Socially Responsible HRM Practices in Social Enterprises: The Case of Microfinance.

The social responsibility of social enterprises seems to be often more dedicated to external stakeholders than to their employees, particularly in developing countries. Therefore, staff turnover appears to be a challenge in these organizations. This paper investigates whether implementing ethical and socially responsible HRM practices could play a role in improving the daily life of social enterprises' employees. Through 36 semi-structured interviews conducted in a large microfinance organization active in Latin America, this study shows that social enterprises, and more particularly microfinance organizations, do not systematically implement ethical or socially responsible HRM policies and practices. This paper offers a deep overview of the difficulties faced by social enterprises' staff members and discusses the advantages and challenges of implementing ethical and socially responsible HRM practices in social enterprises in developing countries, and more particularly in microfinance organizations.

Keywords: socially responsible HRM; internal CSR; social enterprises; microfinance

Introduction

Social enterprises, which combine both social and commercial institutional logics, are generally considered to be ethical in nature and to adopt corporate social responsibility (CSR) behaviors (Hudon and Sandberg, 2013; Pohl & Tolhurst, 2010). However, some authors argue that social enterprises often tend to emphasize external CSR, that is the social responsibility towards external stakeholders, rather than internal CSR, the social responsibility towards employees (Cornelius et al., 2008). For instance, through a qualitative study on charities, Foote (2001) explains that strong ethical organizational values are applied to external clients but do not seem to be taken into account in their human resource management practices. This may probably partly explain why the literature often depicts a relative dark picture of the daily working life of social enterprises' employees and why social enterprises tend to experience a particularly high level of turnover (Ohana & Meyer, 2010).

Studying the human resource management of social enterprises appears to be essential. Indeed, social enterprises are "labor-intensive rather than capital-intensive organizations" (Nakagawa & Laratta, 2013, p. 2) and, as mentioned by Borzaga and Solari (2001), their activities fall within the field of services, and it is largely recognized that employees' morale may influence customers' perception of the quality of service. However, there are still very few studies on human resource management and organizational behavior in social enterprises.

Today, the integration of corporate social responsibility – defined as "company activities—voluntary by definition—demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders" Van Marrewijk (2003, p. 102) – in human resource management, called socially responsible HRM, is increasingly attracting both researchers and managers (Diaz-Carrion et al., 2019). This term refers to "socially responsible policies and strategies directed toward employees" (Lechuga Sancho et al., 2018, p.1214).

Our main research question is the following: How can socially responsible HR practices facilitate the daily life of employees in social enterprises within developing countries? This can be divided into two sub-questions: How do employees of social enterprises perceive the tendency of these organizations to prioritize external CSR initiatives over internal CSR practices? And can the implementation of socially responsible HRM improve their daily work life? This paper thus aims to explore the challenges faced by employees of social enterprises and discusses the potential benefits and obstacles of adopting socially responsible HRM practices to address these difficulties.

To do so, we conducted a qualitative study focusing on a Latin American microfinance organization, a representative example of social enterprises (Battilana & Dorado, 2010). In this study, we carried out 36 semi-directive interviews.

The findings of this paper show that internal CSR through socially responsible HRM practices should be particularly helpful in limiting some difficulties faced by employees, namely the ones linked to remuneration, recruitment, exhausting work, and lack of consideration. Nevertheless, some particularities of social enterprises may limit their ability to implement a socially responsible HRM policy. More particularly, this study highlights that since social enterprises already face difficulties in balancing their double bottom line objective – a better outreach for clients while being financially sustainable –, adopting socially responsible HRM practices may, for some of them, be an additional source of trade-off.

Our paper contributes to the literature in different ways. First, it contributes to research on corporate social responsibility (CSR) by looking at internal CSR while most studies focus on external CSR. Second, it contributes to literature on HRM in which the attention to ethical debates is relatively new and still not so much developed (Ramos González et al., 2021). Indeed, as shown by the bibliometric study conducted by Santana et al. (2020), only 53 papers on socially responsible human resource management were published between 2013 and 2019. Third, since ethical and socially responsible HRM practices are mainly examined in western economies (Braga et al., 2021), we contribute to the literature by looking at a developing country through our Latin American case study. Indeed, Braga et al. (2021) highlight that ethical and socially responsible HRM practices are influenced by contextual factors. Fourth, as shown by our case study, we highlight that socially responsible HRM is more difficult to implement in developing countries compared to developed ones. Fifth, while most studies on socially responsible HRM focus on the employees rather than on senior managers' perspectives, our study provides an overview of various stakeholders' viewpoints, including HR department members, active employees, former employees, and branch managers. This approach responds to Omidi and Dal Zotto's (2022) call to consider diverse perspectives when analyzing workplace realities. Finally, this study also contributes to the literature on social enterprises that devotes little attention to the topic of human resource management. Indeed, in this study, we focus on HR practices favouring staff retention, while most scholars focusing on HRM in social enterprises have studied the role of HR practices favouring staff identification to the organizational mission (Dorado et al., 2022).

Our paper will be structured as follows. First, we will undertake a comprehensive literature review on internal CSR and socially responsible HRM, and on HRM practices within social enterprises. This review is essential to our study, which seeks to assess whether internal CSR and socially responsible HRM can enhance the daily experiences of employees in social enterprises operating in developing countries. Then, we will explain the methodology used in our study. Afterwards, the findings will be presented. The end of this paper will be dedicated to a discussion of our findings and a conclusion.

Literature review

Internal CSR and Socially responsible HRM

As argued by Winstanley and Woodall (2000), the literature on corporate social responsibility, defined as “a firm’s response to the expectations and demands of a wide range of stakeholders, including society, the environment, and individuals” (Yuan et al., 2018, p. 359) or as “a process in place for integrating social, environmental and ethical human rights and consumer concerns into a company’s business operations and core strategies in close cooperation with their stakeholders” (European Commission, 2011, p. 1), was, at first, more focused on the responsibility towards clients and the society (external CSR) rather than on the responsibility towards employees (internal CSR). It also seemed to be the case in practice, as shown by Parkes and Davis (2013). However, employees are crucial for a firm as they are a “resource of the corporation, they represent the company towards other stakeholders, […] they act in the name of the corporation” (Crane & Matten, 2004, p. 224), and they can be highly affected by organizational outcomes (Greenwood, 2007). Therefore, adopting internal CSR seems to be crucial for organizations. Nevertheless, the literature on human resource management (HRM) was, for its part, not prone to adopt an ethical perspective until the end of the 1990s and the early 2000s. Indeed, the studies applying ethical theories to the literature on HRM were relatively scarce (Greenwood, 2002; Greenwood & Simmons, 2004). Then, a new area of research was developed at the intersection between HRM and CSR: the socially responsible human resource management (Omidi & Dal Zotto, 2022; Shen & Zu, 2011). In their bibliometric study, Santana et al. (2020) highlight the growing interest in this concept in the recent literature. For Heikkinen et al. (2021, p. 815), socially responsible HRM “means not only understanding employees as having an instrumental value to the organisation but also aiming to care for and fulfil employees’ personal and social expectations and need”.

According to Shen and Benson (2016), socially responsible HRM represents the policy and practice of CSR for employees and thus the integration of CSR in HRM. Barrena-Martínez et al. (2019) explain that socially responsible HRM practices represent human resource management initiatives that prioritize the well-being of employees, society, and the environment. These practices go beyond legal compliance to include ethical considerations, employee welfare, diversity and inclusion, and sustainability efforts. In the literature, there are various lists of socially responsible HRM practices (Celma et al., 2018). The one recently developed by Barrena-Martínez et al. (2019), based on a content analysis of international standards, CSR reports which was supported by a panel of experts, identified as socially responsible HRM practices some practices related to the "attraction and retention of employees", "training and continuous development", the "management of employee relations", "communication, transparency and social dialogue", "diversity and equal opportunities", "fair remuneration and social benefits", "prevention, health and security at work", and the "work-family balance".

The concepts of socially responsible and ethical HRM are definitely gaining in importance. However, most of these are focused on developed countries (Cooke et al., 2017) and much less on emergent and developing ones.

Braga et al. (2021) compared how HR professionals in the UK, Brazil and Colombia perceive ethical HRM and how they act in accordance with it: they perceive it in the same way, independently of their country. But they show that the regulative, normative and cultural contexts of their countries influence their actual practices. For instance, they highlight that in Brazil and Colombia, compared to the UK, it is much easier for HR professionals to act according to a regulative order, especially because of the weak enforcement of labour laws. Furthermore, even when HR professionals from Colombia and Brazil want to engage in ethical HRM practices, they still have to respect the norms of social obligation associated with their country towards business and line managers, which is not as prevalent in the UK. While this study is about ethical HRM, Simmons (2008) argues that this concept is highly associated with the overall corporate social responsibility ideology as it consists in putting the CSR strategy into practice within the organization and in applying it to employees. As numerous scholars use the concepts of ethical HRM and socially responsible HRM interchangeably, we argue that this study could thus be interesting for our literature review.

Some studies examine the influence of socially responsible HRM on employees' outcomes. As examples, Abdelmotaleb and Saha (2020) show, based on data collected from a sample of nurses of a large public hospital in Egypt, that socially responsible HRM positively influences employees' perceptions of organizational employees' vitality (an indicator of employees' wellbeing). Zhang et al. (2022) also show, based on multiphase and multilevel data from employees in 50 companies, that socially responsible HRM positively affects employee well-being. They highlight the role of employees' perspective-taking in this relationship.

Human resource management in social enterprises and microfinance

This paper studies a typical case of social enterprises: microfinance organizations (MFOs). MFOs can be characterized by their adoption of an external CSR strategy since they aim to reinforce financial inclusion in areas unserved by the traditional banking system while achieving financial sustainability (D'Espallier et al., 2015).

We focus on loan officers who play an essential role in connecting clients with MFOs (Isaia, 2005). Different authors (Siwale & Godfroid, 2022; Dixon et al., 2017;

Morvant-Roux et al., 2014) highlight the high pressure faced by loan officers to meet targets, what may sometimes affect their community role. Microfinance loan officers are asked to act both as personal advisors and debt collectors (Otiti et al., 2022; Siwale & Ritchie, 2012), two roles that may conflict with each other. They often feel uncomfortable about debt collection (Kar, 2013), consider their work to be exhausting (Dixon et al., 2017), and complain about the difficulties linked to grassroots work (Ahmad, 2002; Siwale, 2016).

Since MFOs are widely recognized to be social enterprises with a double bottom line, combining both social and commercial objectives (Godfroid et al., 2022; Ashta & Hudon, 2012), the difficulties they face in terms of human resource management may also be associated with the challenges highlighted in the literature on social enterprises. Social enterprises have to deal with employees exhibiting different profiles and adhering to different types of values (Besharov, 2014). Battilana and Dorado (2010) highlight the difficulty of creating a common organizational identity among members in such organizations. This may lead to conflicts among members (Battilana & Lee, 2014). Indeed, social enterprises are often made of different coalitions among staff members. Each coalition tends to adhere to one specific institutional logic – either commercial or social. Since "in an organization with multiple identities, purposes and belief systems, no group is likely to be fully satisfied, and political tensions are likely to be endemic", social enterprises often exhibit intergroup conflicts (Harmon et al., 2019).

More generally, Armstrong (1992) shows that it may be particularly difficult to develop a coherent HRM strategy in organizations that are subject to conflicting priorities and have multiple types of stakeholders. Remuneration is also often lower in social enterprises than in for-profit organizations (Borzaga and Solari, 2001). Finally, as explained by Borzaga and Solari (2001), the psychological contract for employees in social enterprises differs from that of employees in the for-profit sector. Particularly, using only extrinsic incentives can prove to be ineffective in increasing the motivation of workers in social enterprises. However, as highlighted by Ohana and Meyer (2010), social enterprises tend to increasingly adopt human management practices derived from the for-profit sector. In view of all this, staff turnover appears to be a challenge for social enterprises and particularly for microfinance organizations (Kar, 2013). While scholars focusing on social enterprises have studied the role of HR practices in favouring staff identification to the organizational mission, few of them have looked at HR practices favouring staff retention (Dorado et al., 2022). In a recent paper, Dorado et al. (2022, p. 829) show that social enterprises should adopt HRM systems that are "both mission-identification proactive and employee-retention preemptive".

The objective of this paper is to enhance the understanding of employee perceptions in social enterprises regarding the prioritization of external CSR initiatives at the expense of internal CSR practices. Exploring internal CSR fills a gap in the literature on CSR since it is still poorly documented compared to external CSR. Furthermore, the study seeks to determine whether the implementation of socially responsible HRM strategies in social enterprises within developing countries can positively influence these perceptions and contribute to reducing staff turnover. Since most studies on socially responsible HRM focus on developed countries, our paper, by focusing on a developing country, fills one of the gaps in the HRM literature.

Methodology

Research context

This paper analyses the root causes of employee turnover in social enterprises by examining a well-known microfinance organization that was created in 2008 as a non-bank financial institution, and which is active in a Latin American country. Since we have signed confidentiality agreements with this microfinance organization, we are not allowed to provide its name and the country in which it operates.

We are conscious that the cultural, social, economic, and political contexts of the country where the studied MFO is active influence its HRM practices. We will thus present some characteristics of this country. It is one of the most populous and economically unequal countries of South America with a weak rule of law (Braga et al., 2021) and a history marked by high levels of violence. This country is also characterized by a large development gap between the central regions and major cities compared to the rural hinterlands. Indeed, the central regions are described as relatively economically prosperous regions, with less armed conflicts and relatively well functioning state institutions while it is the contrary for the peripheries[1]. The collectivism feature of the country is reflected by the importance of network ties and personal relationships that may influence employment practices. The management style in business in this country is often viewed as paternalistic (Braga et al., 2021).

The mission of the studied microfinance organization is to "accompany with adequate and responsible financial services the development of entrepreneurial families, mainly from the rural sector". Among its clients, 65% are rural and half are women. This major MFO is experiencing high growth (57.8% in 2016) and had 63 branches

[1] https://researchbriefings.files.parliament.uk

across the country in 2016. At the time of data collection (in 2016), it employed more than 1,100 staff members, including approximately 600 loan officers (55% of them being women), had a loan portfolio of more than 85 million USD and served approximately 105,000 active borrowers. The studied MFO was also suffering from a high staff turnover among loan officers (57.6% annually as calculated based on data provided by the MFO).

Loan officers in the studied MFO, as most of the other MFOs in several countries, are mainly involved in providing financial services to individuals and microenterprises that are excluded from the traditional banking system. Their main tasks consist in finding new clients, assessing loan applications, disbursing funds, collecting repayments, and providing financial education to clients. In some cases, they closely work with clients in rural or underserved areas, while in other cases, they operate in urban areas.

Data collection

Since we aim, through this paper, to understand social enterprise employees' experience and feelings and compare their point of views with the ones of managers and employees of the HR department and not to determine the effect of a variable on another one, a qualitative study seems to be particularly appropriate (Tenny et al., 2017). Furthermore, while a qualitative analysis is not well-suited for generalization, it is particularly adapted for contextual studies and for a better understanding of the meaning of decisions and behaviors.

In November 2016, we conducted semi-structured interviews with four categories of informants during a two-week period, to obtain diverse perspectives on the root causes of employee turnover in social enterprises. Semi-structured interviews were well-adapted as they offer interviewees the opportunity to express themselves, while allowing the interviewer to focus back on the topic of interest in case of digressions (Magaldi & Berler, 2020).

First, we interviewed managerial staff to obtain a general overview of organizational aspects. The interview of the Chief Executive Officer helped us have a better grasp of how the organization was managed and collect his point of view about the high level of turnover. Branch managers were also interviewed to understand precisely how they manage their teams. Second, interviews were conducted with employees of the HRM department in order to have a deeper understanding of the different HRM practices set up in this organization.

Third, we interviewed former loan officers to understand why they had left the MFO. To have access to these informants, the Chief Executive Officer provided us with a list of loan officers that had left the MFO over the six previous months.

Fourth, interviews were conducted with active loan officers to have their opinion on the reasons behind the high level of turnover experienced by the studied MFO. To have access to active loan officers and managers, the Chief Executive Officer selected himself the branches we could visit. We visited three branches, each one located in a different city.

The description of the informants' features is available in Appendix 1. All in all, 36 semi-interviews were conducted for a total duration of 15 hours and 54 minutes, with an average of 30 minutes per interview. This relatively large number of interviews seems appropriate since the aim is to "establish commonalities" and "allow comparison"(Saunders & Townsend, 2016, p. 838; Baker & Edwards, 2012). Interviews were conducted either face-to-face or by phone. Phone interviews were conducted with ex-loan officers only.

To conduct the interviews, a protocol was used and was adapted for the different categories of interviewees, but new questions also emerged during interviews.

- Examples of questions asked to branch managers include: How do you characterize your managerial style? How do you characterize your relationship with your subordinates? What do you punish your subordinates for? What do you reward your subordinates for? How do you monitor loan officers' performances?
- Examples of questions asked to the Chief Executive Officer include: What is the history of your MFO, what are its mission and vision? What are its main strategies? What are its strengths, weaknesses, threats, and opportunities? How does the MFO differentiate itself from the competition? What do you think about loan officer's loyalty towards the MFO? What can explain the high level of turnover?
- Examples of questions asked to employees of the HRM department: How does the recruitment of loan officers work? Can you talk about training? Regarding the HRM department, what are the main strengths, weaknesses, threats and opportunities? What are the main mechanisms put in place to motivate loan officers? What are the main causes of turnovers?
- Examples of questions asked to former loan officers include: Why did you leave this MFO, how long did you work for it? What were the main tasks assigned to you when you were working for this MFO? What are the main differences between your current job and the one you were doing within this MFO? What were the main advantages and disadvantages of working for this MFO? What are the main reasons that drive you to work in the organization where you are working today? Do you sometimes

regret, or have you ever regretted leaving the MFO? How was your relationship with your manager? How was your relationship with your colleagues? What mechanisms were used inside the MFO to increase loan officers' motivation? Were there any opportunities for a career plan evolution inside this MFO? Was there any reward system based on your performances within this MFO? If so, could you explain how it worked? Have you ever received one? Are they reachable?

- Examples of questions asked to active loan officers include: What were your motivations to apply for loan officer position? Why did you choose microfinance organization rather than bank? Have your motivations changed today in comparison with the ones when you started working? What are your main tasks as a loan officer? Could you describe a typical day? What are the main advantages and disadvantages of working in this MFO? How are the working conditions within the MFO? For example, could you explain us the working atmosphere between colleagues, your schedules, your workload...? Do you think there are any differences in terms of workload according to the branches where loan officers work? What tools does the MFO put in place to motivate its loan officers? Are those tools efficient? Are there career plan opportunities within this MFO? Are you well informed about all decisions made by the MFO? How is your relationship with your supervisor? Are you involved in the MFOs' decisions? Do you have you any suggestions to improve the human resources management? Are there any financial bonuses (performance pay) here? If so, could you explain us how they work? Have you ever received any financial bonus? Are they reachable? Do you get any feedback on your work from your supervisor? If yes, how is it organized?

All interviews were conducted in Spanish, the official language of the country, and were recorded and transcribed in Spanish in order not to lose any fundamental information. The verbatim were then translated in English by a graduate in translation who is fluent in English and Spanish. To respect the anonymity of the informants, the latter are identified by their position.

Although the interviews were particularly useful, the findings may exhibit a selection bias as interviewees were not selected randomly but rather by the Chief Executive Officer and the branch managers. Archival data were thus used for triangulation and to better understand the context in which loan officers operate.

Data analysis

The interviews were initially analyzed separately by two of the authors using an inductive approach, given the exploratory nature of the study and the absence of a hypothesis-testing objective. The first step consisted in autonomous coding. Codes, also called "1st order concepts" (Gioia et al., 2013, p. 20), emerged from the interviews. They here tried to stick faithfully to the terms used by the interviewees. Thereafter, they reduced the number of codes by identifying similarities and differences among them, as suggested by Gioia et al. (2013). After this step, these two authors compared their results and found compromises when there were divergences. They ended up with 46 "1st order concepts". Coding was achieved thanks to the NVIVO qualitative software. During the second step, they gathered the "1st order concepts" into "2nd order themes" and then into "aggregate categories" (Gioia et al., 2013 p. 20). This step is sometimes also called "open coding" (Strauss & Corbin, 1998). Then they could build a data structure which offered a visual representation of their progression from raw data to themes and categories (Gioia et al., 2013). This data structure is presented in Appendix

2. Finally, the axial coding (Strauss & Corbin, 1998) resulted in a conceptual map highlighting the links among the "2nd order themes".

Findings

The description of our findings will be dedicated to the presentation of the difficulties faced by employees in social enterprises, more particularly microfinance loan officers, in their daily work. Subsequently, in the discussion section, we will examine the extent to which the implementation of socially responsible HRM, as a form of internal CSR, can effectively address and mitigate the challenges faced by employees in social enterprises.

They can be derived from the analysis of the interviews and can be sorted into nineteen different groups corresponding to the "2nd order themes" that can be gathered into 6 categories (see Appendix 2).

Variable remuneration

The studied MFO pays its loan officers a wage that is composed of a fixed part, which is similar for all loan officers, and a variable part. According to the operational staff members (either ex-loan officers or active ones), the fixed part is always paid on time, and its amount seems to be more than enough to deal with the daily expenses. Regarding the variable part, the studied MFO distributes financial rewards – as numerous microfinance organizations do (De Pril & Godfroid, 2020) – based on three criteria: the number of credits granted, the total amount of credits granted, and the portfolio at risk. However, the operational staff (ex- and active loan officers), managerial staff and human resource management (HRM) department alike think that the criteria to obtain rewards are too high. According to the HRM department, only 31 of the 600 loan officers received a reward in 2016. The difficulty to obtain rewards may even be a cause of voluntary turnover among operational staff members, as highlighted by the following quotation from a member of the HRM department.

> *In general those who leave it is for frustration of not achieving goals in a great way and for not exceeding a number and for not succeeding in doing so. This is one of the variables for which many decide to leave.* (HR employee #3)

What makes financial rewards particularly difficult to obtain is that, according to the operational staff, the three criteria mentioned earlier need to be reached concurrently. Loan officers who only reach two out of the three objectives fail to receive the reward. However, there is a kind of trade-off between these criteria. As an example, as shown by Pal and Mitra (2017), a higher number of clients per loan officer reduces the number of contacts with clients, leading to lower clients' repayment. Besides, the operational staff members particularly complain that the criteria to obtain the rewards are not always clearly communicated and that the rules are often changed without notice, which may demotivate them.

Fieldwork

As already highlighted by different authors in the microfinance literature, fieldwork appears to be particularly complex and exhausting for the operational staff (Ahmad, 2002; Kar, 2013; Siwale, 2016). The climate on the field is often insecure, particularly in some specific areas of the country where the MFO is active. Some loan officers do not seem to be sufficiently prepared to work in the street, which may contribute to the high level of voluntary turnover, as explained in the following quotation.

> *I say that for the rotation of employees, that starts from the moment you made the first filter that is in hiring. Because many times they hire people who have never been out of an office, who have never been on the street and the work here*

is purely in the street, from one to face a world of they can mistreat him as they can receive him well. So that's what there is. That's why many people desert because they have never done it and come on adventures. (Loan officer #12)

Fieldwork is made particularly complex by the task of debt collection. Indeed, when loan officers have to get the money back from clients who are defaulting on their loans, the latter may sometimes be very rude to them or even aggressive, either verbally or physically.

Then, there were moments when clients were showing weapons, or were threatening…I was going to ask for reimbursement and they took out weapons and everything, to physically attack me. (Ex-loan officer #1)

Trade-off between the social mission and financial objectives

When conducting the interviews, the authors realized that even if the mission of the studied MFO is clearly social, some operational staff members have trouble identifying with this mission. It may indeed be difficult for loan officers with a high level of prosocial motivation to identify with the social mission of the organization, since all the objectives that the employees of this MFO should reach are measured quantitatively and relate to financial performance. Indeed, prosocially motivated loan officers may be limited by some organizational financial constraints in their action to fulfill their primary obligation of increasing clients' wellbeing (Zychlinski et al., 2020). Morvant-Roux et al. (2014, p.309) also show that loan officers may "sometimes have trouble fulfilling their community role" due to the pressure they receive to reach the objectives set by the MFO in terms of portfolio growth. The trade-off between the social mission and financial objectives, as experienced by the loan officers, also materializes in the fact that being dedicated to the social mission may limit the achievement of the financial performance, therefore reducing the possibility for loan officers to obtain a reward.

However, even if the interviews revealed that some loan officers are more prosocially motivated than others, the authors did not observe any conflict among staff members based on values – commercial or social – to which they adhere the most, in contradiction to some studies (Battilana et al., 2015; Glynn, 2000).

Leadership problems

Numerous members of the operational staff complain about leadership problems when talking about their manager. The deterioration of the relationship with their direct hierarchy pushes some loan officers to leave the institution. According to both ex- and active loan officers or to the CEO, several managers are very strict and adopt an autocratic leadership style.

> *People like coordinators or branch directors of this MFO are very strict.* (Ex-loan officer #2)
>
> *And the other cause for me of our critical desertion is the chief's relationship with the subordinate.* (CEO)

As explained by several members of the operational staff, the managers' lack of appropriate leadership style also transpires in the lack of constructiveness in the feedback loan officers receive from branch managers, many of the loan officers feeling humiliated by the words of their manager and sometimes even publicly. A member of the human resource management department told us that this may be related to managers' lack of leadership skills as the criteria used for the advancement to the position of branch manager are not related at all to managerial or leadership skills and the training for new managers does not cover topics related to team management.

> *We train them, but in reality, they are people resulting from a career plan, who have been executives and are growing up to be directors, well… a person who*

has been a very good executive will not necessarily be a very good director. He does a good job alone, but when he has a working team in charge, he will not necessarily do it well. (HR employee #1)

Exhausting work both morally and physically

The interviews revealed that the position of loan officer can be exhausting, both morally and physically. First, the workload seems particularly heavy – a point of view shared by the different actors we interviewed. Loan officers complain about overwork, and especially about the too few days of rest they get and the high number of hours they have to work without being extra-paid. Consequently, the time they can dedicate to their family appears to be particularly limited. The work can also be viewed as heavy because of the high pressure exerted both on loan officers and on branch managers to reach the financial objectives set up by the MFO. Indeed, since the remuneration of loan officers largely depends on performance-related pay, loan officers put pressure on themselves to reach the criteria associated with the financial bonuses. This pressure also comes from their direct managers or from higher levels of management, especially with respect to the quality of the portfolio, as explained by numerous members of the operational staff.

MFO does not show enough consideration for its employees

While the human resource management department underlines that the MFO has set up an employee welfare program, numerous members of the operational staff complain that they are not treated ethically by the MFO.

And one of the disadvantages of the MFO which is the worst, is the treatment. The treatment of employees, which is bad, very bad. (Ex-loan officer #2)

More concretely, even if they recognize having the opportunity to provide feedback on how the MFO operates and being sometimes even encouraged to do so, loan officers tend to deplore that their feedback is not taken into consideration by the direction. Indeed, when they complain, they do not see any change afterwards. As a result, they do not bother to provide their opinion anymore; some of them even report being afraid of doing so.

> *I once told them that there was a human talent meeting, they arrived and I thought, "well here we're going to talk," but the moment I started talking at the meeting, I said the forms weren't right. I thought they were in our favour, I thought they were going to make things better, that's what the meeting was for. But no. They told us that we were the guilty ones and that we were the ones who had to motivate ourselves. And that the motivation was bigger, he didn't talk about bonuses and ways, like bonus. And I said to myself I'd better keep quiet because I see that there is no way for things to change.* (Ex-loan officer #4)

The lack of recognition is also an issue that numerous operational staff members brought up during the interviews. Some loan officers regret, for example, the lack of attention for their birthday and the few teambuilding or other integration activities that are organized.

> Some loan officers also feel that managers, or the MFO more generally, tend to support their clients more than their loan officers, even when the latter are not treated in a respectful way by the clients. Finally, although the human resource management department emphasizes the opportunity for loan officers to advance to branch manager positions, the operational staff points out a lack of attention to employees' career development: *I gave my resignation letter. I felt a little stagnant because I wanted to ascend. When I was able to do so, there was no*

opportunity to ascend, at that time I felt good, I was a little frustrated. I was at a standstill; I didn't see the promotion I wanted. (Loan officer #7)

The findings thus show that loan officers also need recognition and promotion, which are intrinsic motivational drivers, beyond the extrinsic ones. This corresponds to Borzaga and Solari's point of view who show that using only extrinsic incentives does not help increase the motivation of workers in social enterprises (Borzaga & Solari, 2001).

The conceptual map resulting from the axial coding is presented in Figure 1 and includes the aggregate categories corresponding to the main types of difficulties faced by loan officers in their daily work.

-Figure 1 here -

Relationship 1 may be explained as follows. The difficulty of the debt collection task – one of the subcategories of difficulties under "fieldwork" – largely impacts the variable part of remuneration loan officers may obtain. The quality of their portfolio is one of the three criteria for obtaining a financial bonus. As a result, to obtain a bonus, loan officers should try to find the right balance between maintaining a relationship with clients that is good enough to ensure their repayment and one that is not too close either. Indeed, when the relationship is too close, it may induce an excess of the loan officer's trust in the client, leading to a decline in the monitoring task and hence to a higher risk of the client's non-repayment. The opportunity to obtain a financial bonus may also depend on the geographical area where the loan officer is operating; some areas are much riskier than others, increasing the risk for a loan officer to face aggressive behaviors during the debt collection task; other areas may comprise a larger part of smallholder farmers whose risk of non-reimbursement may be higher (Van Der Kamp, 2017). Relationship 2 highlights the relation that may exist between the following two categories: trade-off between the social mission and financial objectives, and exhausting work both morally and physically. The literature argues that organizational engagement may result from a strong organizational identification (Karamika-Murray et al., 2007). The difficulty that members of social enterprises may have to fully identify with both the social and commercial identities of their organization (Ohana & Meyer, 2010) may thus reduce their job satisfaction and commitment. Consequently, employees who struggle to identify with their organization's social and financial identities may find their job as more exhausting. Moreover, prosocially motivated loan officers may feel this even more as their evaluations are based solely on financial performance and not on the social one. Relationship 3 concerns the link between exhausting work, both morally and physically, and leadership problems. Since branch managers are reported to be particularly strict and to humiliate loan officers publicly, the latter feel additional pressure, which makes their work even more exhausting. Relationship 4 highlights the link between the MFO's failure to show enough consideration for its employees and leadership problems. Even if the MFO provides loan officers with the opportunity to express themselves, loan officers will not dare to do so, for fear of destroying the relationship with their managers or in fear of being humiliated afterwards, since managers seem to be perceived as very strict. Therefore, loan officers may be tempted to consider this as a lack of consideration from the part of the MFO more generally. Finally, relationship 5 underlines the link between the following two categories: fieldwork and exhausting work, both morally and physically. Particularly, the difficulty of the debt collection task slows the work of loan officers, which forces them to work overtime in order to reach the objectives.

Discussion and conclusion

Even though social enterprises are often considered as ethical and socially responsible in nature (Hudon & Sandberg, 2013), this social responsibility seems to be more dedicated to external stakeholders – and particularly to customers – than to employees. Since the human resources highly contribute to the success of social enterprises and is an essential factor to maintain their hybridity, it appears important for these organizations to consider adopting ethical HRM practices. This seems even more critical considering that the few studies dedicated to HRM in social enterprises tend to underline their difficulty to retain their staff.

Based on 36 semi-structured interviews conducted in a large MFO in Latin America – MFOs being a typical case of social enterprises — this paper examines the difficulties faced by microfinance loan officers in their daily work and highlights that these difficulties may be grouped into six categories: variable remuneration; fieldwork; trade-off between the social mission and financial objectives; leadership problems; exhausting work both morally and physically; and MFO not showing enough consideration for its employees.

Some of these difficulties clearly relate to the lack of responsible human resource policies and practices undertaken by the studied MFO. First, when considering socially responsible human resource policies regarding remuneration, it is generally suggested that the organization should ensure "the principles of justice, fairness and transparency both internally and externally in the payment of employees" (Barrena-Martinez et al., 2017, p.60). In the studied MFO, one can express doubts regarding the respect of these principles. Regarding individual equity, even if all loan officers are subjected to the same conditions in terms of variable remuneration, a loan officer who reaches 70% of each objective or fully reaches two out of the three objectives will receive exactly the same pay as a loan officer who only reaches 10% or does not reach any of the three objectives. The interviews also highlight the absence of transparency regarding the variable part of the remuneration, as the criteria to obtain financial bonuses tend to change without notice. Second, with respect to the fact that the work achieved by loan officers is particularly exhausting, both morally and physically, it can be affirmed that it is mainly because of the high pressure they are facing and to their overwork. Sarker (2013) also explains that microfinance loan officers work extra hours because they spend most of their time out of their office. Relying on the description of internal CSR aspects developed by Cornelius et al. (2008) based on Welford (2005), the limit of overtime and a clear communication with employees about "normal" working hours) are thus not respected in this case. Third, regarding the difficulties linked to some HRM practices, the recruitment process of the studied MFO does not ensure that candidates are in line with the company's social mission and does not provide the recruits with an exact job description, making the integration of raw recruits more complicated. However, when considering socially responsible human resource management policies, Barrena-Martínez et al. (2017, p. 59) explain that "the tests used in recruitment and selection processes – search candidates, interviews, etc – are inspired by the suitability of the candidate to the company's culture". Finally, looking at the lack of consideration of the MFO for its employees, several loan officers express that the organization they work for does not give them as much attention and support as it does to clients. Cornelius et al. (2008) stated that obtaining the support of employees is crucial for organizations that want to implement CSR towards society. This is clearly in line with the studies conducted by Foote (2001) and Cornelius et al. (2008), showing that the priority in terms of ethical responsibilities is given to external stakeholders at the expense of internal ones, namely employees (Cornelius et al, 2008; Greenwood et al., 2010).

Based on our study, one can be highly tempted to say that microfinance organizations and other social enterprises should dedicate the same attention to their employees as to their clients by deploying ethical and socially responsible HRM practices, but it is not that simple. Implementing socially responsible HRM practices may be particularly costly, though some practices may be less expensive than others. Moreover, as most microfinance institutions operate in developing countries, the resources or infrastructures needed to implement some of these practices may be limited and corporate social responsibility is less formalized or institutionalized in such countries than in developed ones (Visser, 2008). Moreover, one may also argue that the financial resources required to implement such practices could instead be dedicated to the development of better services for clients or to practices favouring a better respect of those clients. The implementation of socially responsible HRM practices may thus, in some cases, limit the pursuit of MFOs' social mission, even if some authors argue that, on the contrary, implementing ethical HRM practices contributes to the development of CSR to external stakeholders. It should also be noted that the funders of MFOs may not make the implementation of such practices a priority and can even be against it. Therefore, as mentioned by Foote (2001, p. 35) in his study on charities, "a difficult balance must be achieved between the ethical interests of charity sector employees and the demands of the bottom line in a market of increasing competition for donations".

The findings of our study should thus be interpreted within the specific context of the challenges and dynamics present in the studied environment. Here are some key points to consider for a nuanced interpretation:

- contextual factors of the country where the social enterprise operate (in our case, mainly factors like income inequality and political instability). For instance, regarding income inequality, managers may need to address disparities in compensation, opportunities for advancement, and access to resources to maintain a motivated and engaged workforce
- resource constraints: Microfinance organizations in developing countries may operate with limited financial resources, affecting their ability to implement comprehensive HRM policies and practices.
- cultural considerations: Cultural norms and values play a significant role in shaping management styles and employee relations in developing country settings. Managers need to be sensitive to cultural nuances, communication styles, and social expectations when designing HRM strategies.
- trade-offs: Balancing social impact with financial sustainability is a critical challenge for social enterprises in developing countries. The study's findings on the benefits and obstacles of implementing ethical HRM practices should be viewed through the lens of sustainability trade-offs and the organization's dual bottom-line objectives.
- capacity building: Developing country environments may lack skilled HRM professionals and training resources. The study's findings on the challenges of implementing ethical HRM practices should be considered considering capacity-building needs and show the importance of investing in staff development and training.

- community engagement: Social enterprises in developing countries often rely on strong community relationships for their success. The study's findings on the role of socially responsible HRM in addressing employee difficulties should be interpreted by taking into account the importance of community engagement and social bonds.

  By interpreting findings within the specific context of a developing country setting, researchers and practitioners can gain a deeper understanding of the complexities and nuances involved in implementing socially responsible HRM practices in developing countries. This contextual interpretation is essential for designing effective HRM strategies that address the unique challenges and opportunities present in developing country environments. Our research thus contributes to the literature on socially responsible HRM by showing that this concept should be analysed differently depending on the context.

Practical implications for microfinance organizations and other social enterprises

Based on this study, some recommendations may be suggested to managers of social enterprises and microfinance organizations.

First, regarding variable remuneration, some scholars, such as Meyer and Ohana (2007), express a particularly radical point of view against the use of variable remuneration in social enterprises. Nevertheless, we argue that the issue lies more in the way the incentive scheme is implemented than in the practice itself. Therefore, if social enterprises want to implement such a remuneration system, they should ensure that the criteria associated with rewards are reachable. Moreover, like most microfinance organizations, the studied MFO only uses criteria related to the financial performance for its incentive scheme. This may hinder employees' identification with the social mission of the organization. We thus suggest that, if they offer performance-based pay, social enterprises should not only include financial criteria but also criteria linked to social performance. When talking about financial incentives, the proportion between the variable compensation and the total remuneration also seems to be an important element to consider. In microfinance, it is often reported that, to be effective, this proportion should not exceed 50%. While many microfinance institutions tend to emphasize financial rewards as the sole source of rewards, they should not neglect non-financial rewards since it is the combination of financial and non-financial rewards which tends to reduce employees' likelihood to leave their job (Karikari et al., 2018).

Second, the leadership style adopted by managers highly contributes to the difficulties faced by loan officers in their daily work. Indeed, loan officers do not trust their manager and an absence of trust leads to lower organizational commitment (Abdillah et al., 2021). A particular attention should thus be devoted to the leadership style exhibited by managers in social enterprises as this style may be reflected in the behaviour and attitude adopted by social workers in their interactions with clients. A too autocratic leadership style endorsed by managers may, for example, be mimicked by loan officers when collecting repayments, resulting in potential abusive collection methods and thus in a deterioration of the organization's social mission. Today, the concept of ethical leadership is more and more emphasized in the management literature and can help reducing turnover in social enterprises.

Practical implications for policymakers and industry associations

We present here some policy implications that could be derived from our study. First, policymakers in developing countries could consider introducing at least guidelines or even regulations for encouraging microfinance organizations to offer fair wages, to adopt non-discrimination policies and to set up employee development programs. Governments and development agencies could invest in capacity-building initiatives to enhance the HRM capabilities of social enterprises in developing countries. Training programs on ethical HRM practices, employee engagement, and leadership development could help organizations improve their HRM strategies. Furthermore, microfinance associations could develop voluntary standards and facilitate best practice dissemination regarding socially responsible HRM practices.

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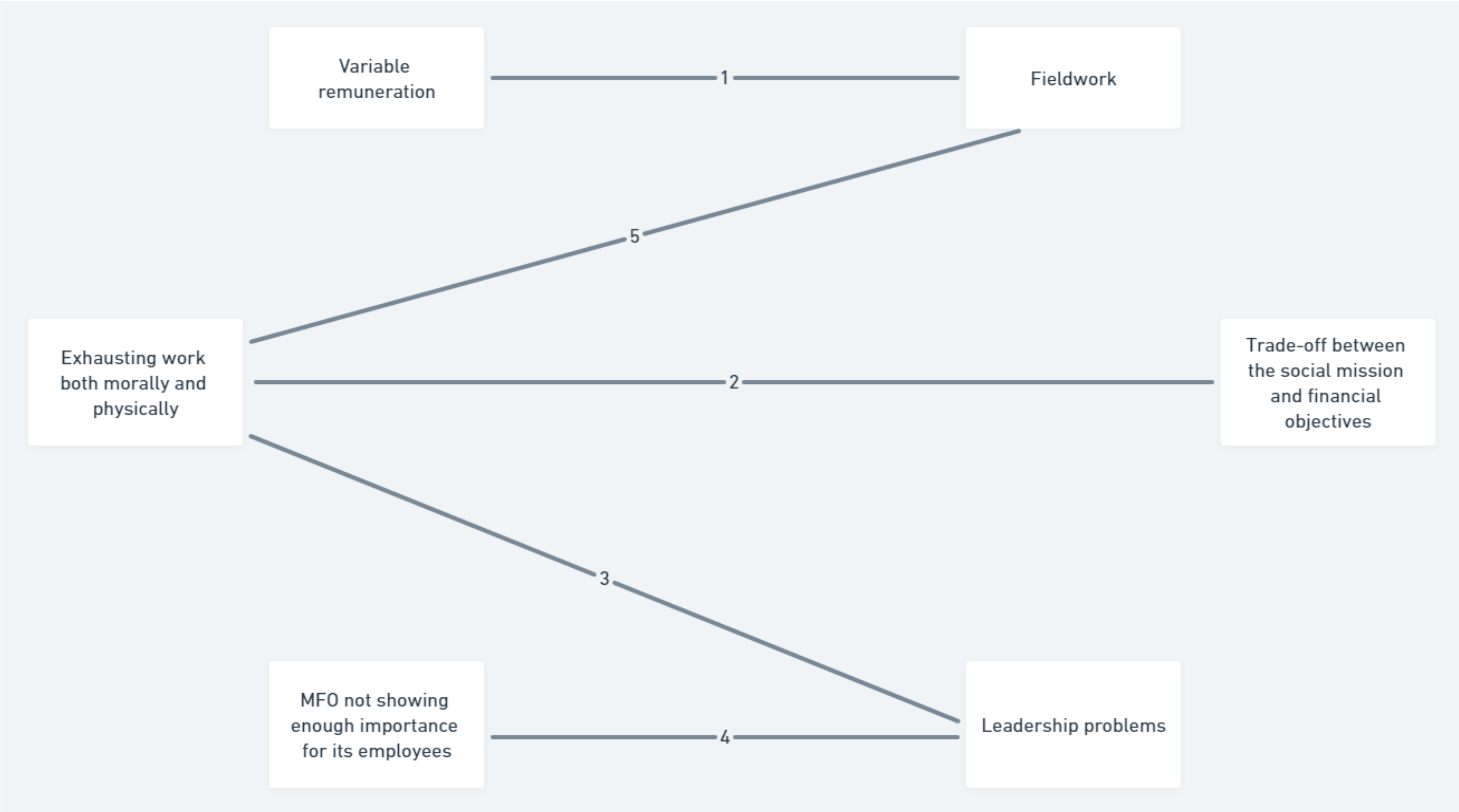
Disclosure statement.

The authors report there are no competing interests to declare.

Figure 1 Main difficulties faced by microfinance loan officers in their daily job



Appendix 1A: Interviews collection

Interviewees group	Title/position	Location of interviews	Method	Duration of interview (min:sec)
Operational Staff	Ex-loan officer #1	Headquarters	Call	18 :10
	Ex-loan officer #2	Headquarters	Call	11 :44
	Ex-loan officer #3	Headquarters	Call	15 :14
	Ex-loan officer #4	Headquarters	Call	14 :59
	Ex-loan officer #5	Headquarters	Call	13 :21
	Ex-loan officer #6	Headquarters	Call	17 :17
Operational Staff	Loan officer #1	Headquarters	Face to face	22 :34
	Loan officer #2	Headquarters	Face to face	16 :53
	Loan officer #3	Headquarters	Face to face	22 :05
	Loan officer #4	Headquarters	Face to face	44 :22
	Loan officer #5	Headquarters	Face to face	13 :38
	Loan officer #6	Branch 1	Face to face	27 :41
	Loan officer #7	Branch 1	Face to face	20 :38
	Loan officer #8	Branch 1	Face to face	17 :58
	Loan officer #9	Branch 1	Face to face	22 :22
	Loan officer #10	Branch 1	Face to face	14 :20
	Loan officer #11	Branch 2	Face to face	21 :40
	Loan officer #12	Branch 2	Face to face	40 :33
	Loan officer #13	Branch 2	Face to face	23 :24
	Loan officer #14	Branch 2	Face to face	12 :08
	Loan officer #15	Branch 3	Skype	10 :51
	Loan officer #16	Branch 3	Skype	19 :05
	Loan officer #17	Branch 3	Skype	23 :35
	Loan officer #18	Branch 3	Face to face	21 :04
Managerial Staff				
	CEO	Headquarters	Face to face	31 :03
	Branch manager#1	Branch 2	Face to face	25 :51

	Branch manager#2	Headquarters	Face to face	46 :09
	Branch manager#3	Branch 1	Face to face	35 :33
	Branch manager#4	Branch 3	Skype	27 :30
	Data manager	Headquarters	Face to face	13 :42
	Legal manager	Headquarters	Face to face	26 :10
	Manager of environmental issues	Headquarters	Face to face	42 :25
Human resource management staff				
	HR employee #1	Headquarters	Face to face	46 :33
	HR employee #2	Headquarters	Face to face	54 :17
	HR employee #3	Headquarters	Face to face	64 :00
	Executive secretary	Headquarters	Face to face	55 :12

Appendix 1B: Informants' features

Ex-loan officers

	Gender	Nb of months spent in the MFO	Area	Education level	New position
Ex-loan officer #1	M	36			Loan officer
Ex-loan officer #2	M	12	Rural	Undergraduate	Sales
Ex-loan officer #3	M	24	Rural	Undergraduate	Entrepreneur
Ex-loan officer #4	M	39		Undergraduate	Teacher
Ex-loan officer #5	M	11	Urban	Undergraduate	Loan officer
Ex-loan officer #6	M	8		Undergraduate	

Loan officers

	Gender	Seniority (in months)	Area	Education level	Previous position
Loan officer #1	M	8	Urban	Undergraduate	Loan officer
Loan officer #2	M	10	Rural	Undergraduate	Student
Loan officer #3	M	6	Urban	Undergraduate	Loan officer
Loan officer #4	M	10	Urban	Undergraduate	Salesperson
Loan officer #5	M	12	Urban	Undergraduate	Salesperson
Loan officer #6	M	11	Rural	Undergraduate	Entrepreneur
Loan officer #7	M	20	Rural	Undergraduate	Entrepreneur
Loan officer #8	F	6	Rural	Undergraduate	Salesperson
Loan officer #9	M	16	Urban	Undergraduate	Loan officer
Loan officer #10	F	31	Rural	Undergraduate	Salesperson
Loan officer #11	F	6	Urban	Undergraduate	Salesperson
Loan officer #12	M	29	Urban	Undergraduate	Salesperson
Loan officer #13	M	16	Urban	Undergraduate	Loan officer
Loan officer #14	F	6	Urban	Undergraduate	Salesperson
Loan officer #15	M	70	Urban	Undergraduate	Loan officer
Loan officer #16	F	6	Rural	Undergraduate	Salesperson
Loan officer #17	M	43	Rural	Undergraduate	Loan officer
Loan officer #18	M	1	Urban	Undergraduate	Loan officer

Managerial staff and human resource management staff

	Gender
CEO	M
Branch manager#1	M
Branch manager#2	M
Branch manager#3	F
Branch manager#4	F
Data manager	M
Legal manager	M
Manager of environmental issues	M
HR employee #1	F
HR employee #2	M
HR employee #3	F
Executive secretary	F

Appendix 2: Data structure