



Attuned HRM Systems for Social Enterprises

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Abstract

This paper is motivated by a puzzling observation made when conducting a case study of ProCredit (PC), a well-known social bank. The HR practices that this social enterprise (SE) adopted to cultivate mission identification were unfavorably impacting its retention rate. Building on prior research and our analysis of the case, we argue the need for SEs to embrace HRM systems that are both mission-identification proactive and employee-retention preemptive. It theorizes that these HRM systems should be *attuned* to the labor market conditions (e.g., market segmentation and competition for employees) that frame how SEs develop and sustain Person-Organization (P-O) fit. *Attuned* HRM systems are *adapted* to labor market conditions and *tuned* to support SEs' adeptness to operate against the grain of country and industry norms.

Keywords Social enterprises · Person-organization fit · Human resource management · Retention in mission-driven organizations

Introduction

This paper explores the Human Resource (HR) practices of Social Enterprises (SEs), which we understand as mission-driven organizations (Podolny et al., 2004; Wang, 2011) with a hybrid social-commercial mission (Dorado, 2006). Scholars have discussed the specific challenges experienced by SEs because of their unconventional mission and provided suggestions on how to tackle them (Battilana & Lee, 2014; Battilana et al., 2017). For example, Smith and Besharov (2019) discussed the benefits of having top managers with skills in paradoxical thinking (see also, Gao & Bansal, 2013). Santos and colleagues (Santos et al., 2015) explored

structural design decisions that integrate or separate operations according to the logic (social or commercial) that defines them (see also Smith & Besharov, 2019). Finally, scholars have studied strategic levers such as management of stakeholder relations (Pache & Santos, 2013) and, as we examine in this paper, HR practices (see, also, Borzaga & Tortia, 2006; Battilana & Dorado, 2010; Lee et al., 2019).

Our interest in HR practices emerged abductively (Reichertz, 2019) from a case study of ProCredit (PC), a well-known social bank, and the way it was tackling the ethical crisis that microfinance experienced starting in the late 2000s (Hudon & Sandberg, 2013; Schmidt, 2012). Single case studies provide a rich empirical description of a phenomenon (Yin, 2009) and are useful for generating new research questions (Alvesson & Sandberg, 2011). Moreover, considering the novelty of this question, an exploratory case study is an appropriate and widely accepted methodology for theory building (Eisenhardt & Graebner, 2007; Langley, 1999; Yin, 2009).

Our case study of PC provided further confirmation of past research on the role of HR practices as suitable levers to cement SEs' unconventional missions (see, also, Borzaga & Tortia, 2006; and Lee et al., 2019). It also unveiled a puzzling observation: PC was engaged in efforts to tackle an unexpected problem, and the HR practices that it had adopted to cultivate mission identification were unexpectedly negatively impacting retention. This observation

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motivated the research question explored in this paper: How can social enterprises design HR practices that cultivate mission identification and support retention?

Our research question is essential because of the growing numbers of SEs in industries such as financial institutions (Hudon & Sandberg, 2013; Kamath, 2007), Fairtrade (Taylor et al., 2005), or used clothing (Hansen, 1994). Moreover, there is a solid body of research exploring the challenges of attracting and retaining employees in mainstream commercial businesses (Amankwah-Amoah, 2020; Gardner, 2002, 2005; Gardner et al., 2010), as well as a growing body of research focusing on the particular retention challenges of mission-driven organizations (Cerdin et al., 2018). However, the specific HRM challenges of SEs remained underexplored.

Lack of attention to SEs' particular challenges is problematic for at least two reasons. First, ethical problems can arise from the HR practices found to be supportive of retention. For example, HR scholars have prescribed competitive compensation systems as useful tools to support retention (Griffeth & Hom, 2001). However, research in microfinance has shown that when, as in the banking industry, the dominant compensation system is performance-based compensation systems, there is the risk of generating unethical behaviors against the SE's mission. Specifically, postmortem studies of a spate of suicides among microfinance borrowers of SKS in Andre Pradesh (India) (Kazmin, 2010) identified that one root causes of this tragic event were loan officers (with wages associated with performance) unduly growing their loan portfolio (and hence their wages) by "encouraging" borrowers to take on loans and then pressuring them for repayment even when they lacked the means (Roodman, 2012, 2013).

Second, exploring this question provides an opportunity to contribute and bridge research on the HR practices of SEs (André & Pache, 2016; Battilana & Dorado, 2010) and person-organization (P-O) fit (Cable & Judge, 1996, 1997; Chatman, 1989; Coldwell et al., 2008; Kristof, 1996; Schneider, 1987). Both these research streams have studied mission identification but from different levels of analysis. The SE literature has explored the macro challenges associated with SEs' unconventional hybrid mission. These challenges follow from these missions including goal combinations against the grain of industry norms (Battilana & Dorado, 2010; Battilana et al., 2017), in contrast with the conventional combinations of mature organizations pursuing social and commercial goals (e.g., hospitals and universities). The P-O literature offers a micro perspective exploring challenges associated with the need for a fit of values, beliefs, and interests between employees and employers (Cable & Judge, 1996; Schneider, 1987). In our review of the literature, we did not find papers that considered how SE's

unconventional mission affects their ability to develop and sustain P-O fit.

Building on insights from relevant scholarship and our exploration of PC, we propose a novel HRM system for SEs that is mission-identification proactive and employee-retention preemptive. It theorizes that this system should be *attuned*. The term *attuned* communicates the need for the HR practices to be *adapted* to labor market conditions and *tuned* to support SEs' adeptness to operate against the grain of country and industry norms.

This model makes several contributions. First, it contributes to the SE literature, further specifying challenges to cultivate mission identification associated with their unconventional hybrid missions. Second, it contributes and expands the SE literature macro level focus on challenges to mission identification in SEs by articulating how they define the micro level ones examined in the P-O fit literature (see, e.g., Kristof, 1996; Coldwell et al., 2008). Finally, the model contributes to research (see also Werbel & DeMarie, 2005) that has identified labor market conditions as crucially framing the attraction and retention of employees. Specifically, our study argues for organizations to attune their HR practices (adapt them to labor market conditions and tune them to support SEs' adeptness).

The Central Role of HR Practices as Strategic Levers

Founders' and managers' ability to shape how enterprises advance their missions is limited (Aldrich & Ruef, 2006; Goffman, 1961). However, scholars and observers have shown how HR practices (Aldrich & Ruef, 2006) provide useful strategic levers. In the context of SEs, scholars have focused on the role of HR practices to cultivate mission identification (see Battilana & Dorado, 2010) and separately, in a much more limited way, practices that influence retention (Moses & Sharma, 2020; Roumpi et al., 2020; Sun et al., 2019). This separation is problematic when considering P-O fit research findings that connect identification and retention with P-O fit (Arthur Jr et al., 2006; Boon et al., 2011; Cha et al., 2014; Coldwell et al., 2008; Kooij & Boon, 2018; Presbitero et al., 2016). In one sentence, this scholarship has argued that both identification and retention follow practices that support congruence between employees' and employers' values, beliefs, and interests (Giauque et al., 2015).

This section summarizes the HR practices identified as supporting identification in SEs. It also considers relevant research on retention deriving from both the P-O fit and the mission-driven literatures. It uses the Ability-Motivation-Opportunity (AMO) model (Jiang et al., 2012; Lepak et al., 2006) as a useful organizing device to consider parsimoniously the plurality of HR practices that the SE literature has identified as influencing mission identification and retention.

Ability includes those practices (recruitment, selection, and training) associated with the attraction of employees (Lepak et al., 2006), i.e., finding and developing job candidates with a desirable P-O fit. SE scholars have advanced two alternative perspectives. Battilana and Dorado (2010) have argued for the benefit of recruiting and selecting ‘blank slates’ or inexperienced candidates. The argument is that candidates with limited professional experience are more attracted than their more experienced peers to embrace practices that support the SE’s unconventional mission.

André and Pache (2016) have offered an alternative argument that considers job candidates’ core ethical principles. They have argued that individuals with values associated with an ethic of care (Gittel, 2003; Gittel & Douglass, 2012) will be more welcoming of SEs unconventional hybrid missions. An ethic of care favors and nurtures a sense of responsibility for others’ well-being and a concern for human relations (Buber, 1937; Fine, 2007; Gittel & Douglass, 2012; Held, 2006). The reasoning here is that individuals with this ethic would be more likely to emphasize, collaborate, and develop common ground with individuals that hold antagonistic expectations (Powell, 2003; Walton, 1985; Weitzman, 1984). Hence, these individuals are likely to engage and work well in organizations with the SEs’ unconventional missions (André & Pache, 2016).

The SE literature has given limited attention to the impact of Ability practices on retention (Moses & Sharma, 2020; Roumpi et al., 2020; Sun et al., 2019), but this topic is well explored in the broader mission-driven literature. Importantly, these scholars have identified practices associated with initial orientation and training programs (Cerdin et al., 2018; p. 67; Cuskelly et al., 2006; Hidalgo & Moreno, 2009; Newton et al., 2014) as having a positive impact on retention. This finding is consistent with arguments from the P-O fit literature regarding the value of entry socialization practices (Cable et al., 2013) to improve the candidates’ familiarity with the organization (Turban, 2001) and hence the goodness of P-O fit (Cable et al., 2013).

Motivation practices include any policy or action that influences “the direction, intensity, and duration of employees’ effort” (Campbell et al., 1993; Jiang et al., 2012, p. 1267). Studies exploring the topic of employees’ motivation in SEs are scarce. In one of the few studies conducted, Borzaga and Tortia (2006) compared SEs with other mission-driven organizations (nonprofit and government agencies). They found that employee motivation in SEs is similar to that of employees in mission-driven organizations.

A thorough review of HR practices with an impact on motivation is beyond this paper’s scope (for a comprehensive review, see Ramlall, 2004). However, it is important to discuss the distinction between instrumental and intrinsic motivation (Adler & Kwon, 2002). Practices supportive of instrumental motivation include compensation

schemes and remuneration practices. Those supportive of intrinsic motivations link employees’ contributions with “deeply internalized norms” engendered through socialization (Adler & Kwon, 2002, p. 25). HR practices directed at evoking these internalized norms in the workplace are those that promote a sense of “a shared destiny” (Adler & Kwon, 2002, p. 25). They also include teamwork, employee involvement in decision making, and flexible job designs, all of which have been shown to encourage employees to seek out challenges that evoke these internalized norms (Ryan & Deci, 2000).

As suggested by the literature on mission-driven organizations (see Cerdin et al., 2018), practices that support intrinsic motivations are likely to promote retention by creating mission attachment (Kim & Lee, 2007) and cultivating mission identification (Bauer & Lim, 2019). This finding is further supported by P-O fit research, which has shown that P-O fit is positively related to intrinsic motivation and negatively associated with extrinsic motivation (Downes et al., 2017). Also, practices related to instrumental motivation have been identified as central to support retention in commercial organizations and mission-driven ones (Brewster et al., 2018; Selden & Sowa, 2015). Notwithstanding, research on mission-driven organizations has also suggested that the positive impact of extrinsic motivation on retention depends on the industry conditions that define employees’ expectations regarding practices associated with instrumental motivations (see Cerdin et al., 2018).

Finally, *Opportunity* practices include organizational designs and policies that support participatory governance, such as practices aimed at empowering employees “to use their skills and motivation to achieve organizational objectives” and include decisions that define employee involvement and job design (Jiang et al., 2012, p. 1267). The topic of participatory governance is receiving growing attention in the SE literature (see, e.g., Borzaga & Solari, 2001; Ohana & Meyer, 2010; Lee et al., 2019). This attention is not surprising considering the concern in this literature with how SEs cement their unconventional missions (Battilana & Dorado, 2010; Smith & Besharov, 2019; Wry & Zhao, 2018). Among the policies that scholars have identified as supportive of participatory governance are rituals that invite employee engagement (Ashforth & Reingen, 2014). Other practices are job and team design decisions (Canales, 2014) that reduce the risk of conflict between organizational members steeped in either commercial or social logics of actions, i.e., the policies, practices, and behaviors associated with work in profit and mission-driven organizations (Battilana & Dorado, 2010). For example, Canales (2014) has discussed the value of mixing people who hold administrative and client relations jobs. Battilana et al. (2017) have examined the importance of spaces that enable informal interactions among members with commercial and social work profiles.

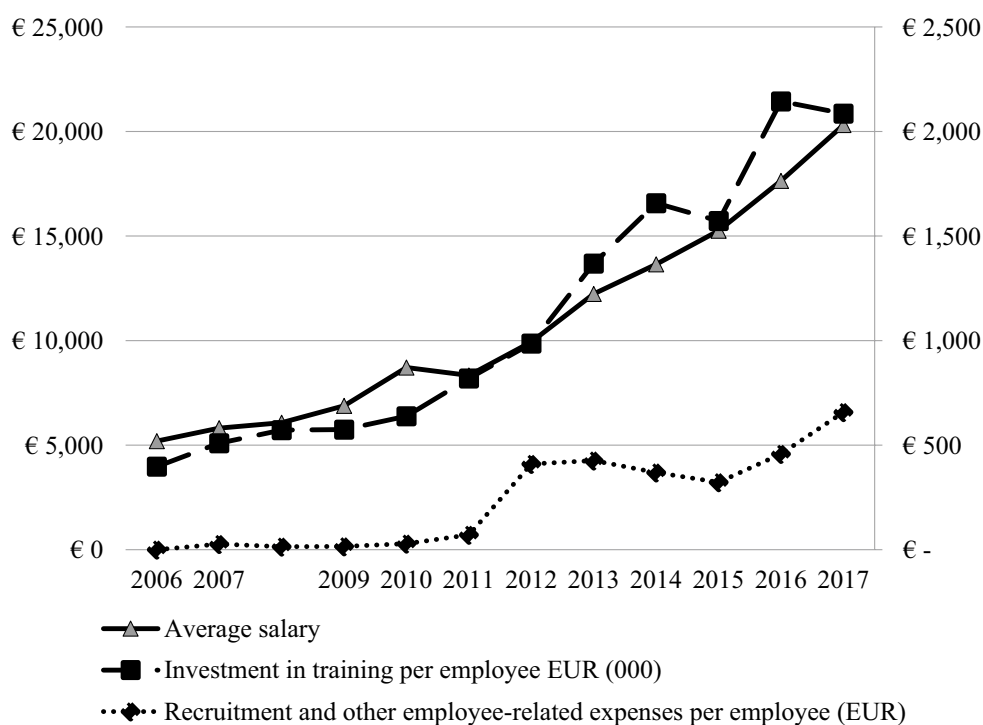


Fig. 1 ProCredit's investment in recruitment, selection, training and salary expenses per employee (200–2017)

Relevantly, while the SE research interested in practices that support participatory governance has not extended to consider these practices' impact on retention, research on mission-driven organizations has identified a strong linkage. For example, scholars have pointed to the reducing effect on turnover of practices that support participatory governance, such as an inclusive organizational climate or the presence of shared governance councils (Upenieks, 2003).

In summary, research on the role of HR practices as strategic levers for SEs has been focused on employee mission identification and has, so far, run separately from research on retention. In contrast, research on P-O fit suggests that there is a connection between identification and retention. However, the applicability of this research to SEs is unclear because of their unconventional missions. In addition, research in mission-driven organizations has identified a positive effect on retention of practices such as compensation-based instrumental motivation practices. But there is a need for research on the impact of these practices in SEs.

There is then a need for research, which, as we do in this paper, focuses on exploring identification and retention in SEs. The P-O fit literature provides a starting point considering that this theoretical framework has argued that both these goals (identification and retention) are associated with P-O fit (Cha et al., 2014; Coldwell et al., 2008). Nevertheless, this literature requires development to study the challenges of developing and sustaining a P-O fit in SEs.

Methods

The Case

At the time of our study, the ProCredit Holding Group (PC) included 19 microfinance banks operating in Africa, Eastern Europe, and Latin America. This quote describes the group's unconventional hybrid mission:

We want banks that make a significant difference in developing their local economies and establishing new standards of transparency in their local banking sectors. We want banks that live the ProCredit values and treat all their staff and all their customers in an open, honest, and friendly manner. Of course, we also want banks which are commercially successful. And we want to run the ProCredit Group over the long-term (Newsletter 1, 2005, p. 4).

As stated in the quote, the mission called for an unconventional balance of social and commercial goals. PC was to have a significant developmental impact on the developing economies in which its banks were located. It was also to treat both its staff and its customers in an open, honest, and friendly manner. PC backed up this commitment to employees with sizable and growing investments in its HRM practices (see Fig. 1). In 2009, the group invested about €600,000 (its profits that year were €36 mills.) in its

human resources program, while in 2016, it invested about €1.9 m (its profits were €61 mills.).

We studied the group's practices at large but conducted field work in two Latin American countries: Ecuador and Bolivia. The choice was based on language knowledge and familiarity with the institutional contexts. Besides, the expectation was that by studying the bank in two countries instead of just one, we would capture the practices that were common to the group instead of those specific to one country.

At the time of interviewing, PC was experiencing heavy competition from a growing number of institutions. Some of these providers shared PC's hybrid unconventional mission, but a growing number were commercially oriented (Hudon & Sandberg, 2013). Our study showed that competition extended beyond clients to include all employees, particularly loan officers. In fact, after successfully navigating the 2008 financial crisis, competition over employees was more problematic than competition over clients. Because PC had embraced "relationship lending"—a lending model with heavy involvement of loan officers in the marketing, evaluation, and collection of loans—loan officers played a critical role in achieving its mission. It also required hires with a profile, which was scarce in Ecuador's and Bolivia's labor markets. The difficulties involved explain why PC considered personnel retention to be a critical operational risk between 2007 and 2013 (see Annual Reports). By 2013, the problem remained but, after years of work, PC had addressed it to its satisfaction with the adjustments we study in this paper.

Interestingly, research on microfinance (PC's industry of reference at the time) shows that retention challenges were the norm (See Sarker, 2013; Godfroid & Radermecker, 2017). Between 2007 and 2013, PC's staff turnover rate matched the 24 percent average rate identified for the microfinance organizations listed in MixMarket (a public database) (Gray et al., 2013). These undesirably low retention rates hindered operational effectiveness and increased cost structures. More worrisomely, in organizations that relied on "relationship lending" (instead of credit scoring algorithms), retention presented the additional challenges of client loss. The reason is, with these lending practices, clients develop a personal relationship with loan officers and have, thereby loyalty towards them and not towards their employers (see Canales, 2012).

Scholars have explained the low retention rates of microfinance organizations by pointing to the emotional and physical difficulties associated with their unconventional mission (Battilana & Dorado, 2010; Dixon et al., 2007; Gray et al., 2013; Labie et al., 2009; Sarker, 2013). The job is emotionally challenging because it requires loan officers to be concerned with the impact of the product they sell (loans) on clients' welfare. It is physically demanding because of the

long hours walking in the streets, instead of sitting at a desk in an airconditioned building. The difficulties involved are captured in the observational notes we collected. As suggested in this research, these notes show that PC loan officers experienced emotional turmoil and spent about 75 percent of their time, sometimes longer, in the streets visiting clients.

Data Collection

The paper draws from archival sources, interviews and observational notes collected in June and November 2012, and comments posted on the internet platform Glassdoor (www.glassdoor.com) posted before August 2019 (see Table 6 in the appendix). Archival sources included public, private, and third-party documents (see Table 1).

The 38 interviews conducted for this project ranged from 30 min to two hours and were conducted in Spanish and English in the interviewees' workplaces and offices. Most were recorded and then transcribed. Interviewees occupied a diverse range of positions and included individuals at all organization levels, from recent hires to the organization's founder (see Table 2). Interviews were open-ended but conducted following a generic protocol only modified for specific interviews. The first part of the interview focused on the background and professional experience of the interviewee. The second part focused on the interviewees' experience as PC employees. All interviewees, except for the founder, were asked to describe PC's central values, how they understood its mission, and what they liked most and least about PC. The objective of the interviews was to understand PC's HR practices from those of both those who had designed them and those who implemented and experienced them daily.

Observational notes were nonparticipant and gathered during visits by one of the authors to PC banks in Ecuador (1 week) and Bolivia (1 week) and to PC's central training academy in Furth, Germany (1 week). In each site, the author went to the office every day from Monday to Friday during working hours. While at the offices, the author did the interviews, attended training sessions, and observed loan officers doing their work. The notes included descriptions of training sessions and unplanned conversations with PC's managers and employees. Finally, the notes also described day trips to small towns and slums, visiting local offices, and accompanying loan officers on daily rounds visiting clients.

Finally, the paper draws from comments posted on the recruitment site Glassdoor (www.glassdoor.com) by current and former employees. Glassdoor has been used in a plurality of studies exploring employees' perceptions of their workplace (see, e.g., Huang et al., 2015; Hales et al., 2018). It contains over 70 million anonymous comments posted by former and current employees of companies. Table 6 in the Appendix includes a count of the comments collected.

Table 1 Archival data

		N. of pages
ProCredit Newsletters, Annual reports, and financial statements	Annual reports (2006 to 2017); Newsletters (2005 to 2010); Con. financials (2009, 2010, 2011). Disclosure report (2013, 2014); Consolidated financial interim (2011, 1st, 2nd, 3rd quarters); Financial statements Ecuador (2012, 2013)	2178
Group banks annual reports	Albania (2013 to 2015); Bolivia (2006 to 2016); Bosnia (2011 to 2015); Colombia (2008 to 2012); Congo (2006); Ecuador (2006 to 2011); Nicaragua (2006 to 2011)	2567
Fitch reports; Moody's reports and reports from German and Int. Dev. Organizations	European Fund for Serbia (2005); Overseas Private Investment Corporation (2009); CGAP microfinance blog; CGAP Los Andes 2005; Fitch (2012 to 2017); Deutscher Bundestag; CGAP microfinance blog; Moody's Bolivia (2016)	133
Press	The Economist (2005); Job posting (Ecuador 2006, 2007, 2008); the Ghanaian journal (2008); Wirtschaft (2005); The New Yorker (2006); Bloomberg (2011); BNamericas (El Salvador); The statesman online (Ghana); Businessweek (Bloomberg); Ekos Ecuador (2011, 2012); Job posting (2011, Holding, Colombia, Ecuador) Zeit online (2004); PRNewswire (2012); El Nuevo Diario (Nicaragua, 2012); El Deber (Bolivia, 2012); La Razon (Bolivia, 2012); El Tiempo (Ecuador 2012); Businessweek (Albania, Armenia, Georgia, ProCredit, Moldova, Romania, Serbia, Ukraine); Cronica (Ecuador, 2012); BNamericas 2012 DGAP.DE; InfoRSE. Com; JornadaNET.com (Bolivia) 2016; Peacefmonline (Ghana); Expansion (Honduras); Los Tiempos (Bolivia, 2016); Telepais (Bolivia, 2016)	81
Internal and public reports	ProCredit Academy (2007) Recruitment guidelines (Version 2.0), Salary guidelines (Version 1.0), Corporate Values, Money laundering prevention, Code of Conduct; ProCredit Academy (2011, 2012); Hiring document (Ghana), Presentation for new hires, loan evaluation worksheet. Case Study: Successfully working with SMBs, ProCredit Bank Albania; Group presentation (2013) IPC Guide for Small Business Lending, ProCredit Banker Academy (2018). Impact Report (ppt) (2017); Press Conference (2016); Group presentation (2015, 2016); Responsible lending (2014)	468
Website content	ProCredit Country profiles (2012): Albania, Armenia, Bolivia, Bosnia, Bulgaria, Colombia, Congo, Ecuador, El Salvador, Georgia, Ghana, Honduras, Kosovo, Macedonia, México, Moldova, Mozambique, Nicaragua, Rumania, Serbia, Ucrania ProCredit, Management profiles of Banks in Congo, Germany, Kosovo, Macedonia; Ukraine, Bulgaria, Georgia, Moldova, Rumania, Serbia Working for ProCredit document (2016) ProCredit	98
Hiring videos	Young Professional Program (2013); Promotional video (no date)	N.A
	Total	5,525

Analysis

We first engaged with the data exploring how PC was tackling challenges to its practices emerging from the ethical crisis that microfinance experienced starting in the late 2000s (Hudon & Sandberg, 2013; Schmidt, 2012). We did so abductively (Reichertz, 2019), engaging in the sort of dialogue data—theory suggested by Ragin (see 1994). We learned that PC leaders were using HR practices as a lever to tackle this crisis by cultivating mission identification.

This preliminary analysis led us, eventually, to the research question explored in this study: How can social enterprises design HR practices that cultivate mission identification and support retention?

We then engaged in a ground-up analysis of the interviews following a standard inductive methodology (Corbin & Strauss, 1990). This analysis yielded first- and second-order codes (Gioia et al., 2013) and, eventually, the aggregate categories behind the model proposed. First-order codes captured how interviewees understood and

Table 2 Interviews conducted

	Ecuador	Bolivia	Germany	Total
Branch manager	3	2		5
Founder (1998 and 2012)			4	4
HR Management and Trainers	1	1	4	6
Middle Manager	6	6		12
Top management	1	2	1	4
Loan officer	2	2		4
Customer service	1			1
Industry observers			2	2
	14	13	11	38

described HR practices in their own words (Van Maanen et al., 2007). We derived these codes through a two-step process. First, following Corbin's and Strauss (1990) suggestion, two authors conducted a line-by-line analysis of eight interviews, selected for their richness, with top and middle managers, country HR directors, and recent hires. Each author worked separately and discussed the resulting analyses to identify potential differences in interpretation. Following the exercise, the two authors created a joined document that yielded the first order codes used in this paper. Tables B in the Appendix includes illustrative quotes.

We identified second-order codes after checking our first-order codes' robustness in two ways: (1) we consulted the documents archive, particularly those documents describing PC's HRM policies, and (2) we conducted a simple content analysis using all the interviews. Table 3 provides the thesaurus that we developed to corroborate, expand, and correct the first order codes. The numbers represent a count of the paragraphs: a high count indicates our first-order codes' robustness.

In conducting this robustness test, we corrected for "biases" that may have emerged from the fact that the leadership had facilitated our interviews by collecting anonymous comments posted by current and past employees on

Glassdoor. We found a high level of coherence between the interviews and statements in Glassdoor.

After polishing our first order codes and ensuring their robustness, we identified and developed relevant second-order codes and aggregate dimensions (Gioia et al., 2013; Van Maanen et al., 2007) in conversation with theory (Ragin, 1994). Figure 2 provides a graphic summary of our coding scheme.

Findings: PC's HRM System

In PC's first public communication to its employees, its leadership discussed the strategic role of HR practices that cultivate identification with PC's hybrid mission. The article also stated how PC's "different nature should be reflected" in their HR practices (PC's Newsletter 1, 2005, p. 7). This section reviews the HR practices that PC embraced to cultivate mission identification. It then considers the retention challenges that PC experienced in connection with these (mission identification-oriented) practices. The section ends by discussing HR practices that PC developed and implemented to tackle these retention challenges.

Mission Identification

Initially, PC implemented these practices haphazardly with ad hoc decisions that not always worked. Nevertheless, as early as 2005 (the year of its founding), PC started developing a standard global system for the group. However, the system took years to design and implement and was only fully in place in 2012, at the time of our interviewing. Interestingly, as suggested in the P-O fit literature (see, e.g., Cha et al., 2014), the system supported mission identification by including practices directed to develop and sustain a P-O fit.

The system included recruitment and selection practices designed to identify individuals with values, beliefs, and interests congruent (Kristof, 1996) with its organizational values. Consistent with the SE literature findings, the system

Table 3 Thesaurus

		Thesaurus (in English and Spanish) (Number of paragraphs in interviews)*
Ability	Words that express empathy towards others	[In their] shoes/place/skin (1); response- [with not over-indebting borrowers] (61)
	Predisposition to mission	Mission (40); vision (22); philosophy [with shared, predisposed to] (11)
	Meritocracy (exams, lack of hierarchy, etc.)	Exams (21), hierarchy (3) Meritocracy (3) Transparency (20)
Motivation	Instrumental (compensation) motivation	Wages (41), salary (29), commission* (4); motivation (18)
	Intrinsic motivation	Satisfaction (1), personal growth (4); professional growth (4); professional development (3); share the bank philosophy (15) shared philosophy of the bank; like/value (46)
Opportunity	Participatory governance (open communication, training to express yourself)	Open doors (10); communication (45), opinions (5), being listened (11)

*English translation of Spanish word searches in Interviews conducted in Spanish, which were tape recorded and transcribed

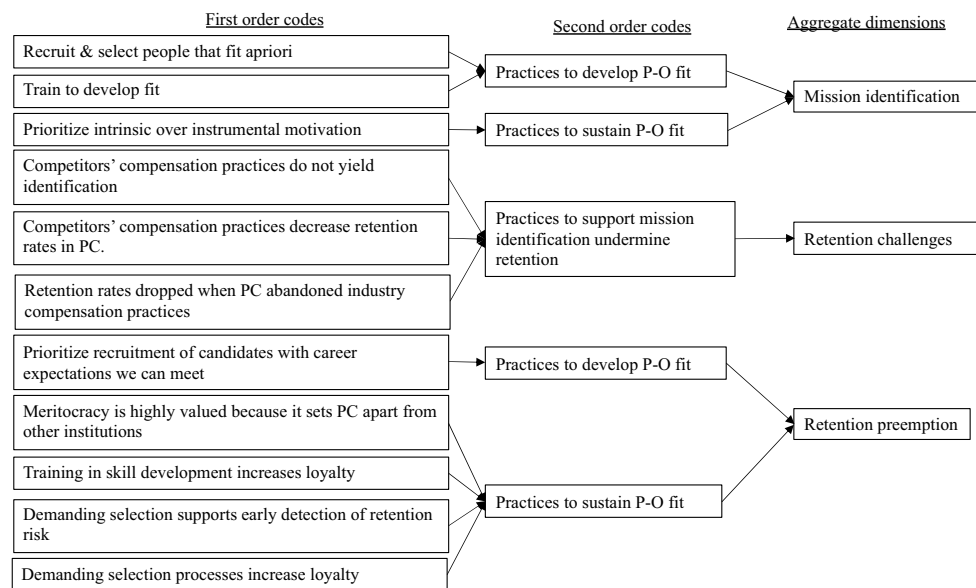


Fig. 2 Coding scheme

Table 4 ProCredit's ideal candidate

Client orientation	Autonomy	Value the development of others and oneself	Professionalism
Empathy and appropriate communication with our clients	Self-critical	Curiosity	Experience if applicable
Ability to listen	Autonomous thinking	Desire to learn and to think beyond the job description	Organizational ability
Sense of social responsibility	Take decisions and feel responsible for them	Long-term vision	Logical thinking
Flexibility to move and to go where one meets our clients	Mobility	Sharing knowledge	Enthusiasm to drive business results
Service attitude towards our clients	Practical and down to earth	Open for changes based on shared best practices and analysis of lessons learned	Reliability and honesty

ProCredit's internal documents

established a preference for inexperienced candidates (see Battilana & Dorado, 2010) with values associated with an ethic of care (see André & Pache, 2016). As detailed in Table 4, the profile included traits such as client orientation, empathy, and honesty. It also had attitudes and skills that would support PC's adeptness to further its unconventional mission, such as independent thinking, which fostered engagement in participative governance.

Individuals with this profile were not the usual applicants for jobs in financial institutions. Those with affinity with PC's social mission (and its low-income clients) were unlikely to have the analytical skills to evaluate loan repayment or be inclined to pressure borrowers for loan payments.

Still, our interviews suggested that candidates saw PC as an attractive employment option. Its attractiveness is

not surprising when we look at the labor market framing candidates' employment decisions. As we observed in Ecuador and Bolivia, in the countries where PC operated, formal job opportunities are relatively scarce. Statistics from the International Labour Organization (ILO) show that while the unemployment rates in PC's countries of operation were the same or lower than those in developed countries, the proportion of workers in salaried, benefited formal employment was much smaller (ILO, 2017). In fact, most jobs in these countries were self-employed, many in the so-called informal sector. As a result, PC was but one of a handful of organizations offering desirable entry-level formal jobs.

Notwithstanding its attractiveness as an employer, PC still had difficulties attracting candidates with the required skill

set. As shown in global data from the Program for International Student Assessment (PISA), only a few of the countries where PC operated—those in Eastern Europe—offered a university education that gave individuals the required skill set. More broadly, statistics show that, on average, the percentage of the population with advanced degrees in PC's countries of operation was smaller than in developed countries (ILO, 2017).

These macro factors implied that, while PC could attract many candidates, only a few had the skill set required for the job. PC adapted to the challenge presented by this labor market by modifying its HR practices. Most notably, it designed a highly demanding selection process, which was fully in place in 2012. The process was time-consuming and expensive but also well suited for identifying individuals who fitted the desired profile, even when they lacked the desired skill set. See the following comment by a human resources manager interviewed:

[W]e can teach them everything, everything that they need to know[;] what we really need is for them to have the predisposition [to contribute to the mission of the bank] (Interview, HR Manager, Bolivia interviews par. 621).

See, also, an employee's testimony that we gathered from a public document in our archive describing the situation in Romania:

I was still preparing for my final university exams when I decided to apply. . . I realized that the bank is not looking for someone with a financial background, but for someone who has the right attitude and shares the same values (HR Manager, Romania's Website, 2019).

The most expensive component of this selection process was the two-week training period. Candidates could apply from anywhere in the country, but they had to travel to the company's single training center in each country if invited. PC transported and housed the candidates for the two weeks. Moreover, PC's branch managers and middle managers participated in the training programs as instructors. The involvement of branch managers was disruptive to operations and expensive. Still, PC saw it as fundamental to increasing the chances of hiring candidates with a goodness of P-O fit.

The goal of the two-week training program was to guarantee that individuals gained the skills required to work in banking and engage in participatory governance to support PC's mission. In other words, it was tuned to compensate for skills that candidates lacked but were needed for PC to stay adept at advancing its unconventional mission. This training was just the first of many other training opportunities designed to develop and sustain a desirable P-O fit. At

PC, training opportunities ranged from an English language program (the group's lingua franca) to employee exchanges among the bank's offices worldwide. Starting in 2012, PC added its Young Banker Program (YBP), a six-month paid training and internship opportunity to follow the initial two-week training. Also, PC's career progression was tied to middle- and top-management training programs. Middle managers attended regional academies in Latin America and Europe, and top managers visited PC's central facilities in Frankfurt.

PC founders personally supervised the curriculum design, the two-week training, the YBP, and the academies. These trainings covered expected technical topics such as finance, organizational behavior, communications, or English. But they also covered unexpected humanistic ones (e.g., philosophy, ethics, world history) well known to foster critical thinking.

In short, PC had, from the start, embraced practices directed to cultivate mission identification. These practices became increasingly structured over time and included recruitment, selection, and training programs tuned to develop a P-O fit supportive of PC's adeptness to advance its unconventional mission. As discussed next, PC also embraced motivational practices supportive of this goal. Interestingly, these practices generated the puzzle that motivated this paper: practices tuned to support mission identification were also generating worrisome retention challenges.

Retention Challenges

At the time of our interviews, PC had just analyzed its turnover rate. The rate for the whole group averaged 23 percent (PC Annual Report, 2012). Still, it was as high as 25 percent in its subsidiaries in Latin America (internal documents) and even higher in some countries. As one middle manager from Ecuador explained: "So, there was high rotation, 30% and this is not sustainable" (Interview, Middle Manager, par. 3946). As mentioned earlier, this rate was undesirably high even when similar to the microfinance industry's 24 percent average (Gray et al., 2013).

Interviewees provided several reasons to explain PC's worrisomely low retention rates. Most directly, they pointed that "people started moving to other banks" (Interview, HR Manager Ecuador, para. 3833) when, early after its founding,¹ PC abandoned the industry dominant incentives-based compensation system. In the words of a middle manager from Ecuador, PC left the incentives-based compensation system preferred by competitors because ...

¹ PC was founded by merging the banks that its founders (The German Consulting IPC), working as consultants, had founded starting in the 1990s.

this [a policy of incentives] doesn't work well [for the mission] because, when the loan officer sees money, he/she thinks "the more loans I give, the more I win" and [he/she] makes a profit from this situation. (Interview, Middle Manager, Ecuador interviews par. 2580)

PC tackled the concern with loan officers prioritizing their private interests over the organizational goals by embracing a fixed salary compensation system. The logic supporting this choice is explained in this early public document:

A good salary can play only a secondary role in stimulating motivation. . . salary obviously constitutes a strong incentive at the outset, but over time it declines in relative importance, and ultimately will not be sufficient to ensure motivation if other incentives, such as a good working atmosphere, enthusiasm about PC's mission, fair treatment by colleagues and superiors, further training opportunities, good benefits, etc. are lacking. . . Motivation must ultimately come from the employee himself or herself and can be supported by the right framework conditions (PC Holding News, N. 1. P. 9 2005).

For many hires, particularly those loan officers with the largest portfolio of loans, the transition to a fixed wages system translated into lower wages than those offered by the competition. See the following comments from a manager in Bolivia.

"Our data says that Banco Fie is paying twice the basic salary. If it has a salary of five thousand bolivianos, employees are overall getting as much as 10 thousand bolivianos" (HR Manager, Bolivia interviews, par. 233)

Or this other comment by a manager in Ecuador.

"People say: I know that I can do microfinance in Pro-Credit, but I will not earn the best salary in the market. If I want to do microfinance and earn money, I would go to Credife, Banco Solidario; other institutions where they would pay me a bonus" (Office Manager, Ecuador interviews, par. 3583).

PC's leadership was fully aware of the retention challenges that followed from embracing a fixed wage system. However, they accepted them as the price to avoid the negative impact on its mission that this remuneration system could generate. See the following quote:

"There are people who measures everything in the short term, no? Today I have an excellent job, I make money, a year passes, and I lend in a way that is irresponsible, and then the next year, I move to another financial institution, and I do the same thing, and

Table 5 Distribution of employees' reasons for leaving ProCredit posted in Glassdoor

Comments	Times	(%)
Overwork and stress	11	16
Changes and insecurity	16	24
Lack of promotion opportunities	10	15
Salary	16	24
Complaints about management	8	12
Excessive travel	3	04
Others	4	06
Total		100

the borrower is the one that has to bear the consequences" (New hire, Ecuador interviews, par. 373)

Accordingly, the leadership preferred for PC to experience retention challenges over a negative impact on its mission. See the following quote from the 2014 Annual Report:

Our remuneration system does not provide any incentive to pursue short-term advantages – we do not use bonuses. Instead, the staff has fixed salaries: we rely on clear job descriptions and regular feedback from managers to guide the performance of our staff. This approach creates a balanced working environment and fosters a service-oriented and long-term relationship with clients, and it has proven successful in terms of both staff satisfaction and business results. (Annual Report, 2014, p. 23)

Consistent with this goal, PC aimed to retain only employees who appreciated a reliance on intrinsic instead of instrumental practices to motivate employees. The evidence from our interviews suggests that they were partially successful. For example, a middle manager in Bolivia told us:

. . . there are [sic] people who look for wages, and there are people who [look] for professional growth. For example, in my prior job I was earning \$400. I changed and started to earn \$350[.] I received less money, but what I was expecting was a different type of remuneration and I have indeed received it (Interview, Office Manager, Bolivia interviews, par. 1589).

Nevertheless, as illustrated by comments left in Glassdoor by current and prior employees, salaries misaligned with those in the industry continued to be a major reason for leaving PC. See, for example, the following posting placed by an ex-employee on Glassdoor (see Table 5): "Very low salaries, especially in the upper ladder." (Glassdoor comment, former employee, Review_16-mar-17).

This high turnover rate explains why PC considered personnel retention to be a critical operational risk between 2007 and 2013 (see Annual Reports, 2007–2013). After 2013, the challenge remained, but PC had addressed to its satisfaction with the implementation of a set of practices described next.

Retention Preemption

We discuss the retention preemptive efforts that PC used to both develop P-O fit and sustain P-O fit. Regarding efforts to develop P-O fit, PC adapted its recruitment and selection practices. Specifically, it expanded its criteria to include individuals who had the desired profile and a suitable socio-demographic background. It did so by prioritizing recruitment sites where it could avoid candidates from the upper tier of the job market (Piore, 1972, 1983), that is, candidates educated in elite educational institutions. PC made this adjustment after the 2012 internal analysis of retention showed that these individuals had career expectations that they could not “ultimately fulfill in terms of salary and career advancement.” Following this analysis, PC established that all banks in the group should identify recruitment sites frequented by individuals from the lower tier of the primary labor market, such as regional universities or sites offering evening training programs for adult learners.

Regarding practices to sustain fit, as discussed earlier, one central source for PC’s retention struggles was its choice of a fixed compensation system. This challenge has remained, but, over time, the leadership has partially alleviated its impact by increasing employee remuneration (see Fig. 1). It has also helped this challenge by increasing transparency regarding pay scales, including publicizing the highest-paid employees’ wages.

The organizational members with the highest salaries were at PC’s headquarters. At the subsidiaries, the employees with the highest salaries had graduated from PC’s top management academy in Germany. These individuals can expect to have the opportunity to become shareholders through subsidized employee ownership programs.

Recent comments that employees left on Glassdoor suggest that dissatisfaction with the wages may have subsided over time. See the following comment left on August 2019: “Pros of PC: excellent management school, good salary” (Glassdoor comment, former employee, 2019/8/3).

Other practices associated with the sustaining of P-O fit supportive of retention include practices to develop PC’s adeptness. These are its demanding and meritocratic selection system and its training programs.

Regarding the demanding selection system, we found that employees highly appreciated its meritocratic components. The reason is their uniqueness when compared with those

expected in countries with weak legal protections against discrimination:

Only the people who are [sic] successful on the last phase enters the bank[;] if you notice this is a very transparent process, and because of it provides a sense of security.... [I]t is another filter and assures hires that you are selecting based on merit and not hiring someone’s brother or someone’s best friend (Interview, HR manager, Bolivia interviews, par. 550).

PC’s commitment to meritocratic values is illustrated by a conversation (captured in our field notes) explaining why a middle manager had been taken out of the interview calendar. In this exchange, a senior manager explained that this manager had been dismissed because he had hired a relative. It is also worth noting that appreciation for PC’s meritocratic values was also a frequent response to a question asked at the end of most of our interviews: What do you value most about PC?

We also found that PC’s Investment in training had a positive impact on retention. The following quotes include comments from employees crediting PC’s training programs with supporting their personal growth and the development of valuable skills for career advancement within and outside of PC:

Inexhaustible source of learning, expanding horizons and strengthening the personality (Glassdoor comment, current employee in Serbia, 2012/8/15).

The academies help you in the personal, professional and working spaces. Especially in personal and professional [spaces,] the academy helped me a lot because there are a lot of issues that you don’t know, issues that I have never known, like history, philosophy, ethics, or technical topics needed for my job (Interview, Loan Officer, Ecuador interviews, par. 665).

As suggested in the HR literature, while training supported retention by increasing loyalty, it also made PC’s loan officers attractive poaching targets for competitors (Becker, 1993). The dilemma was particularly problematic because the skills that PC offered to loan officers were highly transferable (Becker, 1993). Interestingly, PC accepted this potential outcome as a spillover of its social mission, but it sought to minimize its impact. It did so by using its training programs designed for the early detection of retention risks: “In the first two weeks, we ask four people to leave the program (of 28 in total)[;] it’s time[;] it’s money” (Interview, HR manager, Ecuador, para. 3961).

One final practice worth mentioning is PC’s investment in training to support participatory governance. Employees highly valued this investment. The goal was to compensate for skill deficiencies and unsupportive attitudes. See the following quote.

We mainly operate in countries whose education systems largely tend to promote and demand authoritarian, hierarchical behavior [but] if we really want to be better than our competitors, we [also] need employees who think critically and self-critically, and we need objective team discussions of the kind that can never take place if participants are constantly aware of the existence of a hierarchy (Salary Guide Policy, p. 4).

We captured observations in our field notebook of an activity that sought to develop the skills described in this quote, which PC employees described as *intellectual confidence*. The exercise involved the screening of a contemporary movie on a morally controversial issue for the country's context. The movie shown during our observation was a Mexican film by Gustavo Loza—*La Otra Familia* (The Other Family)—which discusses a gay couple taking care of a child. The couple is unjustly accused of sexually abusing the child. After the movie, participants were prompted to discuss the film. The session took place late on a Friday evening and was attended by 25 potential hires and two middle managers. One manager took the role of a discussion moderator and had received ethical training. The other manager helped and also took notes on the discussion that ensued. The candidates, all in their early twenties, voiced conflicting but well-thought-out opinions about the movie and engaged in a debate that lasted for about 20 min.

This training activity supported and encouraged employees to speak up when they observed situations that may endanger PC's mission. One junior manager from Ecuador shared how this training had helped her voice concerns in a visit to the bank office in a neighboring country. She described how she gained these skills as follows:

Actually, I wouldn't have been able to do it [without having attended the academy] because at the academy you have several opportunities of debating, not only related to work or number issues, but just with your colleagues. . . . At the moment of facing other people, [I used the skills I had learned] with [thought-out] arguments. . . . [Y]ou can read theory, history or books, but what I learned was to defend my points of view at those moments of illustration and debate [as] I had with my colleagues from other regions or countries (Interview, HR Manager, Ecuador interview, par. 1347).

In short, as summarized in our coding (Fig. 2), our analysis shows PC embracing an HRM system directed to support mission identification and retention. This system included HR practices to develop and sustain a P-O fit. Employees with desirable values were selected and received sufficient training to develop the job required skills, including skills to engage in participatory governance. The system also

included HR practices directed to sustain this fit. It did so by embracing and retaining a compensation system that departed from industry norms and hurt retention. PC tackled the resulting retention challenges by adapting its HR practices to the labor market conditions while also tuning them to ensure PC's adeptness at advancing its unconventional mission.

Model: Labor Market Attuned HRM System

This paper explored how SEs design HR practices to cultivate employees' mission identification and tackle retention challenges. In combination with relevant literature, our exploration of this question in the case of PC yields the labor market attuned HRM model for SEs proposed in this paper (see Fig. 3).

The model calls for HR practices that support both identification and retention goals with practices that develop and sustain a P-O fit. As described in Fig. 3, these practices are attuned to the labor market conditions. The term attuned communicates that these practices are adapted to the labor market and tuned to support SEs' adeptness to operate against the grain of industry norms.

As described in the top part of Fig. 3, to achieve mission identification, the model calls, first, for mission proactive practices (e.g., training practices) to develop a P-O fit. The defining quality of mission proactive practices is that they are attuned to the labor market. First, building on our exploration of PC and consistent with research from the strategic HR literature (Paauwe & Boon, 2009; Paauwe & Farndale, 2017), the model posits the need for carefully choosing the recruitment sites and selection processes to yield candidates with the desired profile. But, as suggested in the SE literature (see Battilana & Dorado, 2010), these practices should also be tuned to support SEs' adeptness to operate against the grain of country and industry norms. One example of practices adapted to market conditions and tuned to support SE's adeptness is PC's inclusion of training programs as part of highly demanding selection processes. These training programs were designed to compensate for skill deficiencies and foster participative governance skills that PC employees described as giving them *intellectual confidence*.

Second, the model calls for mission proactive practices directed to sustain the desired P-O fit. These practices should also be adapted to market conditions and tuned to support adeptness to advance unconventional missions. Two sets of practices identified in our study are worth discussing. The first set is PC's meritocratic selection system, which required employees to pass exams, undergo training, and be in contact with their future bosses. These practices were adapted to the conditions offered by PC's choice of recruitment sites. In these sites, PC could not rely on official degrees to gauge

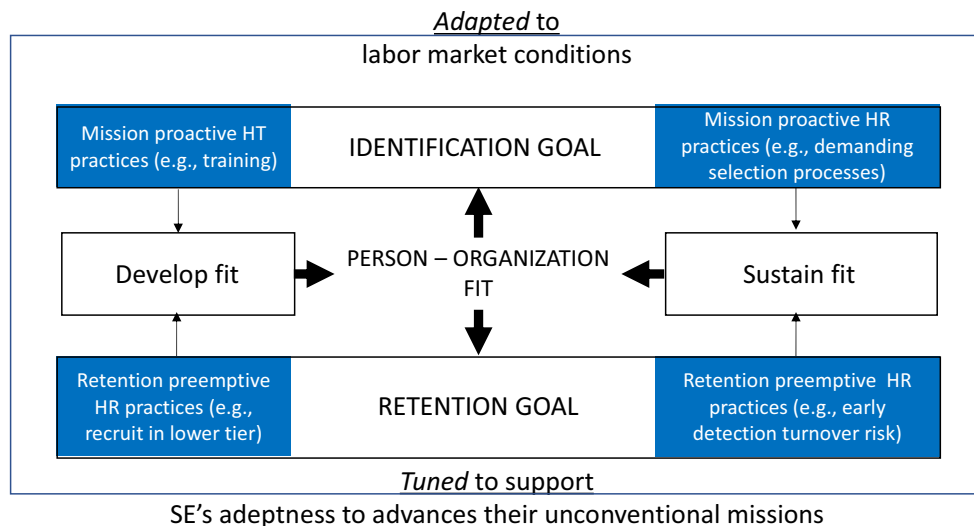


Fig. 3 Labor Market Attuned HRM model for Social Enterprises

recruits' skills, so it had to rely on its training programs' design to do so.

Interestingly, PC's meritocratic practices were also useful to cultivate employee loyalty. Many of the recruits in these sites were from minority or underprivileged backgrounds outside the social cliques of the wealthy and the elite. These candidates appreciated how PC's meritocratic approach allowed them to escape professional ceilings created by their socio-demographic backgrounds in a labor market where nepotism was the norm. The sustaining role of these meritocratic processes has been identified in prior research (see Tendler & Freedheim, 1994). This research has shown these candidates to be highly aware and, hence, appreciative of, and loyal to, organizations that give them a professional opportunity based on their merits and not on their background, skin color, gender, sexual orientation, or family name.

Another set of practices worth discussing is compensation systems and specifically PC's choice of a fixed-wages compensation system against the grain of the incentives-based one dominant in the industry. The fixed compensation system was maladapted to market conditions, but it was tuned to assure PC's adeptness to advance its unconventional mission. It did so by ensuring that PC's loan officers had no incentives to prioritize their private interest at the expense of PC's mission. PC could have outwardly adapted its compensation practices to those dominant in the industry. Instead, it chose to look inwards and embraced remuneration practices that supported mission identification.

As described on the bottom side of Fig. 3, the model also calls for retention preemptive practices. On the one hand, as suggested in the P-O fit literature, retention challenges may

emerge from micro factors associated with candidates' lack of familiarity with the organization's true nature (Coldwell et al., 2008; Turner, 2001). On the other hand, as suggested by research on SEs, his lack of familiarity may be more challenging when organizations have unconventional missions. Our exploration of PC suggests that SEs can tackle this macro challenge by adapting their practices to the labor market conditions in ways that support retention. PC did so by targeting recruitment sites in the lower tier of the labor market (Piore, 1972, 1983; Reich et al., 1973), aware that because these individuals also had reduced employment options, they were more likely (than counterparts with privileged socio-demographic backgrounds) to consider a long-term career at PC. PC's particular practices may be relevant only for SEs operating in countries or industries with similar labor-market segmentation and industry norms. SEs working in other contexts may consider the inclusion in the recruitment and selection criteria of other socio-demographic factors. These factors may include ethnicity (Tomaskovic-Devey et al., 2006); race (Kaufman, 2002); gender (Dickens & Lang, 1985; Joy, 2003). These factors influence candidates' career expectations and are, thereby, likely to influence identification and retention beyond a P-O fit of values and beliefs.

In addition to adapting, the model suggests that SEs also need practices tuned to cultivate SE's adeptness to advance their unconventional missions (e.g., participant governance). Our exploration of PC indicates that some of these practices should help to facilitate the early identification of individuals at risk of turnover. Among these practices is the inclusion of early training programs that help hires gain familiarity with the job and allow organizations to evaluate their P-O fit.

Contributions and Future Research

This paper has proposed a labor market attuned HRM system for SEs. The model contributes to the management literature in three relevant ways. First, it contributes to the SE literature by exploring HR practices to cultivate mission identification and support retention. Second, it contributes to expanding the SE literature macro-level focus on identification challenges by articulating how these challenges define the micro-level challenges examined in the P-O fit literature. Finally, the model contributes to research (see also Werbel & DeMarie, 2005) that has identified labor market conditions as crucially framing employees' attraction and retention.

Contributions to the SE Literature

Research on how SEs use their HR practices as levers to cement their hybrid missions has been, by and large, focused on mission identification (Battilana & Dorado, 2010). The model advanced in this paper furthers this research by exploring how pursuing mission identification requires SEs to attune their HRM systems. As argued, attuning calls for systems with HR practices adapted to how the labor market frames the ability of SEs to develop (e.g., choosing selection of recruitment sites) and sustain (e.g., demanding selection processes) P-O fit and hence identification and retention. Attuning also directs attention inwards to ensure that SEs are adept at operating against practices that may be dominant in the industry of reference (banking in the case of PC), e.g., assuring borrowers can repay their loans.

The concept of attuned then furthers research, which has conceptualized SEs as exemplar hybrid organizations (Battilana & Lee, 2014; Battilana et al., 2017). This research emphasizes that SEs experience challenges particular to their unconventional missions that are distinct from those of conventional organizations combining social and commercial goals, such as hospitals (Heimer, 1999), universities (Albert & Whetten, 1985), or orchestras (Glynn, 2000). The reason is that SEs lack the 'ready-to-wear' models or archetypes (Greenwood & Hinings, 1993) available to these mature organizations. In the absence of these models, SEs benefit from inward-looking practices tuned to support their adeptness at operating against the grain of dominant industry norms.

There is a need for further research to consider the value of the concept of attuning in defining, as we do here, the HRM systems that best serve SEs in cultivating mission identification and support retention. It might also be relevant to explore the value of this concept when

considering other practices, which scholars have identified as critical for SEs' to sustain their hybrid mission, including the choice target market (Nason et al., 2018) and management of stakeholder relations (Smith & Besharov, 2019).

Contributions to Bridging the SEs and P-O Fit Literatures

The model draws from and contributes to bridging the SE and the P-O fit literatures. Both literatures discuss employee identification. However, each of them offers an alternative perspective. Drawing on the literature on hybrids (Battilana & Dorado, 2010; Battilana et al., 2017), the SE literature provides a macro-organizational view that explores the challenges in cultivating mission identification because of missions with unconventional goals.

In contrast, the P-O literature provides a micro-organizational perspective and examines challenges that emerged from candidates' ability to gauge their fit with any organization before joining it (Turban, 2001). By bringing these macro and micro perspectives on identification and retention, this study furthers research on the link between these two goals and a goodness of P-O fit (Coldwell et al., 2008). Notably, it indicates the need for research to study the mediating effect of candidates' socio-demographic background.

In considering hires socio-demographic background as a factor influencing P-O fit in SEs, we are extending findings advanced by feminist economists (Eaton, 2005; Folbre, 2006) in their exploration on the preference of vulnerable workers, e.g., migrant women, in for-profit organizations with social goals; e.g., providers of eldercare. As suggested in this research, our study indicates that hires of a lower socio-demographic background may be more likely than those with more privileged backgrounds to be willing to draw on intrinsic sources of motivation when deciding to join and stay working in a mission-driven organization. One alternative explanation worth exploring is whether hires with less privileged backgrounds may also be more willing to accept the career risks associated with working in organizations with unconventional missions. Both factors may be at play here, and there is a need for further research to find the influence of each (intrinsic motivation and accepting professional risks) in exploring P-O fit in SEs.

P-O fit and Labor Market Conditions

Finally, the model contributes to research (see also Werbel & DeMarie, 2005) that has explored the attraction and retention of employees considering the labor market conditions. The P-O fit literature has focused on the presence of a fit of values and interests (Kristof, 1996) and studied socialization practices that support and develop this fit (Cable et al.,

2013). The role of labor market conditions remains in the background and needs further research. The labor market defines and frames HR practices' effectiveness offering an outward perspective that calls for adapting HR practices to the labor market (Paauwe & Boon, 2009). From this perspective, PC should have embraced the incentives-based compensation system dominant in the industry and relied on practices other than salary (e.g., supervision) to limit the risk to its mission (offering loans to borrowers who cannot repay them).

Our research suggests that microfinance organizations competing with PC may have followed the road of embracing conventional industry remuneration practices. One attractive venue to further this research would be to study whether these organizations experienced a challenge alternative to the one we looked at here (retention). This challenge is an undesirably high number of dysfunctional stayers (Hom et al., 2012), that is, individuals who may stay working in microfinance organizations driven by incentives.² If unchecked, these dysfunctional stayers can increase the risk to the mission.

In short, our model brings macro-conditions to the forefront and, as suggested in the strategic HR literature (see, e.g., Ulrich & Dulebohn, 2015; Wright et al., 2003), advocates for the need to combine outward perspectives that call for adaptation to market conditions and inward ones that call for the adeptness to operate against the grain of country and industry norms. One practical—and, perhaps, cynical—implication of the model that needs further study is the proposal to recruit and select job candidates from the lower tiers

of the job market or from other potentially underprivileged socio-demographic pools (e.g., women, minorities, immigrants, and people with disabilities). Future research should explore the impact of this proposal. This research should clarify whether with these practices SEs are contributing to deepening the labor market inequities identified in industries (e.g., elderly care) that have shown a preference for hiring this profile of workers (see Eaton, 2005; Folbre, 2006).

Limitations

The limitations of the paper are several. First, even though we used previous research to complement our analysis of PC, the model is still firmly based on insights from a single case study. Second, we studied PC's operations worldwide, but our focus was on two developing countries whose labor market conditions are likely to be different from those in other countries. Third, PC is a SE that operates in the financial industry, where it by and large competes with for-profit institutions. Thus, our model might be more relevant for SEs that work in developing countries and compete against commercial organizations. Accordingly, there is a need for research to probe our model's validity and findings in other SEs, industries, and countries.

Appendix

See Tables 6, 7.

Table 6 Glassdoor comments collected (*)

Country	2010	2012	2014	2015	2016	2017	2018	2019
Albania								1(0)
Armenia					1(0)			
Bolivia						1(1)	2(1)	
Bulgaria		1(1)	1(0)	1(1)	1(0)	2(1)		
Germany		1(1)	1(0)			1(0)	1(0)	
Ghana					1(0)			
Macedonia							2(1)	
Moldova		1(0)				1(0)	1(0)	
Nicaragua		1(0)						
Romania		1(0)		2(1)	1(0)	2(0)	1(0)	1(0)
Serbia	1(1)	1(1)			1(0)	3(1)		2(0)
Ukraine						1(0)		1(0)

(*) (In brackets the number of current employees; the rest of the comments are from former employees)

² The authors are thankful to one of reviewers from identifying this challenge.

Table 7 Sample quotes. Sustaining social-commercial logic hybridity

Quote	First order code
“We teach everything to them, everything they need to know, what we really need is for them to be predisposed [to contribute to the hybrid mission of the bank]” (Interview, HR Manager Bolivia interviews par. 621)	Recruit & select people that fit apriori
“Who are we looking for? Client orientation (empathy and appropriate communication with others, ability to listen, sense of social responsibility, flexibility to move and to go when one meets our clients, service attitude towards our clients), autonomy, value the development of others and oneself and professionalism” (Internal document, par. 6)	Recruit & select people that fit apriori
About history training: “it is to measure the consequence in the long term because it is not the fact of doing the things simply because this is an organization, but to see what will happen if we act in one way or another, which is really the consequence in the society. ... We go beyond, this is not just to perform a role in which someone says, “we have to accomplish these politics and procedures”, we try to understand people who ask for our help, this is my point of view” (HR Manager Ecuador, Ecuador interviews par. 32)	Train to develop fit
About training: “we are not just another institution that offers products and service like others do, but we have to go beyond, we have to understand and put us in clients’ shoes to understand what their necessities are” (Operations Manager Ecuador, Ecuador interviews par. 230)	Train to develop fit
“We want relationships in the long term with clients and with employees, we don’t want that people leave for a higher salary, we want people committed and well identified with values, principles and the philosophy of the institution.” (Middle managers focus group Ecuador, par. 107)	Prioritize intrinsic over instrumental motivation
Bolivia headquarters: “There are aggressive practices of workforce from the competence paying high salaries and remuneration bonuses. These people lack identification. All the management of human resources is done to engage the employees” (Middle manager, headquarters, Bolivia interviews par. 428)	Competitors’ compensation practices do not yield identification
“There are people who measures everything in the short term, no? Today I have an excellent job, I make money, a year passes and I lend in a way that is irresponsible and then the next year I move to another financial institution and I do the same thing and the borrower is the one that has to bear the consequences” (New hire, Ecuador interviews, par. 373)	Competitors’ compensation practices decrease retention rates for PC
“Our data says that Banco Fie is paying twice the basic salary. If they have a salary of 5 thousand Bolivians, they are paying 10 thousand Bolivians” (Middle manager, headquarters, Bolivia interviews par. 233)	Competitors’ compensation practices decrease retention rates for PC
“Q: Is there much turnover? A: Unfortunately, this is the commercial part. We do not have bonuses. This is generating that people is leaving and going to another bank for 100 dollars more. Later, they want to come back but our politics does not allow this” (Middle Manager Ecuador, Ecuador interviews par. 1686)	Competitors’ compensation practices decrease retention rates for PC
Marco Chuncan (Ecuador): “people say: I know that I can do microfinancing in ProCredit but I will not earn the best salary in the market. If I want to do microfinancing and earn money I have to go to Credife, Banco Solidario. I’m going to other institutions where they pay bonuses”. (Middle Manager Ecuador, Ecuador interviews par. 221)	Competitors’ compensation practices decrease retention rates for PC
At the beginning, when the incentives were removed, people started moving to other banks (HR Manager Ecuador, Ecuador interviews par. 3833)	Retention got worse when PC abandoned industry compensation practices
We should not necessarily search for an "academic elite", because these students might have expectations we cannot ultimately fulfil (Internal Document, Hiring policies, par. 4)	Prioritize recruitment of candidates with career expectations we can meet

Table 7 (continued)

Quote	First order code
One aspect highly valued here is the meritocracy. In the bank, in contrast with other institutions, where in order to get a job you first have to know someone. At least here in Latin America, may be not in Europe. (Middle Manager Ecuador interviews par. 23)	Meritocracy is highly valued because it sets PC apart from other institutions
And the access to the academies has helped. It motivates people to participate in the trainings, to go to Colombia, to go to Germany, and that also helps people remain in their jobs (Middle Manager, Ecuador interviews, par. 1717)	Training in skill development increases loyalty
For many this is the first job. They wanted to try, see whether it would work in the financial institution. In the workshops, we also see their profile and who can and who cannot continue. It is the first filter the bank does. It looks at the grades and their participation (Middle Manager, Ecuador interviews, par. 20–23)	Demanding selection supports early detection of retention problems
In the first two weeks we ask 4 people to leave the program (out of 28), it's time, it's money (HR Manager, Ecuador interviews, par. 90–91)	Demanding selection supports early detection of candidate's fit
The good thing about the system [the demanding selection of personnel system] is that the people who found it hard to enter, they get to appreciate the job much more. (Top Manager, Bolivia interviews, par. 49)	Demanding selection processes increase loyalty

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