DO YOU CARE ABOUT ANYTHING ELSE OTHER THAN HOW MUCH YOU GET? A LOOK AT THE EMPLOYEE VALENCE FACTOR FOR NON-FINANCIAL AND FINANCIALLY UNCONVERTIBLE REWARDS IN ENTREPRENEURIAL AND NON ENTREPRENEURIAL FIRMS

Bruce Kemelgor
University of Louisville, USA, bhkeme01@louisville.edu

Krishna Poudel
University of Louisville, USA, kppoud01@louisville.edu

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol29/iss10/1
DO YOU CARE ABOUT ANYTHING ELSE OTHER THAN HOW MUCH YOU GET? A LOOK AT THE EMPLOYEE VALENCE FACTOR FOR NON-FINANCIAL AND FINANCIALLY UNCONVERTIBLE REWARDS IN ENTREPRENEURIAL AND NON ENTREPRENEURIAL FIRMS

Bruce Kemelgor, University of Louisville, USA
Krishna Poudel, University of Louisville, USA

ABSTRACT

Social identity theory, job design theory, and motivation theories suggest a potential employee might attach significant value to non-financial and financially unconvertible rewards (NFFUR) while making a firm selection decision. Few studies have specifically attempted to measure if this valence factor is significant relative to financial and financially convertible rewards (FFCR). Salary, health benefits, retirement benefits, paid leave benefits, equity ownership and bonus and profit sharing plan comprised FFCR and job meaningfulness, climate for creativity, autonomy, work flexibility and tolerance for risk constituted NFFUR in this study. The results of our exploratory study with 92 employees in 10 healthcare related firms indicate: (1) employees attach significant and more value to NFFUR relative to FFCR, and (2) employees in entrepreneurial firms in general attach higher value to NFFUR than in non-entrepreneurial firms. While there is some suggestion that we can predict firm type on the basis of valence attached to rewards, it is not conclusive.

INTRODUCTION

The literature on ‘person–organization fit’ maintains that employees and employers both engage in selection processes to find a reasonable fit (Aldrich, 1999). The ASA (Attraction-Selection-Attrition) theory suggests organizations apply formal and informal strategies to select the employees who fit the organization’s environment (Schneider, Smith, Taylor & Fleenor, 1998). Organizational reward systems can effectively communicate the organization’s philosophy, values, and practices to potential employees (Rynes & Lawler, 1983). As such, organizational reward systems can act as powerful anchors for both parties in finding compatibility. The ‘motivational potential’ of characteristics of a work environment and job design – as non-financial rewards – was suggested by theorists as early as 1960s (Turner & Lawrence, 1965; Hackman & Oldham, 1975; Hackman & Oldham 1976). While financial rewards have gained a disproportionate share of attention, the motivational impact of financial rewards is inconclusive both theoretically and empirically (c.f. a metanalysis by Jenkins, Mitra, Gupta & Shaw, 1998). Little wonder scholars have called for more examination of non-financial rewards (c.f. Lawler, 2000). The impact of early HR choices, e.g. recruiting & selection, on firm performance is deemed ‘critical’ for the firm’s long term survival (c.f., Cardon & Stevens, 2004). Ironically, it is not an adequately studied/addressed research area in the entrepreneurial context (Cardon & Stevens, 2004; Graham, Murray & Amuso, 2002). There have been consistent calls for research on the intersection of entrepreneurship and HR management which have met with limited success (e.g., Heneman, Tansky & Camp, 2000; Baron, 2003; Cardon & Stevens, 2004). In the context of these paradoxes and calls, the purposes of this paper are: to assess the comparative valence employee attach to NFFUR and FFCR in general and to find if non-financial rewards are crucial in designing reward policies in entrepreneurial firms.
Organizational rewards consist of financial and financially convertible rewards (FFCR) as well as non-financial and financially unconvertible rewards (NFFUR) such as work autonomy – which some scholars call psychic rewards. Job design theorists assert that enriched job environments can provide employees with sufficient psychic rewards such that financial or financially convertible rewards would be motivationally superfluous (Hackman & Oldham 1980). In a similar vein, social identity theory predicts that individuals are likely to associate with groups and organizations which offer them identity-congruence and they are likely to value this aspect more than financial incentives in their job choices (Graham et al, 2002). Empirically, some recent studies have shown that non-financial factors are associated with employee’s job search and selection behaviors (Barber, Wesson, Roberson, and Taylor, 1999; Judge and Bretz, 1992). Scholars have appropriately called for the examination of total rewards - psychological rewards, growth opportunity rewards and financial rewards - for a better understanding of reward dynamics and their consequences in an entrepreneurial context (Cardon and Stevens, 2004; Graham et al, 2002; Heneman et al., 2002). However, a comparative examination of two types of rewards and their implications for reward systems in entrepreneurial firms have not yet been tested. While much of the traditional HR knowledge in large firms may be applicable to small or emergent ventures, evidence suggests that management of people in new ventures may fundamentally differ relative to established organizations (Barber et al., 1999; Kemelgor & Meek, 2008). For example, creativity, innovation, willingness to take risks, cooperation, interactive behavior, and tolerance for ambiguity are important behaviors in small and emerging firms (Balkin & Logan, 1988). Hence, designing the reward bundles that are commensurate with the motivations of potential employees they would like to hire is more of an imperative than an option for the entrepreneurial firms, to enhance their survival chances. To address these issues, we seek answers to the following four questions. (1) Do employees attach significant value to non financial and financially unconvertible rewards (NFFUR) while making firm selection decisions? (2) How does that valence factor compare with the value employees attach to FFCR? (3) Do the employees in entrepreneurial firms attach more value to NFFUR relative to the employees in non-entrepreneurial firms? (4) Does the level of valence factor an employee attaches to NFFUR predict what type of firm – entrepreneurial or non entrepreneurial - he will join?

The intended contributions of this paper are both incremental and novel. First, we are addressing the issue of comparative significance of NFFUR and FFCR as perceived by the employees more directly and more comprehensively than earlier academic studies. We build a theoretical case that identifies non-financial rewards, either as job characteristics or work environment, as more crucial for entrepreneurial firms than financial rewards to attract the right type of employees. To that end, we introduce a reward-anchored model of person-organization fit. Comparative examination of valence attached to non-financial rewards by the employees in entrepreneurial and non-entrepreneurial firms and the predictability of firm types on the basis of such valence constitute our novel contribution in the intersection of HRM and entrepreneurship.

LITERATURE REVIEW

The Conversation of Financial and Non-financial Rewards: General Organizational Context

The academic research interest on organizational rewards, although not directly stated as such, can be traced back to a number of theories emerging mostly between the 1960s and 1980s, e.g. Herzberg’s two factor theory, Vroom’s expectancy theory, Hackman and Oldham’s job design theory, Locke & Latham’s goal setting theory, Bandura’s self-efficacy theory etc. which dealt with organizational rewards from different premises but mostly from the perspective of work motivation and performance. Our research focus is on non-financial and financially unconvertible
rewards. We review relevant work which examines either NFFUR exclusively or NFFUR and FFCR on a comparative basis.

Some issues clearly emerge from this part of the literature review. First, there is a paucity of research that looks at a financial and non-financial rewards framework – the debate is overwhelmingly dominated by an intrinsic and extrinsic rewards framework. Although financial or financially convertible rewards are extrinsic rewards, non-financial and financially unconvertible rewards comprise both extrinsic (e.g. honor, tolerance for risk) and intrinsic (e.g. task identity) rewards and as such, constitute a separate debate. The work of Reif (1975) and Jurgensen (1978) are significant beginnings in terms of a comparative study of NFFUR and FFCR, however, they are highly constrained in terms of their scope and applicability. For example Jurgensen’s rank order will not find if a person equally likes some rewards or dislikes them. As Jenkins et al (1998) noted, despite a considerable number of studies investigating financial rewards and performance the findings are inconclusive which necessitates a comparative perspective for rewards research. Finally, insights and evidence from past studies, like that of Judge and Bretz’s (1992), suggest an investigation is needed on various organizational rewards that might influence potential job seekers’ job choice decisions.

Applicability of Traditional Rewards System in Entrepreneurial Context

Balkin and Logan’s (1988) conceptual paper addressed reward systems in an entrepreneurial context with the insights that reward systems in an entrepreneurial firm should motivate and create the environment for its employees to think, behave, and solve problems like an entrepreneur. In an empirical study, Heneman et al (2000) find quite a few disconnects/gaps between the current HRM literature in the context of SMEs and practitioners’ (founder'/CEOs’) perception of what is significant to them. Their finding suggests that one such major disconnect exists in the reward systems. Markman and Baron (2002), arguing that person-organization fit is more than KSA-job requirement fit, introduce a model of person-entrepreneurship fit. Graham, Murray and Amuso (2002) bring a socio-psychological perspective into the reward systems analysis in an entrepreneurial context. They assert that different type of reward strategies will attract individuals with different entrepreneurial identities. They propose employees with a higher level of entrepreneurial orientation will be attracted with higher levels of performance-based risk in the reward system and a higher level of ownership and flexibility in the firm’s organizational rewards, while those with a lower entrepreneurial orientation will be attracted by reward systems that have limited risk as well as limited ownership opportunity along with a bureaucratic pay system. Asserting that personnel recruitment barriers and challenges of small firms are different from those of large firms Williamson, Cable and Aldrich (2002) isolate two fundamental liabilities small firms face relative to large firms – lower perception of organizational legitimacy in jobs seekers eyes and lower knowledge of these organizations.

With this review, we find five issues in rewards research within an entrepreneurial context. First, in general, the focus is on financial rewards but with many unanswered questions. For example, we do not know from these studies if incentive based pay systems are actually viewed as an attractive reward by the employees in entrepreneurial firms. Second, the reward systems in an entrepreneurship context have not been examined in a holistic framework including both financial and non-financial rewards Third, the entrepreneurship rewards literature has focused more on the employer side of the equation despite the fact that what employees value would be equally or even more important for organizational goal achievement. Fourth, research on the intersection of HRM and entrepreneurship is in its very early stage with only a few conceptual papers and without much empirical work. Fifth, whether the so called best practices are applicable in an entrepreneurial
context or a contingency based HRM is more effective forms an intriguing debate for entrepreneurship. Some studies reviewed above have made the initial contribution to enhance our understanding, but the need exists for more research with multiple treatments before we can settle the debate.

Clarification of Terminologies

By financial and financially convertible rewards (FFCR) we are referring to all the rewards that comprise what is commonly known as direct economic benefits (e.g. salary) or indirect economic benefits (e.g. retirement benefits) (c.f. Reif, 1975). By non-financial or financially unconvertible rewards (NFFUR) we are referring to the benefits which have a socio-psychological basis and on which economic value can’t directly be placed. The NFFUR in our study are either a function of job design or the work environment. The term entrepreneurial firm has been interchangeably used with many other concepts in the literature – e.g. small firms, high growth firms, new firms, innovative firms etc. Acknowledging this, we measured the entrepreneurial qualification for the firm taking entrepreneurial orientation as a reasonable proxy - with risk-taking behavior, innovation and proactiveness as three dimensions (Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 1996) of entrepreneurial orientation. As such, in our scheme, a firm can be entrepreneurial irrespective of size, stage of life cycle and growth rate.

THEORY DEVELOPMENT

A Reward-anchored Model of Person-Organization Fit

Williamson et al (2002) suggest that small/entrepreneurial organizations need to consider job seekers’ organizational knowledge and perception of legitimacy for attracting the right employees. Organizational rewards, while inevitably a sub-set of organizational knowledge, are one of the important factors for signaling and finding a person-organization fit. Since ‘fit’ is a two way process, the job seeker’s knowledge of the organization and the organizational rewards have to be complemented with the employer’s knowledge of the value job seekers attach to their organizational rewards. The reward-anchored model (figure 1) provides a representation of the phenomenon.

There are three dimensions of fit – need, value & identity, none of which, we argue, can be dispensed with for a meaningful fit to occur between an employee and an organization. These three dimensions of fit represent three fundamental reasons why employees and employers seek the union. The other party has the potential to serve some of their needs, the other party holds similar values to theirs and the other party shares their identity. The need satisfaction dimension of fit for the employees means they will satisfy their needs through financial rewards and non-financial rewards. The need satisfaction dimension for the organization means it will satisfy resource needs in the form of knowledge, skill, and abilities of the employees.

Values are considered to be fundamental, intrinsic, and an enduring sense of what is right or wrong (Rokeach, 1973). Sociological literature suggests that the association in a social unit occurs only when the individual and the social unit share certain minimum values (Lambe, Whittman & Speckman, 2001). Organizations, on the other hand, are considered social units with a life of their own (Aldrich, 1999). Organizations seek ‘employee-generated-synergy’ or what Welbourne and Andrews (1996) call structural cohesion which propels the company forward towards its goal (Aldrich, 1999). Without a value convergence or compatibility between the personal work values of the employees and organizational values of the firm, structural cohesion will be difficult, if not
impossible. In their evidence of value compatibility Judge and Bretz (1992) argue that such firm values, however, should be known. To put this into our model’s framework, these values should be reflected in organizational rewards to a reasonable extent and should be communicated during the recruitment and selection processes.

Why Do People Value Non Financial and Financially Unconvertible Rewards?

Despite the lack of a single theory specifically applicable to a NFFUR – FFCR framework, in one form or another, motivation theories, social identity theory and job design theory provide the essential support for this framework. According to Maslow’s logic, human needs have a hierarchical existence, and generally in the following order – physical needs, safety needs (e.g. job security), social needs (e.g. emotional support of the co-workers), esteem needs (e.g. self respect) and self-actualization needs. Hence, in a Maslovian world, an employee who might seek to gratify esteem needs when his safety needs are not met will be an exception - not the norm. Among the selected rewards of this study, FFCR (with a plausible exception of equity ownership) is more associated with safety needs and NFFUR (with a possible exception of tolerance for risk) is more associated with esteem needs and self-actualization needs. By logical extension, those who value NFFUR more than FFCR will constitute an exception in his scheme. Some studies on rewards suggest otherwise (c.f. Reif, 1975; Prewitt, 1999). More importantly, Maslow (1943) admits that certain individuals with high ideals and values are likely to be driven by the values and ideals more than their needs. Our contention here is: it is likely that an entrepreneur, or a common employee, seeking job meaningfulness more than job security is a regular occurrence more than an exception. Herzberg’s (1968) two factor theory provides a better underlying framework. He explicitly mentions that financial rewards like salary and other benefits are the hygiene factors not the motivators. The job itself (meaningfulness), achievement, growth etc. (NFFUR) makes up the job motivation factors. Thus, according to the two factor theory NFFUR has a higher possibility of being the source of work motivation.

The job design theory of Hackman, Oldham & Lawler (c.f. Hackman & Oldham, 1976; Hackman & Oldham, 1975) identified 5 core dimensions of a job - job skill variety, task identity & task significance (3 combined as the job meaningfulness), job autonomy and feedback and predicted that they would directly affect the attitude and behavior at work. The first three will give rise to experienced job meaningfulness, autonomy would lead to experienced responsibility and feedback would lead to knowledge of results. High work motivation, satisfaction, performance and low absenteeism and turnover would result when these three critical psychological states are experienced (Hackman & Oldham, 1976). Since we are measuring the strength of these rewards relative to other rewards in our study, we are dispensing with the mediating process of critical psychological states.

Besides the design of the task, for multiple reasons organizational climate factors - work flexibility, tolerance for risk, and climate for creativity in this study - also would be significant motivators or rewards. It is likely that for many employees who are caught in multiple roles (worker, mother, wife etc.) and have to balance work and family, work flexibility will be a reward. Evidence has shown the impact of work flexibility on the employees and organizations (c.f. Dunham et al, 1987). On creativity, we start from the position of desirability of creative employees as a received wisdom although this is not an irrefutable position. The literature in organizational climate posits that the social environment impacts both the magnitude and frequency of creative behavior (c.f. Amabile, Conti, Coon, Lazenby & Herron, 1996). It’s an unequivocal connection; a person who is driven by a creative need will perceive the creative climate of an organization as a reward. People also vary in their risk taking propensities: the entire literature of risk and concepts
like risk-seeking and risk-aversion essentially reflect that variation. People who have higher safety needs might actively avoid risk and uncertainty. For such individuals, organizational climate where risk, and failure by the same logic, is tolerated will constitute an attractive reward in itself. Risk taking can be connected with other motivation, say the motivation to innovate. A risk or failure intolerant climate will be highly dissatisfying or frustrating to the people with high innovation motivation. On the other hand, ironically, even for the people who are relatively risk takers, a tolerant environment can work as a safety net and might inspire them to be more productive and motivated in their work. In general, a risk tolerant organizational climate is likely to be seen as a reward by prospective employees. Based upon the discussion in the preceding paragraphs, we can derive the following two hypotheses:

**H1:** The value employees attach to non-financial and financially unconvertible rewards, in terms of work flexibility, autonomy, climate for creativity, job meaningfulness, and tolerance for risk, will be significant in their perceived job selection decision.

**H2:** The value employees attach to non-financial and financially unconvertible rewards, in terms of work flexibility, autonomy, climate for creativity, job meaningfulness, and tolerance for risk, will be equal or greater than the financial or financially convertible rewards, in terms of salary, health benefits, profit sharing plan, retirement benefit, stock options and paid leave benefits.

The Differential Valence of NFFUR in Entrepreneurial and Non-Entrepreneurial Firms

Having hypothesized in the section above that employees attach significant value to non-financial and financially unconvertible rewards, and making the case for the select non-financial variables, we now discuss why employees in entrepreneurial firms are more likely to attach higher value to NFFUR. We offer two lines of argument.

First, although somewhat discounted for inconclusive evidence for distinguishing entrepreneurs from managers and in some cases even from the general populace, the individual differences in certain motivational characteristics - for example achievement need, self-efficacy need, autonomy need etc. - have been repeatedly studied and asserted by entrepreneurship scholars as the differentiating factors between entrepreneurs and non-entrepreneurs (c.f. Shane, Locke, & Collins, 2003). Subscribing to this school of thought, we argue that individuals do vary on entrepreneurial motives. Different human needs reflect different degrees of entrepreneurial motives. For example, the need for creativity will be more associated with an entrepreneurial motive than the job security need. People with many needs that represent entrepreneurial tendencies will be entrepreneurs, those with some such needs are likely to be employees attracted to entrepreneurial firms, and those with few such needs will be more attracted to traditional firms. Besides the number, the strength of such needs also matter. Take, for example, three individuals and three well considered needs that reflect entrepreneurial motives - need for autonomy, need for achievement, and need for adventure. An individual-difference perspective would predict that a person high in all these needs is likely to be an entrepreneur. On the other hand, someone with high achievement need, low autonomy need and without an adventure need would be best helped as an employee in a traditional firm. But someone who has a high achievement need, high autonomy need but low adventure need is likely to join an entrepreneurial firm as an employee. Working as an employee, he will not be taking the risk supposedly an adventure seeking entrepreneur takes, but working in an entrepreneurial firm his autonomy need is likely to be satisfied (c.f. Lumpkin et al, 2009). We agree that certain financial rewards like equity ownership will also attract people in entrepreneurial firms and a certain mix of FFCR can be more effective
than another mix of FFCR as scholars propose (e.g. Balkin & Logan, 1988; Graham et al. 2002). That is not our point of disagreement. Overall, keeping everything else constant, we argue NFFUR will cater to the entrepreneurial needs of the employees better. As such, those who place a higher value in NFFUR are likely to be more attracted to entrepreneurial firms.

We argued earlier that in addition to needs, an employee considers identity and values when making a decision to associate with an organization. It is also reasonable to suggest that social identity and personal value aspects of individuals are less likely to be reflected in FFCR than in NFFUR. For example, salary is less likely to have an identity aspect than the climate for creativity. A climate for creativity will satisfy the need to be ‘creative’ as well as provide the identity of ‘being creative’ to the individual. Individuals might even give up or defer certain needs for the value compatibility and identity congruence. It will be shallow to assert that all the individuals who have a stronger sense of social identity and stricter sense of value will be necessarily motivated to entrepreneurial organizations. Nonetheless, it is plausible to say that, on average, a higher proportion of such individuals are likely to join entrepreneurial firms. The reason is: social identity will be more visible and distinguishable in entrepreneurial organizations than in non-entrepreneurial organizations which have highly formalized routines and standardized roles as population ecology literature suggests. On the other hand, from an organizational perspective, identity and value congruence will be more associated with entrepreneurial firms for they would need the *structural cohesion* more to deal with uncertainties. From the discussion above we derive the following two hypotheses:

**H3:** Valence attached to NFFUR by employees, in terms of work flexibility, autonomy, climate for creativity, job meaningfulness, and tolerance for risk, will be greater in entrepreneurial firms than in non-entrepreneurial firms.

**H4:** Valence attached to NFFUR by employees, in terms of work flexibility, autonomy, climate for creativity, job meaningfulness, and tolerance for risk will predict what type of firm, entrepreneurial or non-entrepreneurial, they are likely to join.

**RESEARCH METHODOLOGY**

**Research Design/Data Collection/Sample Overview:**

The populations of this study are the employees in the healthcare industry qualified as supervisors, lower level managers, mid level managers, professionals and technicians who can be realistically expected to have the latitude to make job selection choices on the basis of actual value they attach to NFFUR and FFCR. We excluded the CEOs, COO’s, presidents, and vice presidents as well as lower level employees. However, one of the chief executives (founder, CEO, President) was surveyed in each organization to get the response for the dependent variable in one of our models, i.e., the entrepreneurial orientation of the organization, as they will be most qualified to answer the firm’s entrepreneurial propensity rather than the other employees surveyed. Our sampling frame included the employee set we defined earlier in the 87 healthcare related firms of a southeastern metropolitan area of the US. We obtained our list of companies through a guide of health related businesses from the Chamber of Commerce of the metropolitan area. We created the sampling frame of the companies that were either manufacturers (drugs, medical equipment, medical accessories etc.) or healthcare IT service providers or other services providers to the healthcare industry. We employed systematic random sampling to establish the first connection and for screening purposes. Data were collected online and with hard copy collect-in-person modes.
At the time of this article submission, 10 companies have participated and our analysis consists of 92 respondents. We have called nearly 60% of the companies in the frame; we have many responses outstanding and the collection process is still in progress. We distributed a total of 142 surveys and received 94 surveys, 92 usable, with an effective response rate of 66%. The participation was totally voluntary and confidential. Except for the largest company, all other firms had less than 500 employees and less than $50 million as their annual sales. Excluding the largest company, the sample’s mean annual sales and mean number of employees were $9.3 million and 75 employees. The overall average age of the firm was 22 years. The number of participants per company ranged from 2 to 22. Among the 92 respondents, both mean and median age was 43, mean and median tenure at the current employment was 5.87 and 5 years, and mean and median number of firms worked was 4.7 and 4 respectively. 48% of the respondents were professional, 19% reported ‘other’ category and 14% were division managers. All other titles represented less than 10%. The functional background of the respondents was comprised of HRM 24%, IT 17.4%, marketing/sales 15.1%, ‘other’ category 27.9% and the rest were represented at less than 10%. The other demographic make up was: 57.5% male and 42.5% female; 67.8% married and 32.2% unmarried; 71.3% parents.

Scale Development & Measurement

Since more than 50% of the scales used in the survey questionnaire were specifically developed for this study, we employed a pilot test and followed some of the steps suggested by methodologists for scale development & validation, e.g., consulting three experts for determining face validity, content validity and clarity of our survey instrument (Worthington & Whittaker, 2006). A pilot test on a convenience sample of 44 professionals indicated that Cronbach’s alpha ranged from 0.74 to 0.9 which meet the minimum required of .7 for exploratory research or basic research (Nunnally, 1978; Kaplan and Saccuzzo, 1982). We framed the items, in both the borrowed and developed scales, in terms of ‘the value employees attached when they joined the current firm, the value they would attach if they were to join the current firm today, and the value they would attach if they were to join another firm today’. All the items of our instrument consisted of examples to enhance clarity. Following is a sample question: ‘the value you attached to health benefits relative to other factors like salary and work autonomy’. We used a Likert type 7 point scale. We borrowed and adapted scales from Hackman and Oldham (1980) for autonomy and job meaningfulness, from Hill, Hawkins & Miller (1996) for work flexibility, from Dorenbosch, van Engen, & Verhagen (2005) and from Madjar, Oldham, & Pratt (2002) for climate for creativity, and from Miller (1983) and Covin and Slevin, (1989) for entrepreneurial orientation. We designed our own scale for tolerance for risk.

Cronbach’s alpha for FFCR variables ranged from 0.9 (for health benefits) to 0.96 (for equity ownership). For the NFFUR variables, Cronbach’s alpha ranged from 0.9 (rounded) for job meaningfulness to 0.94 for autonomy. The Cronbach’s alpha for entrepreneurial orientation was 0.89. This internal consistency reliability for an exploratory study is considered quite sound (Nunnally, 1978; Kaplan and Saccuzzo, 1982). For NFFUR, principal component analysis with varimax rotation and Kaiser normalization resulted in a 5 factor solution and the items loaded to the components/constructs they were supposed to load. All the factors had an Eigen value > 1 and all the factors accounted for significant variance (from 6% to 43%) (Stevens, 2002) with a total 77% of the variation accounted for - without a problem of cross loadings.

Data Analysis
For H1 and H2, first we used a paired sample t-test to test the hypothesis that the mean value attached to NFFUR is greater than or equal to FFCR - at the 0.05 significance level. Next, we carried out paired sample t-tests at the individual variable (reward) level where all the possible NFFUR and FFCR combinations (30) were tested. Since the conclusion drawn from a large number of individual t-tests are likely to inflate type 1 error, Bonferroni adjustment for alpha level was done with criteria of significance at 0.001 (.05/30) level (Stevens, 2002). Finally, we obtained a rank order of the mean value attached to all 11 variables of interest. We then interpreted the results in the light of all three measures.

Hypothesis 3 was tested using two-group MANOVA. We dichotomized the entrepreneurial orientation variable to create two types/groups of firms - entrepreneurial firm and non-entrepreneurial firm - and assessed the differences on NFFUR variables among two types of firms. Although dichotomizing a continuous variable would mean some information loss, whenever dichotomizing makes better sense it is recommended by methodologists (c.f. Westfall, Hoffman, & Xia, 2007). We tested this hypothesis in two scenarios. First, we categorized the firms as entrepreneurial and non-entrepreneurial in a conventional way - splitting at the median value of observed continuous variable. In scenario two, we categorized the variable in the following basis: close to upper bound responses as entrepreneurial (if >= 5) and close to lower bound responses as non-entrepreneurial (if =<3).

To test Hypothesis 4, that is to assess group membership prediction, by the NFFUR variables collectively, and individually, we employed hierarchical logistic regression (DeMaris, Teachman, & Morgan, 1990; Tansey, White, Long, & Smith, 1996). Age, gender and marital status were entered as the first block, FFCR variables were added in the second block and NFFUR variables were added in the full model.

Results & Interpretation

The rank order of mean valence attached by the employees to NFFUR and FFCR variables (Table 1) shows that out of total eleven variables salary is the most important factor and equity ownership is the least important factor in job choice attitudes. But the results show an interesting pattern in that except for the salary and tolerance for risk, more value is attached to NFFUR variables than to FFCR variables. The average valence attached to NFFUR is greater than the average valence attached to FFCR, at the significance level of 0.001, which corroborates the results of rank order. The paired sample t-tests with all possible combinations of NFFUR and FFCR variables yield the same picture. In 10 pairs, NFFUR variables were higher than FFCR variables at the 0.001 level. This result provides a robust support for Hypotheses 1 & 2 with some clear insights: (1) on average, employees attach more value to NFFUR relative to FFCR, (2) salary is generally the most valued reward among all the measured variables but not higher than all NFFUR on paired comparison, and (3) job meaningfulness is the most valued NFFUR which is valued higher than all the FFCR - except for salary and health benefits which are not significant either way.

The multivariate result of two-group MANOVA shows two different results under two scenarios. Under scenario-1, Wilk’s lambda has p value > 0.05, the overall effect size, i.e., the partial eta squared is small (.047), and the observed power of the test is small. But, the multivariate effect size in scenario-2 is fairly large as 0.165 > 0.14 according to Cohen’s (1977) well-regarded criteria and the test is significant at 0.05 level. The observed power is close to the desirable level of 0.8 (Stevens, 2002). Hence, the second scenario would suggest that there exists a significant difference in value attached to NFFUR in entrepreneurial and non-entrepreneurial
firms, in general. We consider the evidence for hypothesis 3 reasonably strong. The assumptions of MANOVA are partially met and there are some explicable violations which are less likely to impact type 1 and type 2 errors, and our conclusion for that matter. Since an individualized link was sent on the online data collection and since hard copy questionnaires were distributed within envelopes, there is no plausible reason to believe that independence of observation might have been violated. Kolmogorov-Smirnov tests of normality of the 5 variables and Box test of equality of covariance matrix showed violations as well. Since our sample size for MANOVA is fairly large (76 & 92) and the groups in both scenarios are equal (one not exceeding 1.5 times of the other) the chances of both type I and type II error are slim (Stevens, 2002).

To test Hypothesis 4, we used firm categorization criteria of scenario-2 because unlike in MANOVA, in logistic regression there is no concern for violation of normality in variables and error terms, assumptions of linearity of relationship, and equality variance across predicted groups (Press and Wilson, 1978). While the result suggests that collectively both FFCR and NFFUR have predictive value for what firm an employee is likely to join, as suggested by the increased $R^2$ on consecutive models, looking at the individual level predictors, our hypothesis is only partially supported. (For a copy of these results, please contact the lead author.) As expected, salary and paid leave benefits are negative predictors. Someone who attaches one unit more value to salary is (1-.311) 69% less likely to join an entrepreneurial firm. The model fits the data very well according to the Hosmer-Lameshow chi-square test.

Methodological Soundness and Limitations

Following the suggestions of organizational methodologists (Aguinis, Pierce, Bosco, & Muslin, 2009; Scandura & Williams, 2000), we have tried some explicit measures to enhance the soundness of our design, reliability of measurements, as well as the pertinence of analytical tools used. We employed two modes for data collection, online survey and hard copy in-person collection which is likely to reduce systematic measurement error and coverage error (Dillman, 2008). We employed many procedural techniques suggested by Podsacoff et al (2003) to reduce the common method bias. For instance, our response variable, that is the type of firm, entrepreneurial or non-entrepreneurial, defined in terms of entrepreneurial orientation, and our independent variables, NFFUR and FFCR, come from different sources – top management and employees respectively. This methodological separation of predictors and dependent variables greatly reduces the common method bias (Podsacoff et al, 2003; Scandura & Williams, 2000). Because there was no opportunity for self-selection and we employed a random sampling, sample selection bias is unlikely.

Our research design is retrospective for we surveyed the employees after the fact that they already made the decision to join the firm. As such, it is likely to suffer from the constraints of a retrospective design. Considered good enough for MANOVA, the sample size (N = 70) is a limitation for the logistic regression and the ratio is lower (5:1 ratio of observation/variable ratio) than suggested ratio (10: 1) (Peduzzi, Concato, Kemper, Holford, and Feinstein (1996). Hence, the power of the test might have suffered failing to detect the effect size and the generalizability potential might have been constrained (Mazen, Graf, Kellog, & Hemmasi, 1987).

DISCUSSION

Conclusion and Contribution
Despite the theoretical and empirical inconclusiveness of financial rewards on motivation and performance of employees (Jenkins et al, 1998), the examination of financial and non-financial rewards in a comparative frame of analysis is still warranted in the rewards literature. We picked the thread from two studies which were essentially making their case in terms of intrinsic vs. extrinsic rewards (Reif, 1975; Jurgensen, 1978) but dealt with financial and non-financial rewards. Although financial or financially convertible rewards are extrinsic rewards, non-financial and financially unconvertible rewards consist of both extrinsic (e.g. autonomy, tolerance for risk) and intrinsic (e.g. task identity) rewards. Hence, for a meaningful debate on ‘person-organization’ fit, this constitutes an important analytical frame. The findings from our study unequivocally suggest that. Strong support for our first two hypotheses provides the evidence (at the least for the employees in the middle level of labor pool) that non financial and financially unconvertible rewards are valued as much or more than financial rewards. With the exception of salary, in our select 11 rewards, the top five valued rewards are NFFUR. However, going beyond simple rank order, thirty matched pair analyses of individual rewards confirm the insights of Reif (1975). He concluded that the reward system that favors either extrinsic or intrinsic rewards would not lead to optimum utilization of human capital and knowing a particular composite of these rewards for a certain group or type of workers is key. With the financial and non-financial rewards frame of analysis, our study comes to the same conclusion.

Williamson et al (2002) suggested that job seekers’ knowledge of the organization and the organizational rewards is crucial in person-organization fit. However, it is equally critical that the employers have knowledge of the valence potential employees attach to organizational rewards. We built on Markman & Baron’s (2002) argument that person organization fit is more than KSA-job requirement fit. The central insight we extended is: organizational rewards should be designed and policies formulated to reflect three dimensions of fit – mutual financial and non-financial need gratification, identity congruence, and value compatibility. Since an employee, or a prospective employee, juggles her needs, values, and identity synchronously while making a decision to associate with a social unit, they can’t be interpreted in isolation. We found evidence to our insight that the fit assessment between the potential employee and employers occurs on all three dimensions as revealed by the perceived valence of employees on NFFUR and FFCR.

The central concern of the researchers interested in the intersection of HRM and Entrepreneurship is the applicability of the HRM practices in entrepreneurial context, including the applicability of traditional reward systems and practices (Barber et al, 1999; Cardon and Stevens, 2004). The evidence from our study conforms to the fit based approach in organizational rewards. We found reasonably strong evidence that that employee’s do differ in their valence attached to non-financial rewards in entrepreneurial and non-entrepreneurial firms. On the other hand, there is a plausible reason to believe that employees who attach a higher value to NFFUR are more attracted to entrepreneurial firms. Among financial rewards, those who attached higher value to salary and paid leave benefits were found to be more attracted towards non-entrepreneurial firms. On the contrary, although not statistically significant, there might be support for the incentive based variable pay system as suggested by Balkin and Logan (1988) and Graham et al (2002) in their theoretical papers. Those who attach higher value to equity ownership and bonus and profit sharing plans were found more likely to be attracted to entrepreneurial firms. Given the scenario, the practical implication of this research for entrepreneurial firms would be to find a right mix of financial and non-financial rewards. Some degree of conformity to established practices, mostly in terms of financial rewards, can help them access the labor pool. But more importantly, differentiating in terms of non-financial rewards and communicating such rewards might be the tool for attracting the right employees.
Theoretical Limitations and Further Research

First, we are aware that the job choice decisions or attitudes of an employed and an unemployed respondent might be different due to reservation wage differences (i.e., an unemployed is more likely to compromise or might have a more compromising attitude due to the absence of employment) (c.f. Rynes et al, 1983). Second, we are asking for the value attached by the employees as their attitude and not measuring their behavior directly for this is not a prospective study. Third, our study is not designed to differentiate explicit and implicit motives (Kehr, 2004); in this paper we are referring to explicit motives of employees which are directly related with the rewards and are the functions of conscious mind (as opposed to sub-conscious). Fourth, while the evidence for the expectancy hypothesis is inconclusive (c.f. Rynes & Lawler, 1983), we do not rule out that expectancy factor might be as important as the valence in job choice decisions. Finally, five variables/constructs we identified as representing the NFFUR category don’t exhaust NFFUR. For example, like climate for creativity, opportunity for learning might be an effective non-financial reward and a discriminating function in predicting firm type selection. For its exploratory nature, precision with fewer variables was more desirable than inclusion. Studies with other potential NFFUR and the replication of this study in a different setting would be one step further.

CONTACT: Bruce Kemelgor; bhkeme01@louisville.edu; (T): 502-852-4788; University of Louisville College of Business.

NOTES

1. By organizational climate we mean a relatively enduring quality of the internal environment of an organization that is experienced by its members and influences their behavior.

REFERENCES


APPENDIX

Figure 1: A Reward-anchored Model of Person Organization Fit

Potential employees’ knowledge of organizational rewards (NFFUR & FFCR) – Need Satisfaction - Value Compatibility - Identity Congruence

<table>
<thead>
<tr>
<th>Rank Order</th>
<th>Tested Pair</th>
<th>t</th>
<th>Sgn.</th>
<th>Tested Pair</th>
<th>t</th>
<th>Sgn.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salary</td>
<td>NFFUR - FFCR</td>
<td>4.8</td>
<td>0.000**</td>
<td>Autonomy - Salary</td>
<td>-2.7</td>
<td>0.007</td>
</tr>
<tr>
<td>2. Job meaningfulness</td>
<td>Work F. – Health B.</td>
<td>1.2</td>
<td>0.243</td>
<td>Autonomy - Bonus P. S.</td>
<td>5.0</td>
<td>0.000**</td>
</tr>
<tr>
<td>3. Work Flexibility</td>
<td>Work F. – Paid L. B.</td>
<td>3.1</td>
<td>0.003*</td>
<td>Autonomy - Equity O.</td>
<td>9.0</td>
<td>0.000**</td>
</tr>
<tr>
<td>4. Autonomy</td>
<td>Work F. - Salary</td>
<td>-2.5</td>
<td>0.013</td>
<td>Creativity - Health B.</td>
<td>0.4</td>
<td>0.68</td>
</tr>
<tr>
<td>5. Climate for Creativity</td>
<td>Work F. – Equity O.</td>
<td>8.7</td>
<td>0.000**</td>
<td>Creativity - Paid L. B.</td>
<td>1.7</td>
<td>0.1</td>
</tr>
<tr>
<td>6. Health Benefit</td>
<td>Tolerance for R. - Health B.</td>
<td>-3.0</td>
<td>0.003*</td>
<td>Creativity - Salary</td>
<td>-3.2</td>
<td>0.002*</td>
</tr>
<tr>
<td>7. Retirement Benefit</td>
<td>Tolerance for R - Paid L. B.</td>
<td>-1.6</td>
<td>0.109</td>
<td>Creativity - Equity O.</td>
<td>8.8</td>
<td>0.000**</td>
</tr>
<tr>
<td>8. Paid Leave Benefit</td>
<td>Tolerance for R - Salary</td>
<td>-7.0</td>
<td>0.000**</td>
<td>Job M. - Health B.</td>
<td>2.2</td>
<td>0.027</td>
</tr>
<tr>
<td>9. Tolerance for Risk</td>
<td>Tolerance for R - Equity O.</td>
<td>5.0</td>
<td>0.000**</td>
<td>Job M - Paid L. B.</td>
<td>3.7</td>
<td>0.000**</td>
</tr>
<tr>
<td>10. Bonus and Pt. Sharing</td>
<td>Autonomy - Health B.</td>
<td>0.9</td>
<td>0.356</td>
<td>Job M - Salary</td>
<td>-1.9</td>
<td>0.068</td>
</tr>
<tr>
<td></td>
<td>Autonomy - Retirement B.</td>
<td>1.9</td>
<td>0.062</td>
<td>Job M - Bonus P. S.</td>
<td>6.7</td>
<td>0.000**</td>
</tr>
<tr>
<td></td>
<td>Autonomy – Paid Leave B.</td>
<td>23</td>
<td>0.023</td>
<td>Job M – Equity O.</td>
<td>11.7</td>
<td>0.000**</td>
</tr>
</tbody>
</table>

Table 1: Rank Order and Paired Sample t Tests on the Valence Difference
(N =92, In few cases missing data up to 3, Significance: *P< 0.005 **P < 0.001, Bonferroni correction)

Potential employers’ knowledge of employee valence factor on organizational rewards (NFFUR and FFCR)