

An analysis of the utilization and effectiveness of non-financial incentives in small business

Non-financial
incentives in
small business

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Abstract *This research was conducted in order to determine what variables would give small businesses (defined as any firm with less than 100 employees) an advantage versus larger businesses in attracting and maintaining employees while optimizing their performance. Job enrichment, employee recognition, pay equity and managerial skill do affect employee job satisfaction in small business. However, there was sufficient evidence to indicate that income was, at the very least, a moderating factor with regard to the success of non-monetary incentives. Therefore, the variables studied are most effective when supplemented with an income that allows employees to meet physiological and security needs for themselves and their families. What this article demonstrates is that by increasing job satisfaction via job enrichment, employee recognition, internal pay equity and the use of skilled managers, smaller firms can increase productivity and attractiveness to existing and potential employees.*

Introduction

Imagine a scenario in which all of the small and medium sized businesses in North America were to disappear. This would mean over 90 per cent of all businesses would close. Approximately 60 per cent of the workforce would now be unemployed and the GNP would fall by about 45 per cent (Watson and Everett, 1993).

Obviously, the above statement is an extreme example, but at a time when the business world seems to be dominated by mega-corporations, mega-marts and mega-depots, it is easy to forget that the North American business engine is fuelled, to a very large extent, by small and medium-size businesses. For the purposes of this article, the lower boundary benchmark number of employees as described by Watson and Everett (1993) was used in the range from 100 to 1,500 employees. To ensure that more small and less medium sized businesses were focused upon, an upper limit firm size of 100 employees was the criteria for respondents participating in the study. Nevertheless, these smaller firms are constantly battling larger firms for market share, sales and last, but by no means least, resources. Among those resources are employees. One concern is how these small firms are able to compete against their larger counterparts in attracting and maintaining employees when, at least financially, they are unable to offer the same level of compensation. The answer may very well lie in

remuneration via alternative, non-monetary, methods (Appelbaum and Shapiro, 1991). However, as is observed in the literature small businesses often lack the skill, at the managerial level, to successfully implement these techniques.

While small business may play a pivotal role in the North American economy, it is also susceptible to very high failure rates among start-ups. Almost 80 per cent of all small business start-ups fail within their first ten years (Ibrahim and Ellis, 1993). There is no one particular reason for this high failure rate.

The answer is not that simple; there are also intrinsic issues to be examined. It is the responsibility of small business owners and managers to identify and target those factors they can use as leverage in attracting and maintaining skilled employees that could give them the edge against "the corporate machine".

It is imperative to understand and identify alternative remunerative options in order to ensure the survival and success of small and medium sized businesses. This key small business segment is an essential part of a healthy North American economy. The question now becomes, other than pay, how best to motivate employees.

Multiple factors: a review

Job enrichment

There are vast arrays of tools that may be used to enhance employee satisfaction. However, since the job itself is where employees will be most involved at work, it is there that one should begin the classical and foundation search for ways to increase satisfaction.

There is no one answer in discovering a non-monetary motivator for employees. However, Gensing (1996) believes *job enrichment* is the best way to increase employee motivation and productivity. Some of the ways by which this may be accomplished are factors such as job re-design, job sharing, flextime, participation and a team focus. However, to gain full employee commitment to this approach, Gensing indicates the need to combine these with building employee autonomy, being responsive to suggestions and offering constructive feedback, empowering employees to develop client relationships and performing within a work unit context. This approach then assumes that money is a limited motivator and that the job is the source of the problem and not the employee. Therefore, by altering aspects of the job and the tasks involved, the chain of monotonous, repetitive and isolated task performance is broken and replaced with decision making, planning variety and challenge. This could include cross-over tasks that involve, for example, interaction with other departments.

Weiss (1997) agrees with Gensing's (1996) approach and indicates that the normal reflex action of employers, to increase compensation and benefits in a tight labour supply market, is only effective when combined with factors that will increase employee involvement and interest in their jobs. In addition, using

methods such as creating opportunity for job advancement, empowerment, creating challenges, treating employees with respect and recognizing their achievements will serve as more cost effective employee retention techniques. Employees surveyed in this research indicated general satisfaction with pay, but retention being less likely as a result of low morale stemming from inadequate job/personal satisfaction. This level of satisfaction was significantly improved through the use of the aforementioned techniques.

In an age where advanced technology industries are becoming more and more prevalent, employees in these fields also require greater challenge and autonomy. Steen (1997) observed that IT professionals were more interested in working with the latest and higher profile technologies. Also, things such as flexible hours and being able to work at home were of greater importance than obtaining a higher level position within the firm or increased pay. Of equal importance to pay were factors such as training, educational assistance, the latest equipment and a pleasant work environment. Again, the elements of challenge, job evolution and recognition are of significant importance. The latter point is expanded upon by Holley (1997), who cites factors such as “curb appeal”, the physical attractiveness of the workplace at a glance, as being important in attracting employees. Along with others, such as the challenge offered by the job *vis-à-vis* growth, both personal and professional, along with perceived equitable pay (externally and internally). While pay is important, as previously mentioned, it is only relevant to the degree where it is considered fair and equitable compared to similar positions within and outside of the organization.

Job satisfaction is also enhanced through encouraging autonomy and group cohesion (Swift and Campbell, 1998). These are combined to create a more positive “psychological climate” within in an organization. This climate is positively related to job satisfaction. In fact, Sunoo (1998) stresses the importance of creating a balanced and challenging work environment in order to increase employee optimism and retention, since it is the job, not the place of work, that will have the greatest effect on satisfaction.

In order for employees to be truly satisfied and motivated in their jobs, they must feel that they are contributing, learning and enjoying themselves (Markovich, 1997). A major advantage that small businesses enjoy over their larger counterparts is the ability to adapt quickly to changes in the environment. However, to fully achieve this, it is critical to be able to tap into the human resources within an organization. Markovich has determined that by fostering trust through relationships, employees are more likely to communicate information and, in the process, learn, contribute and glean a sense of freedom from their work environment. The resulting enjoyment and satisfaction experienced by the employees are key factors in organizational success.

Utley *et al.* (1997) observed that both Herzberg *et al.*'s (1959) motivator and hygiene factors were required in creating an environment where employees operate more effectively and with greater success. Motivators such as

organizational culture, customer focus, teamwork and problem solving were cited as having a positive relationship in the context of implementing quality improvement. Therefore, while adequate pay may be sufficient in reducing dissatisfaction, it may not be sufficient as a stand-alone motivator. Job enrichment is a means of complementing pay and providing more motivational sources. If one of the two factors is in abundance and the other is noticeably lacking, Herzberg states that there could be a negating effect where each cancels the other, resulting in no net positive or negative behaviours (Vecchio and Appelbaum, 1995). Since every possible advantage is key in a small business's survival, this is hardly desirable. See Tables I and II for Herzberg *et al.*'s hygiene factors and motivators.

Is re-shaping the job enough? What then happens when the tasks are accomplished? Are the employees rewarded, and does it matter? Much of the literature indicates that variables such as employee recognition are requisite in maximizing employee satisfaction.

Employee recognition

The underlying assumption in this approach is that employees, like all individuals, need some acknowledgement of their accomplishments. As is shown in the following sections, there is a vast amount of evidence suggesting that validation of task accomplishment by peers is a strong predictor of employee satisfaction.

Among the factors to be cognizant of is the aspect of recognizing and praising those behaviours deemed relevant and beneficial to the firm in question. Lack of employee recognition is cited as a major and recurring source

	What they are
Salary and benefits	These include basic income, fringe benefits, bonuses, vacation time, company car, and similar items
Working conditions	These conditions include working hours, workplace layout, facilities, and equipment provided for the job
Company policy	The company policy is the rules and regulations – formal and informal that govern employers and employees
Status	A person's status is determined by rank, authority, and relationship to others, reflecting a level of acceptance
Job security	This is the degree of confidence that the employee has regarding continued employment in an organization
Supervision and autonomy	This factor concerns the extent of control that an individual has over the content and execution of a job
Office life	This is the level and type of interpersonal relations within the individual's working environment
Personal life	An individual's personal life is the time spent on family, friends, and interests restricted by time spent at work

Table I.
Hygiene factors

Source: Heller and Hindle (1998)

	Why they work
Achievement	Reaching or exceeding task objectives is particularly important because the “onward-and-upward” urge to achieve is a basic human drive. It is one of the most powerful motivators and a great source of satisfaction
Recognition	The acknowledgment of achievements by senior staff members is motivational because it helps enhance self-esteem. For many staff members, recognition may be viewed as a reward in itself
Job interest	A job that provides positive, satisfying pleasure to individuals and groups will be a greater motivational force than a job that does not sustain interest. As far as possible, responsibilities should be matched to individuals’ interests
Responsibility	The opportunity to exercise authority and power may demand leadership skills, risk taking, decision making, and self-direction, all of which raise self-esteem and are strong motivators
Advancement	Promotion, progress, and rising rewards for achievement are important here. Possibly the main motivator, however, is the feeling that advancement is possible. Be honest about promotion prospects and the likely timescale involved

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Source: Heller and Hindle (1998)

Table II.
Motivators

of employee turnover. In particular, this lack of recognition has resulted in firms losing disenchanted innovators as well as lower levels of effort and even sabotage and espionage (Dutton, 1998). A manner in which this cycle may be broken is through creating challenges in employees’ jobs and by recognizing their efforts. This will result in greater productivity, creativity and inspiration from employees experiencing greater fulfillment in carrying out their daily tasks. Given organizational flattening that is the current trend, the conditions are optimal for emphasizing greater employee autonomy. In fact, this type of activity is creating an entrepreneurial environment within larger corporations. Clearly, the smaller, more adaptable firms should interpret this phenomenon as an indicator of how to better utilize their size as an advantage in employee attraction and retention.

Disturbingly, recognition is often perceived as a costly, non-essential practice that generates no significant benefit to organizations (McConnell, 1997). As a result of downsizing and reengineering, many of these recognition programs have been scrapped for the reasons just mentioned. However, McConnell states that by recognizing employees’ accomplishments, many psychological and motivational needs are met, resulting in enhanced performance. Also, elaborate and costly systems are not required for these simple acts of recognition to be implemented. They may be carried out at a supervisory level as opposed to the organizational level. However, recognition must be carried out in such a way that it is administered in order to reward employee achievements that are indicative of commitment to the organization and are tied to specific accomplishments.

Gines (1998) observes that companies must foster employee motivation through acknowledging achievements that are in line with corporate long term objectives as well as activities that generate immediate results. This is best accomplished by incorporating the company's culture and values into the training regime. It is anticipated that the employees will, ultimately, internalize into their day-to-day activities.

Expectations: clarity

McShulskis (1998) observed that, while it is important to recognize the efforts and achievements of employees, these activities must be congruent with the employee's expectations of their duties and the respective remuneration. Most exit interviews found that employees usually indicate leaving for more pay, but the reality is that this occurred due to a gap between the original employment agreement and the reality of the job. Therefore, the importance of a realistic job preview is to minimize the expectation gap between employees and the organization. Hom *et al.* (1998) concur with McShulskis by having observed turnover rates of 8.5 per cent versus 17.8 per cent in realistic job preview and non-realistic job preview, respectively. Both authors indicate that job enrichment must be implemented in conjunction with what is realistically expected by all parties involved.

Grant (1997) indicates the importance of making clear the expectations of employees. This research suggested that 85 per cent of non-managerial personnel found their job descriptions to be deficient. Therefore, it is unrealistic to appeal to employees' expectations if they are vague and ambiguous right from the start. In order to ensure that expectations are realistic and used as a motivational tool, they must first be clearly identified and communicated in, among other things, job descriptions.

How effective, though, can any of these techniques be if the employees in question are not satisfied with their pay? What if the employees are unable to sustain a comfortable standard of living for themselves and their families? Logically, it is assumed that the relevance of the non-monetary incentives would be hindered.

How do most of us determine if we are adequately paid? In general, pay adequacy is often determined through salary comparisons with those within the same firm and between similarly employed individuals in different firms. It is crucial to understand how pay equity affects employee satisfaction.

Pay equity

While these forms of non-monetary motivation are espoused as effective means in motivating and retaining employees, they decrease in effectiveness when implemented without consideration to pay satisfaction (Ting, 1997). Only when the Gestalt of factors such as satisfactory pay, promotional opportunity, perceived task relevance and degree of challenge is used, will the true benefits be made apparent. Any one or combination of factors in a vacuum will yield only limited success in increased employee satisfaction and output.

While the above authors expressly advocate the use of intrinsically appealing non-monetary motivators, they all express the requirement that they be implemented in the context of equitable (perceived, at least) pay. As indicated by Holley (1997) and Ting (1997), the employees must feel that they are being remunerated fairly within the organization when compared to similar positions in other organizations. When capital is not available, stock ownership is another alternative that helps increase motivation and participation by involving the employees in the company's success, as they will have a greater stake in the overall performance (Lewis, 1997). The major benefit, according to Lewis, of these strategies is that they communicate the desirable behaviours within an organization. By rewarding those behaviours that yield results sought by the company, the employees develop a clearer understanding of the direction both they and the organization are headed and how better to get there.

Is salary still the bottom line?

While there is much support for job satisfaction being achieved through the use of non-monetary incentives such as recognition, autonomy and diversity, it is irresponsible not to recognize the corollary. Lewis (1997) pointed out the importance of perceived pay equity, both, internally and externally.

McShulskis (1997) determined that, while 80 per cent of employees rated their organization as the "best place to work", 40 per cent would quit in order to obtain only marginally higher pay. While this finding was found to be more significant for younger employees, there was a clear positive relation between employee loyalty/retention and compensation.

Given the strong relationships between pay satisfaction and absenteeism, productivity, turnover and unionization, this is a variable that must be fully understood. Heneman *et al.* (1998) suggest that instead of using the traditional macroeconomically determined pay plans, more accurate performance-based systems should be devised in order to increase the relevance of rewarding desired efforts and behaviours. Unfortunately, many employers don't analyze the indirect impact of negative employee attitudes towards pay beyond the immediately observable effect to the bottom line. Some of these undesirable and costly consequences are increased absenteeism and higher turnover rates.

Steen (1998), in a survey of IT professionals, observed that employees were driven, primarily, by high salaries, performance-based raises and flextime. Again, as was mentioned earlier, none of these factors may be implemented in a vacuum. Pay must be combined with more intrinsically based factors in order for either to be effective (Appelbaum and MacKenzie, 1996). Despite strong evidence for the use of these non-monetary incentives (in a fair pay context), in the small business environment, there is one final barrier in the success or failure in their implementation. That is, the small business manager.

Managerial skill: small firms

Without adequate managerial skills and abilities, all of the theories regarding employee satisfaction are for naught. The managers must be competent enough

to implement these tools. Otherwise, without the necessary decision-making capabilities, tolerance for mistakes and innovative focus, attempts at implementation of non-monetary approaches to increasing satisfaction will be met with less than desirable results.

Another problem with the implementation of these types of non-monetary incentives as forms of compensation is that managers must be aware of what types are appropriate, if they are congruent with the corporate culture and how to deliver them with sincerity and efficacy. Many cases of small business failure are a result of management personnel lacking the necessary skills (Gaskill *et al.*, 1993). While recognition as a motivator may be an effective non-monetary alternative, it is also as likely to backfire if improperly implemented by an unskilled supervisor or manager. In fact, it may be safe to assume that the human factor, that is, the execution of other non-monetary techniques, will also be a deciding factor on their success or failure. Again, bearing in mind the significant number of smaller businesses failing due to unskilled managers, this factor may be quite relevant in assessing the efficacy or viability of implementing non-monetary motivators.

Jennings and Beaver (1997) emphasize that small business success or failure hinges on managerial skill and decision making. The role of the small business manager being, in general, more multifaceted than their large company counterparts, makes them a key ingredient at both the strategic and operational level.

Other studies confirm the belief that there is an inverse relationship between firm size and probability of insolvency (Hall, 1992). Among the reasons given by small business owners for firm failure was lack of skilled operational management. Therefore, when examining the implementation of these non-monetary incentives, it must also be determined if there is a skilled enough management infrastructure in place to successfully do so.

In an era where innovation is key to success, it is of paramount importance to create an environment where creativity may flourish. Nicholson (1998) cites 3M as a prime example of how innovation can be encouraged through reward and recognition. A unique aspect of this approach is the focus on tolerance of mistakes by managers as being part of that innovative process as opposed to a source of punishment.

In a firm where 30 per cent of sales are generated from new products that have been on the market for less than four years, motivation to innovate is a matter of corporate success. However, activities must be encouraged in such a manner that they support the corporate vision of profitable growth. Again, it is the responsibility of managers and supervisors to listen and be attentive to new ideas presented to them. Without the manager's ability to foster a relaxed environment where there is no fear in expressing one's ideas, the level of employee motivation to do so will drop significantly. Again, Gaskill *et al.*'s (1993) emphasis on the need for skilled management is hard to overstate.

From what has been presented, there is strong evidence for job enrichment, recognition, perceived (internal and external) pay equity, realistic and clear employee/employer expectations and managerial skill being positively related to job satisfaction.

Job satisfaction

All of the information presented to this point begs the question of how relevant job satisfaction is with regard to employee productivity. Once again, the literature tends to indicate that there is a strong correlation between job satisfaction and productivity via the following question. "Is it important for employees to be satisfied?" If job satisfaction does not add any value or is not quantifiably beneficial, how important is it? With only 47 per cent of the Canadian workforce claiming to be satisfied with their jobs, this becomes particularly relevant (Anonymous, 1997).

Grant (1998) echoes the importance of job enrichment and recognition. In a survey of 55,000 workers, it was determined that the following attitudes correlated positively with higher profits: workers perceive that they are doing what they do best; they are able to make input in day-to-day operations; that there is a quality commitment from their peers; and that there is a clear link between their activities and the corporate mission. A difference in returns of about 10 per cent was observed between firms with dissatisfied employees in favour of those with satisfied staff.

Similarly, Oliver (1998) used a seven-year longitudinal study of 100 medium sized firms and determined that effective management in maintaining employee satisfaction resulted in 19 per cent higher profits and 18 per cent greater productivity. There was a greater output and profit advantage enjoyed by firms that invested in meeting the satisfaction needs of employees and training staff to maintain a skilled and motivated workforce. The factors of greatest importance were found to be "recruitment, appraisal, training, reward systems, job design and communication".

At a more basic level, Mendonsa (1998) cites that factors such as employee recognition, perceived relevance of tasks being performed and their effect on the organization as a whole are key in reducing costly turnover. This is especially true of the tight North American labour market. Here, satisfaction is not a mediating factor, but the independent factors have been observed to result in job satisfaction in much of the research conducted to date. Therefore, effective management in reducing turnover will keep costs lower, yielding higher returns.

Another study, appearing in *People Management* (Anonymous, 1998), found that job satisfaction was the most important predictor of future productivity. By "managing the whole person", firms instill a sense of accountability, ownership, creativity and skill development within employees. The study goes on to point out that, despite these findings, and the oft made claims of employees "being the most important asset", firms frequently under invest in HR and the people they profess are so significant. By letting employees know

that they are valued and that their opinions are important and should be expressed, firms can increase profits and productivity by as much as 27 per cent and 22 per cent, respectively, over firms that do not promote these beliefs (Prickett, 1998). In this study, job satisfaction was also found to be positively related to organizational performance. Similarly, Gingras (1998) and Utley, Westbrook, and Turner (1997) observed that, among other things, job dissatisfaction resulting from a lack of perceived relevance within the organization had a negative effect on productivity.

Among the naysayers, Walsh and Tseng (1998) indicate that job satisfaction has little effect on employee levels of active effort. Wages were also found to be of little significance on active effort. Nevertheless, recognition and employee participation were found to be directly and positively related to active effort. This finding is similar to Mendonsa (1998) as recognition, again, plays a key role without being linked to job satisfaction.

Interestingly, in a study of the causal link between job perception and job satisfaction, Wong *et al.* (1998) found a reciprocal relation between job perception and job satisfaction. This opposes Sunoo's (1998) finding that it is the job, not the company that one works for, which is the primary determinant of job satisfaction. It is also in indirect conflict with Holley's (1997) curb appeal theory.

Still, the evidence seems to be quite positive in response to whether a satisfied employee is a productive one. Though the manner in which it manifests itself may vary. For example, McCue and Gianakis (1997) observed that job satisfaction among professionals would be a symptom of their ability to better meet the demands placed upon them. This is accomplished by constantly improving their skills and knowledge base.

Research has shown that the independent variables proposed in the above literature are key in the administration and success of non-monetary incentives. However, very little of this research was obtained through the examination of small business. The purpose of this research and article is to examine those variables in a context where they may be applied and have profound effect. That is, the realm of small business.

Methodology

Some researchers take the approach of defining small business by revenues, number of employees, size within their particular industry or total worth, among other things. Among those categories, there is much dissention and debate as to which is most applicable. In fact, 700 definitions were presented to a Congressional Committee as to how small businesses should be defined (Watson and Everett, 1996).

For the purposes of this article, the lower boundary benchmark number of employees, as described by Watson and Everett (1996), was used. The researchers indicated that many US studies have used benchmarks from 100 to 1,500 employees. Therefore, to ensure that more small and less medium sized businesses were focused upon, an upper limit firm size of 100 employees was the criteria for respondents to participate in the study. In addition, this would

be the most accessible information available in assessing whether or not a business is considered small. That is, respondents may not be privy to data such as revenues and profits, thereby rendering small business definitions based on those parameters more difficult to obtain.

The hypotheses

Given the fact that many employees in small business must multi-task and become involved with various aspects of the operations, this will be the ground for the first hypothesis to be tested, that is, that:

H0: there is a direct relationship between job diversity/enrichment and job satisfaction.

While there is much support for this hypothesis, there are many dissenters who believe pay is the driving force to employee motivation.

Second, it must be assessed whether employees are being recognized for their accomplishments since:

H1: there is likely a direct relationship between recognition of employee accomplishments and job satisfaction.

Recognition is cited in the research as being among the most important factors in employee satisfaction, yet employers place so little stress on implementing programs to implement formal recognition techniques and systems.

Further, it is assumed that these accomplishments, and the job diversity mentioned in *H0* are perceived, by the employees in small businesses, as being congruous with their responsibilities.

H2: There is a direct relationship between employee satisfaction and the clarity of the expectancies placed upon them.

According to the current research, there are conflicting reasons for departure given during exit interviews. The basic question is whether employees are leaving because of pay concerns or due to ambiguous expectations being placed upon them.

While the importance of intrinsic factors is a major focus, it may not be studied in a vacuum. Clearly:

H3: there appears to be a direct relationship between perceived internal pay equity and job satisfaction;

H4: likewise, a similar direct relationship is anticipated between external pay equity and job satisfaction.

This is the foundation block upon which many of these theories are founded, so it must be determined if employees in small business feel they are being fairly remunerated. In particular, it must be determined if the non-monetary incentives proposed are able to function in the absence of perceived pay equity.

The fifth hypothesis attempts to test the need to implement the key motivators identified up to this point. Therefore:

H5: there is a direct relationship between managerial/supervisory skill and the level of job satisfaction.

Given that many small businesses are entrepreneurial ventures with owners that may be lacking in formal, or even practical, business backgrounds, this point is extremely relevant in the context of this study.

The final hypothesis is intended to examine:

H6: the combined effect of all of these factors on job satisfaction (*H6*).

This is necessary to determine if small businesses can truly create a “Utopian” work atmosphere in maximizing job satisfaction.

Given the great deal of evidence supporting job satisfaction being directly and positively linked to productivity and profitability, these dependant variables will be treated as one and the same.

There were 45 target firms selected randomly via contacts within various industries and departments in order to obtain as varied a distribution of respondents as possible. Of the key 45 individuals within these firms approached, 33 responded to the questionnaire (response rate of 73.3 per cent). Despite assurances of confidentiality, the sensitivity of some of the data and limited time availability rendered it difficult to obtain sampling frame and a larger sample.

Data collection instrument

A questionnaire was designed to obtain demographic information regarding the respondents, their position within the firm, gender, firm size, the industry in which the firm operates, household income and number of years worked at the firm in question (Figure 1).

Of the respondents, there were two owners, five managers, 24 individuals in non-management positions and two consultants. With regard to gender, 15 males and 18 females were involved in the study.

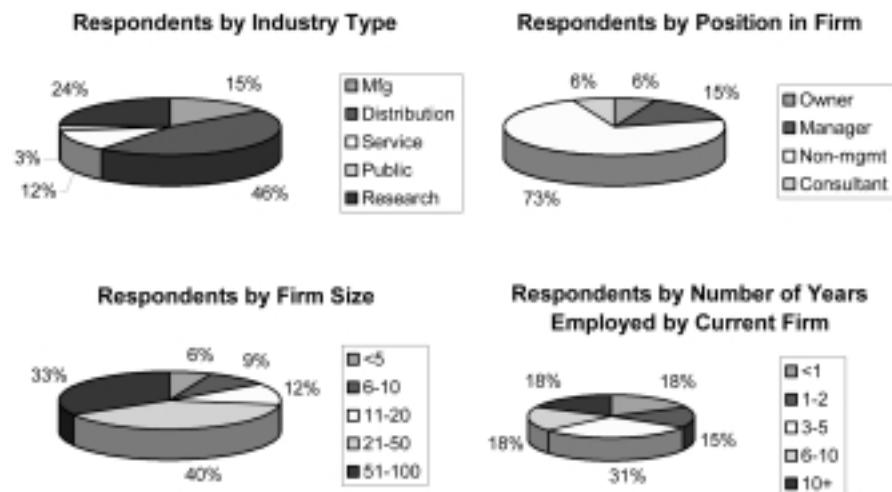


Figure 1.
Graphical breakdown of
respondent
demographics

Two respondents worked in firms of less than five employees, three in companies between six and 10, four in 11 to 20 employee firms, 13 in 21 to 50, while 11 operated in firms of 51 to 100 employees.

Of those firms, five were in the manufacturing sector, 15 distributors, four in the service industry, one public sector and eight in research.

Finally, regarding respondent characteristics, six had been employed at the firms in question for less than a year, five for between one and two years, 10 for three-five years, six for six-ten years and six over ten years.

Prior to interpreting the data gleaned from the above quantitative results, it is imperative to obtain a more comprehensive view of the sample studied and the demographic factors involved. This will also provide more clarity as to what other variables may be intervening and affecting the effectiveness or lack thereof the independent variables.

The respondents were found to have worked, on average, for 11.3 years in firms employing about 19.48 employees. The respondent mean household income was determined to be \$46,201. Interestingly, and supporting the lack of significance found for recognition of job satisfaction, when asked what variable had the greatest effect on their job satisfaction, only 12 per cent of respondents indicated "recognition of achievements". Similarly supportive of the statistical data pertaining to job enrichment, 21.2 per cent of respondents indicated that they gained satisfaction from the challenge and diversity presented by their jobs.

Quite a few respondents (24.2 per cent) suggested that they experienced job satisfaction through associations with their co-workers. Despite the findings regarding external job equity, 27.3 per cent responded that pay equity with regard to similar positions within other firms was key to their job satisfaction. Conversely, and contradicting the statistical data, no respondents equated internal pay equity as being the primary source of job satisfaction.

The body of the questionnaire was designed to measure the independent variables as described in the hypotheses. The variables chosen were those that received the most support within the literature. They were job enrichment (measured by examining diversity and autonomy on the job *H0*), recognition (*H1*), clarity of expectations (*H2*), internal equity (*H3*), external equity (*H4*) and perceived managerial skill (*H5*). Essentially, the goal was to determine if those variables studied and shown to promote job satisfaction were also applicable in the small business environment. Therefore, the hypotheses were derived from the literature regarding non-monetary incentives and the questionnaire was designed in conjunction with the measurement of the independent variables indicated therein, as well as job satisfaction (the dependent variable).

Essentially, the questions used to test the hypotheses were extrapolated from the various conclusions put forth in the literature on the subject of non-monetary incentives. The questions were designed to measure the factors occurring with regularity within the literature, but with a small business focus.

Five questions were used to examine each of the following variables; job enrichment, recognition and clarity of expectations. Four each were used to observe internal equity and managerial skill. Three were used for both external

equity and, finally, six questions (which include the third question in the descriptive statistics section) were used to measure the degree of job satisfaction.

The core statistical data were obtained through the use of a Likert-type scale since it offered the most effective manner of quantifying employee perceptions regarding the relevant variables. The respondents were required to respond to the questions on a scale ranging from 1 to 5 in which they were asked to gauge their responses ranging from strongly disagree (1) to strongly agree (5), where 3 represented a neutral response.

The objective of the study and resulting research was not to uncover all of the possible motivators available to small businesses, but to focus on those that hold the greatest impact in increasing job satisfaction/productivity. Between the independent variables examined and the qualitative data gleaned, it is believed that invaluable data would be gleaned on the subject.

A copy of the questionnaire is included in the Appendix.

Results of the research: quantitative analysis

An analysis of the data yielded encouraging results with regard to the identification and import of non-monetary incentives in promoting job satisfaction as four (job enrichment, internal pay equity, managerial skill and the combined effect of all independent variables) of the seven hypotheses tested yielded significant results.

However, there is a strong argument for employee recognition as being a significant motivator, as well, when responses outside the norm are discarded. Table III is presented to yield a clear view of how the respondents rated each variable being tested as well as demographic data. Columns one to seven measure demographic factors, but it is important to note these are not absolute measures but represent a range specified within the questionnaire. The remaining seven columns are mean measures of how each respondent answered questions pertaining to the hypothesis being tested. The last column is the mean of job satisfaction. Following this table will be an analysis of each hypothesis with all coefficients of correlation, multiple regressions and analyses of variance.

H0 – diversity is the spice of life. . . and jobs

Job enrichment, as examined through such factors as job diversity and autonomy, was found to be a significant variable affecting job satisfaction ($r = 0.725$, $p = 0.000$, mean = 3.7879). In addition to significance at a 99 per cent level of confidence, the strength of the positive relationship is indicative that job enrichment is a key element in attaining job satisfaction as a non-monetary incentive. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Pos'n	Gender	Size	Type	Inc.	Yrs	Effect	Enr-0	Recog-1	Exp-2	Int-3	Ext-4	Skill-5	Sat-Dep
4.00	1.00	4.00	2.00	1.00	3.00	5.00	3.00	1.00	4.00	2.00	3.00	1.75	3.33
4.00	1.00	4.00	2.00	4.00	3.00	1.00	3.60	2.40	4.20	3.25	1.67	3.25	3.67
4.00	1.00	5.00	2.00	2.00	3.00	1.00	3.00	4.40	4.00	2.75	2.00	2.25	1.83
4.00	2.00	5.00	2.00	3.00	5.00	1.00	3.60	3.40	4.25	2.33	3.67	2.25	3.33
4.00	2.00	5.00	2.00	2.00	4.00	#N/A	3.20	3.20	3.40	2.00	2.00	4.00	3.33
3.00	2.00	4.00	2.00	3.00	4.00	1.00	4.00	3.00	3.40	2.75	2.67	3.50	4.00
4.00	2.00	2.00	3.00	3.00	2.00	5.00	4.00	3.60	3.20	3.00	2.00	4.25	4.00
4.00	1.00	5.00	2.00	2.00	4.00	1.00	3.60	1.60	3.80	2.00	2.00	3.75	4.00
1.00	1.00	5.00	2.00	5.00	5.00	5.00	5.00	3.20	2.40	3.00	4.00	3.00	4.67
4.00	2.00	5.00	2.00	3.00	1.00	4.00	4.80	3.60	2.80	3.00	1.67	2.75	4.33
5.00	2.00	1.00	3.00	5.00	3.00	4.00	4.60	3.60	4.80	4.25	4.00	3.50	4.83
4.00	2.00	5.00	3.00	1.00	1.00	1.00	2.40	2.20	3.80	3.25	3.00	3.00	2.67
3.00	2.00	3.00	1.00	1.00	2.00	3.00	4.40	5.00	4.00	2.75	2.00	4.00	4.33
4.00	1.00	3.00	1.00	1.00	3.00	1.00	3.00	3.60	3.80	3.25	3.00	3.50	3.67
4.00	1.00	3.00	1.00	1.00	2.00	1.00	3.60	3.80	2.80	2.75	2.00	4.00	2.33
4.00	1.00	2.00	1.00	2.00	1.00	5.00	3.80	4.20	3.40	3.25	1.67	4.25	4.67
4.00	1.00	2.00	1.00	1.00	2.00	4.00	4.20	4.80	3.80	3.00	3.00	5.00	4.83
4.00	1.00	3.00	2.00	2.00	5.00	4.00	3.40	2.80	3.00	2.75	2.33	3.75	3.50
4.00	1.00	1.00	3.00	2.00	1.00	4.00	4.40	3.40	2.50	4.00	3.67	2.75	3.50
3.00	1.00	5.00	2.00	3.00	4.00	2.00	3.40	2.80	3.80	3.25	2.33	4.00	4.00
4.00	2.00	4.00	2.00	2.00	5.00	4.00	3.60	2.60	3.60	2.25	3.00	3.75	3.50
4.00	2.00	5.00	2.00	4.00	4.00	4.00	4.00	3.20	4.40	2.75	1.00	3.25	4.17
1.00	2.00	5.00	2.00	5.00	5.00	4.00	4.60	3.00	3.00	3.25	3.67	3.00	5.00
5.00	2.00	4.00	5.00	2.00	1.00	1.00	3.20	4.40	3.80	3.25	3.33	4.25	3.33
4.00	1.00	4.00	5.00	5.00	3.00	4.00	4.00	3.80	3.40	2.25	2.33	3.00	3.83
4.00	2.00	4.00	5.00	3.00	3.00	4.00	4.00	4.00	2.60	2.50	1.33	2.75	4.17
3.00	2.00	4.00	5.00	5.00	3.00	3.00	4.80	4.20	4.40	3.75	2.67	4.00	4.50
4.00	2.00	4.00	5.00	5.00	2.00	3.00	4.00	4.60	4.20	4.00	3.33	3.75	4.50
4.00	2.00	4.00	5.00	2.00	3.00	#N/A	2.80	3.40	4.40	2.75	2.67	3.25	3.83
4.00	1.00	4.00	5.00	4.00	3.00	3.00	3.80	4.20	3.80	4.00	2.00	4.00	4.17
4.00	2.00	5.00	4.00	4.00	4.00	4.00	2.80	2.40	2.80	2.50	2.33	1.25	3.17
4.00	1.00	4.00	5.00	2.00	1.00	4.00	4.00	4.20	3.80	3.00	1.00	3.75	3.83
3.00	2.00	4.00	2.00	4.00	5.00	5.00	4.40	4.40	3.80	3.00	2.00	3.50	4.83

Note: All independent variable values represent means of responses to questions used to measure the respective variable

Table III.
Raw data

Correlation coefficient and multiple regression testing “job enrichment” on “job satisfaction”

Correlation of Enrich-0 and Sat-Dep = 0.725

Regress “Sat-Dep” 1 “Enrich-0”.

The regression equation is:

$$\text{Sat-Dep} = 0.773 + 0.817 \text{ Enrich-0}$$

Predictor	Coef	Stdev	t-ratio	p
Constant	0.7731	0.5362	1.44	0.159
Enrich-0	0.8172	0.1396	5.85	0.000

$s = 0.5101$ $R\text{-sq} = 52.5\%$ $R\text{-sq}(\text{adj}) = 51.0\%$

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Analysis of variance

SOURCE	DF	SS	MS	F	<i>p</i>
Regression	1	8.9193	8.9193	34.27	0.000
Error	31	8.0672	0.2602		
Total	32	16.9865			

Unusual observations

Obs.	Enrich-0	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
3	3.00	1.8333	3.2248	0.1414	-1.3915	-2.84R
15	3.60	2.3333	3.7151	0.0926	-1.3818	-2.75R

R denotes an obs. with a large st. resid.

H1-recognizing the facts

Surprisingly, *recognition*, unlike job enrichment, was shown not to be a predictor of job satisfaction ($r = 0.266$, $p = 0.135$, mean = 3.4545). While previous studies have strongly indicated a reliable and positive relationship between recognition of employees accomplishments and job satisfaction, the results of this study indicate otherwise.

However, re-testing the data with the exclusion of the two (2) data points from respondents 3 and 15 (unusual observations owing to large and standard residuals), it was observed that recognition does have a significant effect on job satisfaction ($r = 0.515$, $p = 0.003$). In fact, not only is there a clear and positive correlation between the two variables, but the correlation coefficient is indicative of it being a strong one.

Therefore, and in keeping with most of the research to date, recognition does play a significant and prevalent role in serving as a predictor for job satisfaction. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Correlation coefficient and multiple regression testing "recognition" on "job satisfaction"

Correlation of Recog-1 and Sat-Dep = 0.266

Regress "Sat-Dep" 1 "Recog-1"

The regression equation is:

$$\text{Sat-Dep} = 3.13 + 0.213 \text{ Recog-1}$$

Predictor	Coef	Stdev	<i>t</i> -ratio	<i>p</i>
Constant	3.1340	0.4947	6.33	0.000
Recog-1	0.2127	0.1386	1.53	0.135

$s = 0.7136$ $R\text{-sq} = 7.1\%$ $R\text{-sq(adj)} = 4.1\%$

Analysis of variance

SOURCE	DF	SS	MS	F	<i>p</i>
Regression	1	1.1987	1.1987	2.35	0.135
Error	31	15.7878	0.5093		
Total	32	16.9865			

Unusual observations						
Obs.	Recog-1	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
1	1.00	3.333	3.347	0.362	-0.013	-0.02X
3	4.40	1.833	4.070	0.181	-2.236	-3.24R
15	3.80	2.333	3.942	0.133	-1.609	-2.29R

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R denotes an obs. with a large st. resid.

X denotes an obs. whose X value gives it large influence.

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H2-expect the unexpected

Another unexpected result, based on previous research findings, was that of the lack of significant findings between the *clarity of expectations* and job satisfaction ($r = 0.072$, $p = 0.689$, mean = 3.6106). Even when the recurring unusual observations (respondents 3 and 15) were factored out of the calculations, there was no significant relationship to be found.

It was, based on past research, hypothesized that there would be a positive relationship between clarity of expectations on employees and the resulting job satisfaction. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Correlation coefficient and multiple regression testing "clarity of expectations" on "job satisfaction"

Correlation of Expect-2 and Sat-Dep = 0.072

Regress "Sat-Dep" 1 "Expect-2".

The regression equation is:

$$\text{Sat-Dep} = 3.56 + 0.086 \text{ Expect-2}$$

Predictor	Coef	Stdev	t-ratio	p
Constant	3.5577	0.7818	4.55	0.000
Expect-2	0.0861	0.2136	0.40	0.689

$s = 0.7383$ $R\text{-sq} = 0.5\%$ $R\text{-sq(adj)} = 0.0\%$

Analysis of variance

SOURCE	DF	SS	MS	F	p
Regression	1	0.0887	0.0887	0.16	0.689
Error	31	16.8979	0.5451		
Total	32	16.9865			

Unusual observations						
Obs.	Expect-2	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
3	4.00	1.833	3.902	0.153	-2.069	-2.86R
15	2.80	2.333	3.799	0.216	-1.466	-2.08R

R denotes an obs. with a large st. resid.

H3-getting what you deserve

The perception of *internal pay equity* was found to have a significant effect on predicting job satisfaction ($r = 0.350$, $p = 0.046$, mean = 2.9646). While the strength of the relationship is not as obvious as that observed with job enrichment, this positive relationship indicates that perceived pay equity within an organization has a direct impact on the level of job satisfaction. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Correlation coefficient and multiple regression testing "internal pay equity" on "job satisfaction"

Correlation of Intern-3 and Sat-Dep = 0.350

Regress "Sat-Dep" 1 "Intern-3".

The regression equation is:

$$\text{Sat-Dep} = 2.58 + 0.434 \text{ Intern-3}$$

Predictor	Coef	Stdev	t-ratio	p
Constant	2.5807	0.6307	4.09	0.000
Intern -3	0.4345	0.2088	2.08	0.046

$s = 0.6934$ $R\text{-sq} = 12.3\%$ $R\text{-sq(adj)} = 9.4\%$

Analysis of variance

SOURCE	DF	SS	MS	F	p
Regression	1	2.0816	2.0816	4.33	0.046
Error	31	14.9050	0.4808		
Total	32	16.9865			

Unusual observations

Obs.	Intern-3	Sat-Dep	R Fit	Stdev.Fit	Residual	St.Resid
3	2.75	1.833	3.775	0.129	-1.942	-2.85R
15	2.75	2.333	3.775	0.129	-1.442	-2.12R

R denotes an obs. with a large st. resid.

H4-the grass is always greener ... or is it?

Intuitively, it could be expected that if significance were observed for internal pay equity, there would also be a positive correlation in the case of *external pay equity*. However, as indicated by the results, such was not the case ($r = 0.107$, $p = 0.554$, mean = 2.4949). Therefore, comparisons between employees in similar positions in different firms were not significant with regard to affecting the level of job satisfaction they experienced. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Correlation coefficient and multiple regression testing “external pay equity” on “job satisfaction”

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Correlation of Extern-4 and Sat-Dep = 0.107

Regress “Sat-Dep” 1 “Extern-4”.

The regression equation is:

$$\text{Sat-Dep} = 3.63 + 0.095 \text{ Extern-4}$$

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Predictor	Coef	Stdev	t-ratio	p
Constant	3.6311	0.4175	8.70	0.000
Extern-4	0.0952	0.1592	0.60	0.554

$s = 0.7360$ $R\text{-sq} = 1.1\%$ $R\text{-sq}(\text{adj}) = 0.0\%$

Analysis of variance

SOURCE	DF	SS	MS	F	p
Regression	1	0.1936	0.1936	0.36	0.554
Error	31	16.7929	0.5417		
Total	32	16.9865			

Unusual observations

Obs.	Extern-4	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
3	2.00	1.833	3.822	0.150	-1.988	-2.76R
15	2.00	2.333	3.822	0.150	-1.488	-2.07R

R denotes an obs. with a large st. resid.

H5-the shepherd and his flock

The perceived *skill of the respondent’s supervisor or manager* was determined to be a significant predictor of job satisfaction ($r = 0.359$, $p = 0.040$, mean = 3.3939). Again, despite a weaker correlation than observed with job enrichment, this positive relationship displayed that greater perceived managerial skill did lead to higher levels of job satisfaction. That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Correlation coefficient and multiple regression testing “managerial skill” on “job satisfaction”

Correlation of Skill-5 and Sat-Dep = 0.359

Regress “Sat-Dep” 1 “Skill-5”.

The regression equation is:

$$\text{Sat-Dep} = 2.73 + 0.335 \text{ Skill-5}$$

Predictor	Coef	Stdev	t-ratio	p
Constant	2.7306	0.5443	5.02	0.000
Skill-5	0.3353	0.1564	2.14	0.040

$s = 0.6908$ $R\text{-sq} = 12.9\%$ $R\text{-sq}(\text{adj}) = 10.1\%$

Analysis of variance

SOURCE	DF	SS	MS	F	<i>p</i>
Regression	1	2.1933	2.1933	4.60	0.040
Error	31	14.7933	0.4772		
Total	32	16.9865			

Unusual observations

Obs.	Skill-5	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
3	2.25	1.833	3.485	0.216	-1.652	-2.52R
15	4.00	2.333	4.072	0.153	-1.739	-2.58R
31	1.25	3.167	3.150	0.356	0.017	0.03X

R denotes an obs. with a large st. resid.

X denotes an obs. whose X value gives it large influence.

H6 – *all for one*

The analysis of the *combined effect of all of the independent variables* yielded mixed results. Despite yielding significant results as a predictor of job satisfaction ($F = 6.83$, $p = 0.000$), the combined effect was less telling upon examination of each of the independent interaction effect. The only variable displaying significance as part of the combined effect was that of job enrichment ($t = 5.23$, $p = 0.000$). That is, the greater the diversity, the higher the job satisfaction experienced. The coefficient of correlation, multiple regression and analysis of variance is now presented.

Multiple regression testing all independent variables on “job satisfaction”

The regression equation is:

$$\text{Sat-Dep} = -0.551 + 0.849 \text{Enrich-0} - 0.138 \text{Recog-1} + 0.207 \text{Expect-2} \\ + 0.067 \text{Intern-3} + 0.017 \text{Extern-4} + 0.205 \text{Skill-5}$$

Predictor	Coef	Stdev	<i>t</i> -ratio	<i>p</i>
Constant	-0.5506	0.8618	-0.64	0.528
Enrich -0	0.8488	0.1623	5.23	0.000
Recog -1	-0.1385	0.1245	-1.11	0.276
Expect -2	0.2065	0.1562	1.32	0.198
Intern -3	0.0666	0.1888	0.35	0.727
Extern -4	0.0170	0.1204	0.14	0.889
Skill -5	0.2054	0.1323	1.55	0.133

$$s = 0.5036 \quad R\text{-sq} = 61.2\% \quad R\text{-sq(adj)} = 52.2\%$$

Analysis of variance

SOURCE	DF	SS	MS	<i>F</i>	<i>p</i>
Regression	6	10.3928	1.7321	6.83	0.000
Error	26	6.5938	0.2536		
Total	32	16.9865			

SOURCE	DF	SEQ SS
Enrich -0	1	8.9193
Recog -1	1	0.0125
Expect -2	1	0.7766
Intern -3	1	0.0717
Extern -4	1	0.0013
Skill -5	1	0.6114

Unusual observations

Obs.	Enrich-0	Sat-Dep	Fit	Stdev.Fit	Residual	St.Resid
3	3.00	1.8333	2.8917	0.2832	-1.0584	-2.54R
15	3.60	2.3333	3.5958	0.1938	-1.2624	-2.72R

R denotes an obs. with a large st. resid.

This effect comes as no surprise since almost all of the researchers reviewed have indicated that no one motivator should be used to the exclusion of the others. The synergistic effect is touted as being far more effective than using one mean of motivation over another.

However, when asked what factors, besides money, would keep them at their current jobs if offered higher compensation elsewhere, the majority of respondents (24.2 per cent) answered that nothing other than pay would serve to dissuade a move. A large number cited challenge presented by the job as being a factor more important than pay (18.2 per cent) and 12.1 per cent indicated that the pleasure enjoyed from their co-workers was a strong factor in staying where they were currently working.

Regarding what sort of pay increase would be required to attract them to seek another job, 20 per cent of respondents indicated that an increase of, up to and including, 5 per cent would be necessary. Thirty-two per cent would require a pay increase of 6-10 per cent, 24 per cent would be enticed by increases of, both, 15-20 per cent and over 20 per cent.

While the statistical data were quite encouraging in supporting the hypotheses, the apparently conflicting qualitative responses indicate that the relationships are not as clear cut as would be expected and that there is strong support for the presence of possible intermediate and/or moderating variables.

Discussion of results: some explanations

Given that there was some disparity between the results in the quantitative and qualitative analyses, an explanation of the gap between the two sets of data is necessary. Considering the vast amount of research supporting recognition as a strong and effective non-monetary motivator, why it was not found to be significant in this study needs exploration since the results were based on the unadjusted data.

Back to the basics

The initial explanation pertaining to effectiveness, or lack thereof, for using recognition ($r = 0.515$, $p = 0.003$ (adjusted for extraneous data points)), or any of

the non-monetary incentives suggests it is not difficult to understand how ineffective praising an employee would be in yielding increased job satisfaction if that employee is unable to maintain a comfortable standard of living. By examining the original data, if the independent variable *recognition* is tested with *household income* and their combined effect on job satisfaction, the results are more clear ($F = 6.48$, $p = 0.005$). The implications here are that household income is a moderating variable in the effectiveness of recognition on job satisfaction. If an individual is having trouble meeting basic security and physiological needs, the ability to successfully implement non-monetary incentives would be greatly reduced.

Whereas Holley (1997) and Ting (1997), along with many other researchers, cite perceived pay equity as a moderating variable, there is very little reference to “basic sustenance pay” as being a prerequisite to job satisfaction. While it may be an assumed variable in the minds of many, it is imperative to stress the importance of this factor when implementing recognition as a motivator.

Since, with the extraneous data points removed, the results were found to be significant, the above may seem to be moot. In fact, though, it applies to all non-monetary incentives and must be kept in mind to assure the success of their implementation. This just elaborates on what most of the previous authors have cited, that non-monetary incentives do not replace fair pay, they supplement it.

Show me the money!

Income as a moderating variable, can be a substantial predictor of job satisfaction ($r = 0.503$, $p = 0.003$). The basic tenet of why pay serves as a moderating variable may also apply to its role as an independent variable. However, the mean respondent household income of \$46,201 may explain why there is such a strong positive relationship between income and job satisfaction.

Some demographics, such as family size, age, mortgages, car payments, etc. would have helped in determining if there is a greater sensitivity to pay level resulting from heightened financial obligations and possibly less-than-adequate income. Here, the possibility exists for an *income/job satisfaction threshold*. That is, up to a certain point, income is a primary determinant of job satisfaction, but as basic needs are met, other intrinsic variables begin to take on greater importance.

Job enrichment or excessive workload?

Despite the strong findings for job enrichment as a predictor of job satisfaction ($r = 0.725$, $p = 0.000$), several respondents commented that some of the questions may have been measuring something quite different. While the intention of this question was to measure job diversity, some of the respondents interpreted it as managers “passing the buck” or as being “dumped on”. However, the strength of the relationship and the fact that none of those

respondents seemed to misinterpret the other *H0* questions leads to the conclusion that this internal validity question mark may have slightly reduced the strength of the correlation and nothing more.

Clear as mud – ambiguity, good for small business?

Similarly, there were some questionable interpretations regarding *H2* and the clarity of expectations ($r = 0.072$, $p = 0.689$). In particular, those questions measuring this were viewed by seven respondents as being more an indication of respondent incompetence rather than lacking clear direction from the employer. While not a large representation of the total sample, this may explain the lack of significance for this hypothesis. It seems that these questions may have been interpreted as being positive statements equating ambiguity of tasks with job diversity!

The effect of (role) ambiguity needs to be ascertained since, while it may result in communication and productivity problems, there has been evidence that the type of conflict generated by these situations may have some positive effects. Employees in small businesses may be seeking independence and the ability to self-manage that is not easily attainable in larger firms. Ambiguity may actually have some powerful and positive connotations that could be taken advantage of by smaller, less structured firms in which it is an inescapable fact of life.

Ambiguity, in fact, as alluded to above, could be interpreted as a cause/effect of job enrichment and the diversity often associated with it. That is, an element that forces individuals to be creative and autonomous in a challenging environment.

What you don't know about pay equity won't hurt you

One of the very interesting aspects of the statistical results was the significance of internal pay equity ($r = 0.350$, $p = 0.046$) contrasted with the lack of significant finding *vis-à-vis* external equity and job satisfaction ($r = 0.107$, $p = 0.554$). It is assumed that if you are concerned about the level at which you are remunerated compared to your co-workers, that the same would apply to other comparative targets made with similarly positioned employees in other companies. It is easier to make a comparison between individuals and those they work with on a daily basis than external targets.

Therefore, internal equity issues are more easily assessed or may be perceived with more bias. The sense of injustice at being paid less than someone perceived at performing at a lesser level is greater within an organization since it is not as easy to compare the difficulty or nature of tasks between firms as it is within them.

It may be assumed that if everyone had full and readily available access to salary information, tasks and other pertinent data from other firms, external equity could well be as significant a factor as internal.

Passing judgment analysis of managerial skill

Employees were requested to rate the degree of skill possessed by their managers. This variable being measured is actually the perception by the employees of the competence of their managers. While this may be relevant in how it affects their levels of job satisfaction ($r = 0.359$, $p = 0.040$), it is not necessarily an accurate measure of how well trained a manager is in implementing non-monetary incentives. Employees may not have access to their managers' training history. In addition, their assessment of how competent the managers are may be colored with biases.

This variable may be better analyzed by correlating factors such as level of education, number of years in a particular industry, measurable effects on a company's income statement and effectiveness in meeting objectives with employee job satisfaction. Ultimately, the success of implementing all of these non-monetary incentives ($F = 6.83$, $p = 0.000$) hinges on the abilities and skills of managers. It is one thing to deduce that internal pay equity or job enrichment serves to motivate employees, but without the means to make those hypotheses a reality, they serve no constructive purpose. Further, since the pool of skilled managers may not be as extensive in the small business milieu as it is for larger organizations, this factor becomes all the more relevant.

Time heals all wounds – longitudinal factor

Another factor lends additional support to the importance of pay. There was no correlation between the number of years employed with the firm and job satisfaction ($r = 0.120$, $p = 0.506$). However, when tested with pay, the results were significant ($F = 5.2$, $p = 0.012$). There are several reasons as to why this may occur.

One of the consequences of increasing job satisfaction, as reported in the literature, is to decrease employee turnover. Hence, maintaining satisfaction over time is crucial. Job satisfaction should be a long-term and ongoing target, one that, presumably, will be affected by different variables over time.

It was observed that when the independent variables were tested along with the time variable (i.e. years with the firm in question), the results essentially mirrored those found in the original data. The only exception was managerial skill, since the dynamics of that relationship are likely to change over time.

What do the numbers mean?

Having determined what variables are responsible for job satisfaction, the challenge is to determine whether they are being implemented. By examining the mean respondent ratings as to how they perceived the degree of each as it applied to their workplace, the results are less than encouraging, in particular with respect to pay equity.

Given the importance of pay as a mediating or independent motivating variable, the perception in both internal and external equity results is that there exists inequity. Means of 2.9646 and 2.4949 for internal and external pay equity, respectively, demonstrate that, despite the importance of pay,

employers are discouraging employees with pay that is perceived as being inadequate when compared to others within the same firms as well as the industry norm.

The major premise of this research is that smaller firms are unable to compete via compensation with larger firms. However, it is in the smaller firms' best interests to attempt to establish perceived internal equity. Since external equity is not a predictor for job satisfaction, it is less relevant, but small firms need to communicate objective factors (criteria) that are used to assess how employees are remunerated on a performance basis within their firms. With regard to external equity, employees may be on a par with industry norms, but due to lack of information concerning benchmarks they may believe otherwise.

Pay equity is not the only area in which low mean scores were observed. Recognition of accomplishments and perceived managerial/supervisor ability both displayed low mean scores (3.4545 and 3.3939, respectively).

As was the case with pay equity, here is a case where the importance of these variables as motivators has been demonstrated, yet there is little evidence of their implementation in the workplace. However, unlike pay equity, these are variables that smaller businesses may have more control over than larger businesses. While none of the variables measured had overwhelmingly high mean scores, with the possible exception of job enrichment/diversity, these two were considerably lower. Given the relative ease by which recognition may be administered, there is no excuse for it not being used as a tool in increasing employee motivation.

One possible explanation for this lack of higher scores regarding the use of these motivators in the workplace may be found by examining the fact that managers/supervisors scored rather low in their perceived abilities to actually manage.

As has been mentioned throughout the research, these theories and tools are completely dependent upon the managers for their execution. What the results indicate, and what has been previously observed as a key factor in small business failure, is that there is a glut of inexperienced and unskilled management level personnel unable to successfully implement proper employee motivation programs. The general malaise experienced by the respondents of this study is indicative that this phenomenon is a detrimental factor at many levels of a small business. It will be addressed later in this article.

What motivates the motivators? The owners' perspective

Several of the responding owners, cited the "people factor" as both increasing their satisfaction at work and motivating them. That is, "people with a sense of humour", "creative" and stimulating "co-workers".

Bottom line issues such as "success of the business and realization of long-term planning" were predominant in the owners' responses. However, it was clear that other factors, like the co-worker aspect, were key in their enjoyment of the work environment.

It might be concluded that factors such as external equity could be considered analogous to the success of their firms compared to that of others in the same industry. Recognition of accomplishments by employees, investors and competitors, is also something that could be paralleled to the very incentives sought by employees. Clearly, though, this is an area that could yield very interesting data on what motivates entrepreneurs and who is most likely to strive under those conditions.

Given the substantial support for the hypotheses studied, there is evidence that, while these variables are key to the success of small businesses, in many cases, they are not being applied. It is likely that this may be as a result of managerial inexperience.

Conclusions and recommendations

The results of this research indicated that, among the options available, there are several non-monetary approaches that may be used to gain an advantage in increasing firm attractiveness in obtaining and keeping valuable human resources. Those factors were identified as; job enrichment ($r = 0.725$, $p = 0.000$), employee recognition ($r = 0.515$, $p = 0.003$), internal pay equity ($r = 0.350$, $p = 0.046$), managerial skill ($r = 0.359$, $p = 0.040$) and the combination of these variable along with external pay equity and clarity of expectations ($F = 6.83$, $p = 0.000$).

Do job enrichment, employee recognition, pay equity and managerial skill affect employee job satisfaction in small business? The answer appears to be "yes". It also seems clear that there is a synergistic effect when all of the variables are used in conjunction with one another in increasing job satisfaction.

The direct and positive relation between the independent variables and job satisfaction is indicative of the need for employers to be aware of and act upon the specific needs of their employees. Among those needs is an income that provides the employees with, at least, basic physiological and security requirements. This is a way of optimizing employee functioning and efficiency, ultimately resulting in improved revenues through greater productivity, reduced employee absenteeism and lower employee turnover rates.

Given the data obtained and the analysis completed, it is clear that for small businesses to maintain control in attracting and maintaining an effective and productive employee base, they must emphasize the use of non-monetary incentives. In particular, the use of job enrichment, employee recognition, internal salary equity as implemented by skilled managers and supervisors should be focused upon in order to accomplish this task.

Optimally, these factors should be used, not in a vacuum, but in conjunction with one another and with regard to the firm-specific demographics. That is, the variables should not be implemented blindly, but should be used in conjunction with the particular needs of the employees of each specific firm. As the data have shown, these needs start with ensuring that salaries are sufficient in providing employees with basic necessities for themselves and their families.

The factors required to make this work are simple yet often overlooked. First, there must be effective communication between employees and management in order to determine the concerns and needs to be addressed. Second, the information must be acted upon and not discarded in favour of options that have less relevance to the employees being affected. Lastly, efforts must be made to bring skilled personnel on board to implement the required changes, if any.

Quite simply, the firms must determine:

- if there is a problem;
- what the problem is;
- what factors would correct the situation; and
- how and by whom should the changes be executed.

Factors such as perceived pay inequity could be overcome by posting both industry salaries and internal salary ranges for different positions. This way, the uncertainty and ambiguity about remunerative equality would be lessened. Furthermore, if it is observed that there exists an actual inequity, action can be taken to rectify it.

Managers lacking the time to give personalized attention to employees and their accomplishments could delegate supervisory duties to other employees who would be responsible for distributing praise and other encouragement when appropriate. This role could also be rotated from one project to another so that an element of job diversity would be introduced. This would fulfill two diametrically opposed processes and reward a system where employees support one another, build team spirit and create a stimulating and dynamic work environment. Of course, the inexperience factor would become more relevant since management may not be skilled enough to implement effective recognition programs. However, if the managers create a basic set of parameters and benchmarks, an effective recognition program would be feasibly implemented via the employees.

Finally, with regard to ambiguity of tasks and goals, trial and error may be the best way to determine which route to take. If the employees are not clear about their tasks and the desired goals, they will be inefficient in generating synergy.

The question is more along the lines as to the employees should merely be given a broad goal as a parameter for their activities or they should be given a strict set of objectives? Depending on the employees, either could be applicable and this decision could also be very task dependent. Therefore, efforts must be made by managers to determine which works best in their particular environment.

Employee motivation through non-monetary incentives may be accomplished by decision makers paying closer attention to the needs of their employees, in particular to the relevant factors discussed above. This will

result in increased employee satisfaction/higher output, lower turnover rates and a greater overall synergy in increasing the firm's efficiency and bottom line.

This will be best accomplished by either hiring managers that have the skill to implement the incentive programs, be they formal or informal. Alternatively, existing managers could undergo training so as to gain greater competence in implementing these systems. However, it is not enough to merely train the managers in how to execute the strategies. The importance of these incentives and the potential benefits they reap must be imparted to them so that they internalize the value of what they are doing and work more efficiently with commitment in accomplishing that task.

Despite the investment involved, the savings realized though lower employee turnover and anticipated benefit to revenues through more efficient functioning should more than compensate.

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Appendix. Questionnaire

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1. When I do a good job, I am always told so by my supervisor/manager (<i>H1</i>)	1	2	3	4	5
2. I am involved in a diverse number of tasks at work (<i>H0</i>)	1	2	3	4	5
3. I enjoy my work (<i>Dep.</i>)	1	2	3	4	5
4. I believe I am paid similarly to others doing the same type of work as I do in other companies (<i>H4</i>)	1	2	3	4	5
5. I am paid fairly compared to other employees within the same firm (<i>H3</i>)	1	2	3	4	5
6. I look forward to going to work (<i>Dep.</i>)	1	2	3	4	5
7. There are many things about my job that make it challenging (<i>H0</i>)	1	2	3	4	5
8. I never get compliments from those above me about a job well done (<i>H1 – inverse</i>)	1	2	3	4	5
9. My manager/supervisor is very professional in the way they deal with people (<i>H5</i>)	1	2	3	4	5
10. I feel many in my firm are paid more than they deserve (<i>H3 – inverse</i>)	1	2	3	4	5
11. I never know what I am supposed to be doing (<i>H2 – inverse</i>)	1	2	3	4	5
12. There is not much diversity in my job (<i>H0 – inverse</i>)	1	2	3	4	5
13. My manager/supervisor often acknowledges when I have done good work (<i>H1</i>)	1	2	3	4	5
14. I dread going to work each day (<i>Dep. inverse</i>)	1	2	3	4	5
15. My manager/supervisor has professional training/experience (<i>H5</i>)	1	2	3	4	5
16. I feel I deserve more than I am being paid compared to others in my firm (<i>H3 – inverse</i>)	1	2	3	4	5
17. People doing my job in other companies get paid more (<i>H4-inverse</i>)	1	2	3	4	5

Table AI.
List of questions

(continued)

