the IC and HRM literature, this chapter argues that human resource strategies and practices play an important role in the IC development in the nonprofit context. A theoretical framework is proposed to illustrate the connections between IC and human resource strategies and practices. Finally, the chapter suggests directions for future research.

INTRODUCTION
Previous research on human resource strategies and practices, if not explicitly excluded, often implies that theories and concepts of Human Resource Management (HRM) can be applied across the public, private, and nonprofit sectors (See e.g. Buller & McEvoy, 2012; Youndt & Snell, 2004). Little systematic work has been specifically conducted to investigate the role of human resource strategies and practices in Nonprofit Organizations (NPOs). Very often NPOs have to borrow theories and concepts from the for-profit context and identify important linkages between their strategies, human resources, and performance outcomes. However, these human resource theories and concepts are not purposely designed for the nonprofit sector. Nonprofit human

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resource issues are unique, particularly with the involvement of volunteers (Kong, 2007; Kong & Thomson, 2006). Besides, NPOs are now operating squarely under great competitive pressure as a result of New Public Management (NPM) in, firstly, developed and then, developing countries, predominantly through the strategies of contracting out and competitive tendering of nonprofit services (Kong, 2011). Managing NPOs is no longer like ‘sailing in smoother waters, away from the shocks of the market’ and has become much more complex (Sandler & Hudson, 1998, p. 3). Like their for-profit and public sector counterparts, NPOs need to be innovative in order to sustain competitiveness in the nonprofit environment. The concept of Intellectual Capital (IC) provides one means to achieve innovation in NPOs.

IC represents the collective tacit knowledge that is embedded in the personnel, organizational routines, and network relationships of an organization (Bontis, 2002; Kong, 2008; Stewart, 1997). The single concept of IC is a multi-dimensional construct encompasses three interrelated components, namely Human Capital (HC), Structural Capital (SC), and Relational Capital (RC). HC subsumes various human resource elements, including cumulative tacit knowledge, competencies, experience and skills, and the innovative-ness and talents of people. SC includes all of the non-human storehouses of knowledge which creates value for organizations. RC represents the knowledge of market channels, customer and supplier relationships, as well as the understanding of governmental or industry association impacts. IC has been recognized as important resource that organizations need to develop to gain sustained competitive advantage (Chen, 2008; Schiuma & Lerro, 2008). More importantly, IC is important to organizations as it is a source of innovation and strategic renewal (Bontis, Keow, & Richardson, 2000; Kong, 2010b).

Despite previous research has examined the relationships between IC and HRM (see e.g. Boxall & Purcell, 2000; Stovel & Bontis, 2002; Youndt, Subramaniam, & Snell, 2004), their investigations have either explicitly excluded NPOs or assumed that findings could be applicable in the nonprofit context. However, managing an NPO strategically is arguably more difficult than in a for-profit or government organization because NPOs often find themselves caught in the crossfire of conflicting multiple constituencies under NPM drivers (Sandler & Hudson, 1998). In addition, it arguably complicates HRM by requiring more knowledge and skills to effectively manage the combination of both paid employees and volunteers in NPOs (Cunningham, 1999; Kong, 2010a; Lyons, 2001).

As the rest of the chapter makes clear, NPOs are people based–knowledge organizations. Their unique circumstances suggest that nonprofit human resources must be managed strategically for creating, retaining, and utilizing knowledge if the organizations are to be sustainable in the competitive environment. In other words, knowledge and learning activities that facilitate IC for innovation should become a central part of human resource strategies and practices in NPOs. However, the discussion of linkages between IC and human resource strategies and practices in the nonprofit sector is inadequate. In particular, investigations on how HRM strategies and practices may have impacts on the three interrelated IC components in achieving innovation in the nonprofit context are scarce. This chapter aims to fill this gap by offering a better understanding of the role of human resource strategic and practices in developing IC for innovation in the nonprofit world. More specifically, the chapter argues that the knowledge management architecture of NPOs depends largely on the implementation of human resource strategies and practices that emphasize the development of IC in the organizations. A theoretical framework
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