THE CASHLESS TURN IN PERFORMANCE AND REWARD MANAGEMENT: EVIDENCE FROM THE COLONIES

Dr John L. Shields
School of Business
University of Sydney
Sydney, NSW 2006 Australia
Telephone: 61-2-9351-5425
Email: j.shields@econ.usyd.edu.au

Abstract

A number of prominent US reward management writers (e.g. Jerry McAdams, Bob Nelson) argue that cash has lost much its motivational caché and that organisations should look to more flexible and enduring ways to recognise and reward individual and team performance, particularly via the use of various 'non-cash recognition' practices. Yet, despite strong interest in such plans in the practitioner literature, as well as indications of their growing use in many firms, academic researchers have thus far paid little attention to the application and efficacy of non-cash reward plans. Drawing on recent survey data from parallel samples of 350 Canadian and Australian firms, this paper seeks to address this knowledge gap. The paper examines the application of individual and group non-cash recognition plans to non-managerial employees, the patterns of complementarity and substitutability with other reward and performance management practices, and the major predictors of plan use.

The results reveal a surprisingly high incidence of both plan types, with individual non-cash plans being used by over 40% of Canadian and Australian firms. In both countries non-cash plans are also used as complements to, rather than substitutes for, both cash incentives and other performance management practices, although the association with base pay methods is more comprehensive in Canada than Australia, a difference which seemingly attributable to Canada's stronger equal pay requirements.

Using multiple regression analysis the study also identifies key predictors of plan coverage. As expected, in both countries, the more unionised a firm's workforce, the lower the usage of non-cash recognition. Contrary to expectations, though, the use of such plans is no higher in service sector firms, in foreign-owned firms, or in firms with highly feminised workforces. Moreover, far from being more typical of firms adopting a high involvement approach to people management, the results suggest that, if anything, such plans are more likely to be found in firms managed along more traditional 'top-down' lines.

While overall plan incidence is very similar in Canada and Australia, there are some significant differences in the underlying determinants of plan use: firm size matters, but only in Australia; the proportion of part-time and casual employees matters, but only in Canada. On this basis, it would seem that it is only in Canada that the use of non-cash plans has been tailored to suit the nature of the employment relationship.

Overall, these findings highlight the need to avoid a priori assumptions about 'best fit' application of non-cash rewards, as well as the importance of distinguishing between general/global determinants and context specific factors in explaining the turn to non-cash rewards in such countries. The combination of multi-firm, multi-industry and multi-country data provides greater confidence regarding the generalizability of the findings.

Introduction

The reward systems of many western firms now incorporate relatively sophisticated, low cost incentives in the form of non-cash recognition plans, or 'recognition awards' as they are also known. Leading exponents like Bob Nelson (1994, 1996, 1997) and Jerry McAdams (1996, 1999) argue that cash has lost much of its caché as a motivational device, particularly when it takes the form of traditional appraisal-based 'merit' raises. They suggest that organisations are looking increasingly to other, more imaginative and enduring ways to recognise and reinforce individual and team performance. Recognition of a non-monetary type is said to provide instant reinforcement, increase the flexibility and spontaneity of the reward system, and enable 'high visibility' recognition of desired behaviours and results. Non-cash rewards for high performance are also said to have a longer 'shelf life' than cash – that is, they have enduring 'trophy value'. A further potential advantage of such rewards is that they can be readily applied to work teams as well as to individuals. Yet, despite evidence of the rising popularity of such plans in countries like the USA, Canada, and Australia, very little is known about their actual patterns of use, particularly outside of the place of origin, the United States.

Drawing on recent survey data from parallel samples of 350 Canadian and Australian firms, this paper seeks to address this gap in our understanding of current reward practice. Specifically, the paper examines the application of individual and group non-cash award plans to non-managerial employees in these two countries, the patterns of complementarity and substitutability with other reward and performance management practices, and the major external and internal predictors of plan use. Combining data for firms from a range of industries and across two countries of comparable size should provide greater confidence regarding the generalizability of the findings.

Why Canada and Australia? Primarily because the two countries are ideal for comparison as 'similar yet different' cases. Despite their shared economic and cultural heritage as federated nation-states and 'white settler Dominions' within the old British imperial system, the two nations also have important institutional differences, not the least of these being Canada's stronger equal pay laws and its longstanding attachment to decentralised enterprise bargaining along US lines.

The paper is divided into six sections. The first considers the main categories of non-cash recognition and the available evidence on the growth of such practices in Anglophone countries. Section two explores the general arguments for and against non-cash recognition. While the paper is not concerned primarily with the efficacy (or ethicality) of non-cash rewards, it is suggested that empirical inquiry into actual practice offers a more fruitful means of understanding both the adoption and effectiveness of such plans. In view of the general belief that non-cash plans are most appropriate as complements to rather than substitutes for more orthodox performance and reward practices, and given the dearth of available research evidence on patterns of non-cash recognition use, section three offers a brief speculative discussion of possible associations between non-cash plans and other reward and performance management practices. This section also considers hypothesised structural, strategic and contextual predictors of non-cash plan usage. Section four then outlines the survey methodology employed in this study, while section five presents and interprets the results of the comparative quantitative analysis of the incidence, correlates and predictors of non-cash recognition practices in Canada and Australia. The concluding section reiterates the study's major findings and briefly considers its chief limitations and implications for HR policy and future research.

1. Non-Cash Recognition: Types and Trends

McAdams (1999, 242) defines 'recognition plans' as those that 'honour outstanding performance after the fact and are designed for awareness, role modeling, and retention of recipients.' Both McAdams (1999) and Rose (2001) also distinguish between 'recognition plans' and 'performance improvement plans' in that the former are retrospective and generally discretionary in nature while the latter are formula-driven and specify both performance expectations/targets/goals and potential reward outcomes in advance of actual performance. While recognition for immediate past performance may involve rewards that are either financial (i.e. cash or company equity) or non-financial in nature, in this paper the focus is primarily on non-financial forms of recognition. However, the cash and non-cash approaches are by no means mutually exclusive, and, as we shall see, the two frequently go hand-and-hand in a 'total reward management' approach.

The days when non-cash recognition was limited to a gold watch for long service of on retirement are long gone. McAdams (1999, 245-51) identifies seven basic forms of non-monetary recognition in current use:

1. Social reinforcers: a pat on the back, respect, positive feedback, staff involvement in planning and decision-making.
2. Learning and development opportunities.
3. Merchandise: either pre-selected items of significant monetary value or access self-selected goods and services by means of shopping vouchers/certificates, retailer-specific debit cards, or printed or on-line catalogues where specific items can be acquired by accumulating sufficient recognition points over a period of time (Human Resources Magazine, 2005).
4. Travel: all-expenses paid trips for individuals, families or groups.
5. Symbolic awards: plaques, personal letters from the CEO, flowers, books, 'thank you' notes, publicity in in-house journals or the staff intranet, pins, gold watches, pens and desk-sets, books, CD and DVDs, restaurant meals, theatre tickets, tickets to sporting events, access to corporate 'boxes' at entertainment venues, t-shirts, embossed mugs, company umbrellas or hats, gym or sporting club membership, concierge services, massages, free parking spaces, and the like.
6. Earned time off: time-off with pay additional to normal paid leave entitlements.
7. Flexible/family-friendly work schedules: ability to adjust working hours to fit personal needs and family commitments.

McAdams notes (1999, 246) that in the USA merchandise, travel and earned time off are the most popular non-monetary means of recognizing outstanding performance. Indeed, recognition award merchandising is now something of a boom industry in the US, with a number of major web-based providers servicing the growing demand, including Hinda Incentives, Carlson, McAdams' own firm, Maritz Inc, Wishlist, and others.

Non-cash recognition plans may also to differ according to specific administrative arrangements, including:

1. Whether performance excellence is defined in terms of behaviours demonstrated, results achieved, or both.
2. Whether award recipients are individuals or groups, or both.
3. How recipients are nominated and chosen: by supervisors, peer nomination, or customers/clients.

4. The degree of plan formality and structure: informal plans include *ad hoc* awards issued at the discretion of the supervisor; more formal/structured plans include 'employee of the month' awards that cascade through to employee of the year 'emmies'.

Quite a number of plans incorporate both peer nomination and reward self-selection. For example, under a non-cash recognition program introduced for 400 staff at the Australian National Credit Union in 2004, staff accumulate points which can be redeemed on the Wishlist merchandise website. Any employee can nominate a peer for 'demonstrating and living ANCU's core values'. The employee's supervisor is the required to approve the nomination and to decide on the number of points to be awarded. Wishlist manages the nominations and fulfillment and reports on the program to ANCU management. One obvious benefit of this approach is that it passes the test of reward 'valance' since the employee has a wide choice of merchandise from which to choose. The ANCU has evidently enjoyed stellar success. In its first none months of operation, there were 500 instances of points being awarded (Human Resources Magazine, 2005).

Some large US multinationals operate highly formalised recognition systems in their global operations. For example, fast food multinational McDonalds applies a highly structured regime of symbolic awards across its many thousand franchises around the globe. The McDonalds system includes, *inter alia*, a Quality Service pin, a Cleanliness pin, a Drive Through pin, a Back Area pin, a Front Counter pin, a Crew of the Month Award, Awards for Employee of the Month and the Quarter, and an Outstanding Performance Award, and a McDonalds ring for ten years' service. The more prestigious awards carry a valuable gift or prize of some sort as well as some corporate glory (Freeman, 1996).

While many recognition award schemes are based on supervisory nomination, in some cases decisions about award recipients are made by peers. Peer nomination is said to invest awards with greater credibility and reward valence. Peer nomination also allows the employer to side-step the need to find objective criteria for measuring employee performance.

Schemes in which award winners are nominated by customers also appear to be growing in popularity. In some cases, high value customers are provided with books of gift vouchers. If the client is especially impressed with the service provided by one of the firm's employees, he or she can issue a gift voucher on the spot, meaning that reinforcement is personalized and instantaneous. There is anecdotal evidence that customer-driven recognition awards are also becoming widely used in service sector organisations, particularly retail banks, hotels and restaurants.

Advocates argue that recognition should be both celebratory and fun: 'If you can reward a person and have fun in the process, you will satisfy two important desires of most employees: to be appreciated for the work they do and to enjoy their jobs and workplace' (Nelson, 1994, 73). The more formal schemes run by some of large firms sometime incorporate an element of serendipity in the selection process. For instance, the 'Reward and Recognition' scheme run globally by American Express includes some 15 specific recognition award plans: a 'Thank You Note' plan (leading to cash prizes), cash-based 'Achiever of the Month' and 'Achiever of the Year' awards in each of its offices, as well as regional a 'Great Performers Award', 'Chairman's Award for Quality' and an international 'Great Performers Grand Award'. Under the American Express 'Thank You Note' plan, staff get a wad of printed 'Thank You' notes to send along to any colleague who displays 'Blue Box Value', that is, a high focus on customers and quality, being a team player and being a 'good citizen'. Each month, there is a

draw of 'Thank You' note senders and recipients and the winning pair each receive travelers cheques and have their award written up in the in-house journal. All senders and recipients than go into an annual Christmas Party draw for a further round of more high-value prizes. While winning is a function of both performance excellence and the luck of the draw, the Amex plan also incorporates significant recognition and reward for the recognisers as well as the recognized. The element of luck in the Amex system also resonates beautifully with the Australian penchant for gambling.

There is now very solid evidence that that non-cash recognition programs have become much more widely used in western (especially Anglophone) countries over the past 10-15 years. In 1985, only two per cent of recognition plans in US firms had non-cash awards; by 1992, 16 per cent were using awards of this type (McAdams, 1995, 372). It appears that a majority of US firms now use such plans. While it might have first come to the fore in the USA, non-cash recognition is no longer a peculiarly American practice. Locally-listed firms in other western countries like Canada and Australia are also making greater use of non-cash rewards. A recent Towers Perrin study of performance and reward practices in 240 US and Canadian businesses notes that 'Noncash rewards are on the rise, probably because of their role in helping employers manage costs, engage employees and differentiate top performers' (Towers Perrin, 2003, 13). Almost half of the firms surveyed offered non-cash rewards to high performers, while a further 12 percent planned to do so with the next two years. Significantly, more of these firms (49 per cent) offered non-cash awards compared to special lump sum cash recognition awards (39 per cent).

While slower to catch on, Australian firms seem to have turned to non-cash recognition with considerable enthusiasm in the past few years. According to survey data compiled by Mercer Human Resource Consulting (Mercer Human Resource Consulting, 2004, 7.2), the proportion of Australian firms offering non-financial rewards jumped from 55 per cent in 2002 to 76 per cent in 2004. However, Australian practice would appear to be mainly symbolic and top-down with on-the-spot 'Thank You' notes and acknowledgement in company publications being the most widely used practices, while decisions regarding reward allocation resided largely with supervisors and senior executives. According to the Towers Perrin study, most Australian plans were also 'irregular' and results-based, with the majority of plans being geared to goal-achievement. Significantly – and perhaps ominously - the proportion of Australian organizations assessing the effectiveness of their non-cash reward plans is both small (only 13 per cent) and declining, although US and Canadian firms show a similarly low level of formal plan evaluation (Towers Perrin, 2003, 14). Moreover, a considerable proportion of Australian firms remain skeptical about the claimed benefits of non-cash plans. While some three-quarters of surveyed Australian firms reported that non-cash plans were effective in motivating employees, the remainder doubted the efficacy of non-cash incentives (Human Resources Magazine, 2005).

2. Non-Cash Recognition: Pros and Kohns

Supporters of non-cash rewards (e.g. Nelson, 1996; McAdams, 1999; Patrickson, 2001) argue that traditional cash incentives, particularly merit raises, quickly lose motivational strength, partly because employees come to see 'merit' adjustments to base pay as entitlements rather than rewards. Advocates of the non-cash option suggest that organizations should seek to recognize and reward performance excellence in more personalized, immediate and exciting ways. McAdams (1995, 372) asserts that

> It is easier and more effective to promote the excitement of a noncash award than its cash equivalent. Noncash awards have built-in excitement and recognition factors that cash simply doesn't have.

According to Nelson (1996, 68), firms should 'dump the cash' and 'load on the praise': 'Today's employees may not need a pay raise as much as they need a personal thanks from their manager for a job well done'.

Exponents on non-cash recognition tend to invoke a (sometimes uneasy) combination of the needs-based motivation theories (*a la* Human Relations and Neo-Human Relations) and basic Reinforcement Theory (*a la* Skinner and Thorndike). Reinforcement Theory posits that behaviour which attracts timely recognition and consistent reward is likely to be repeated (Steers and Porter, 1991, 29-107). In this vein, Hay (1998, 1) contends that:

> Regular and frequent acknowledgment of employee contributions can be a powerful addition to an organization's reward strategy. The development and use of simple, low-cost recognition vehicles can help create a more flexible and robust reward strategy.

At the same time, advocacy of non-cash recognition programs frequently resonates with the needs-based models of work motivation formulated by 'human factor' theorists like Mayo, Maslow, and Herzberg (Cherrington, 1991). For instance, Maslow's widely-invoked 'hierarchy of needs' identifies social affiliation, esteem and self-actualisation as the three 'higher order' human needs, with the satisfaction of each requiring acknowledgement/recognition of the individual's acceptance, worth and achievement (Maslow, 1943). Similarly, Herzberg (1966, 1987) included psycho-social 'recognition' as one of the key 'motivators', while monetary rewards, he suggested, were merely a 'hygiene' factor (i.e. necessary but not sufficient for high job satisfaction and, hence high performance). Employee surveys do, indeed, tend to indicate that being recognized for a job well-done is one of the most frequently identified sources of job satisfaction, organizational commitment and task motivation.

Exponents suggest that non-cash recognition awards have a number of special advantages over cash incentives. In particular, non-cash awards, it is said:

- Are low cost both in terms of reward expenses and administration.
- Provide a variety of rewards which can be tailored to specific employee interests and reward valences.
- Provide instant reinforcement.
- Increase the flexibility and spontaneity of the reward system since they can be given at any time, unlike the once-a-year merit pay out (McAdams, 1999, 259).
- Enable 'high visibility' recognition of desired behaviour or good results, which can have a strong 'demonstration effect' on other employees.
- Expand the scope for employee involvement in the reward system (e.g. reward selection; peer nomination).
- Avoid the assumption of reward as an entitlement.
- May be more tax effective than regular cash payments.
- Can be used to reinforce teamwork as well as reward the individual.
- Have a longer 'shelf life' than cash because awards can sit on the mantle piece as a constant reminder of the firm's gratitude. Unlike cash rewards, which tend to get swallowed up in base pay, non-cash awards have enduring 'trophy value' (Brooks, 1994, 39; McAdams, 1999, 373).

McAdams claims that non-cash rewards are both more motivating and less costly than case bonuses. In 1992, McAdams published research findings on the cost effectiveness of different types of rewards for sales staff in some 600 organisations. This research, he claimed, revealed a major difference between cash and non-cash incentives. Cash incentives apparently improved sales performance by 13 per cent and cost 12 cents for every additional dollar of sales. Non-cash incentives also improved sales performance by about 13 per cent, but cost only four cents per dollar of sales (McAdams, 1995, 373-4). There is also some evidence that non-cash plans are associated with higher firm performance. For instance, Towers Perrin reports (Towers Perrin, 2003, 17) that high-performing US and Canadian companies (i.e. those with average five year total shareholder returns above the relevant industry average) make significantly greater use of non-cash recognition (57 per cent) than do low performers (36 per cent). Of course, these data do not *prove* that non-cash plans pay; it may simply be that high performing companies have more scope to offer additional rewards of this type.

On the contrary, some critics argue that, like all forms of performance-contingent reward, non-cash recognition is doomed to failure. One outspoken critic of incentives of all kinds – whether in cash or kind - is US social psychologist, Alfie Kohn. Kohn's argument (1993, 1995, 1998) draws primarily the tenets of Attribution Theory. Attribution Theory contends that the provision of extrinsic rewards may destroy those of an intrinsic nature. Developed by Deci and Ryan (1985), Attribution Theory contends that people are more likely to act first and then think about what they have done, rather than to think first, and then act (or not act). The tendency is to confer meaning on the behaviour - to attribute meaning and purpose to it - only in retrospect. People are more likely to ask 'Why *have* I done this?' than 'Why *should* I do this?' The point is that the motivation to perform is primarily intrinsic not extrinsic. Deci and Ryan argue that extrinsic rewards should not be applied to task performance because they may well extinguish the intrinsic motivation which may have driven performance initially (Deci, Koestner and Ryan, 1999).

Kohn's argument, in essence, is that all incentive schemes will necessarily fail because of the flawed psychological assumptions underlying such plans. His chief target is Skinnerian behaviourism, with its mechanistic conception of reinforcement-driven motivation:

> I think there is no room for commissions, stock options, bonuses, special parking places, plaques, banquets, steaks and all of the other ways in which we've turned American industry into a giant Skinner box with a parking lot.' (Kohn, 1995, 13)

Kohn (1993; 1995) identifies six main reasons why all incentive practices, including recognition plans – are inherently dysfunctional:

1. Incentives undermine intrinsic interest in the job. Employees may see the incentive as a bribe and, therefore, suspect that 'If they have to bribe me to do it, it must be something I wouldn't want to do.' According to Kohn, workers not receiving any special reward may out-perform those who do. Reward 'bribes' may actually cause people to lose intrinsic interest in what they do and reduce the quality of their work.

2. Performance-contingent rewards motivate people to do only one thing - get the reward. Employees will demonstrate only those behaviours which attract a reward. All unrewarded behaviour, including desired behaviour, is likely to be ignored. The resulting behaviour may well be wholly rational from the employees' perspective, but wholly dysfunctional for the organisation. The unintended consequence may well be to encourage misbehaviour.

3. Rewards punish. No one likes to be manipulated and rewards, like punishments, are essentially instruments for manipulating behaviour.

4. Rewards rupture co-operative work relationships. By rewarding individuals and fostering individual competitiveness, merit pay may serve to undermine co-operation and team-work.

5. Rewards ignore underlying reasons for work problems. Incentive pay addresses symptoms rather than underlying causes. Managers fall into the trap of relying on incentive pay as a substitute for effective management strategies such as appropriate job design, providing meaningful performance feedback, providing adequate opportunity to develop skills and competencies, and giving employees more discretion and autonomy to be creative: 'If you want people motivated to do a good job, give them a good job to do'.

6. Rewards discourage risk-taking. Incentives reduce risk-taking and creativity and reinforce a narrow focus on expected behaviour - on compliance rather than creativity and initiative.

As Kohn's many detractors (e,g, Bennett Stewart, G. et.al., 1993; O'Neill, 1995; Evans, et. al., 1995; Gupta & Shaw, 1998;) have pointed out, the Attribution Theory assumption that extrinsic and intrinsic factors are dichotomous rather than summative is open to challenge. Other research suggests that extrinsic and intrinsic rewards can make a joint contribution to job satisfaction. For instance, Canadian researchers Cameron and Pierce (1997) use a meta-analysis of some 100 studies of reward-performance effects to argue that intrinsic and extrinsic motivation combine in an additive way to produce overall motivational force. They find that people generally enjoy doing a task more rather than less when they receive an extrinsic verbal or tangible reward. Most importantly for our purposes, Cameron and Pierce find that praise can lead to greater task interest and performance. The negative effects of extrinsic rewards, they suggest, are limited and easily prevented.

Arguably, though, the key to understanding why non-cash recognition plans succeed or fail lies not in high theory but in matters of plan design, communication, roll-out and upkeep. To be sure, non-cash recognition plans are not necessarily problem-free. In particular, such plans:

- May, as Kohn suggests, create an atmosphere 'winners' and 'losers' (where the same few employees repeatedly get the award) or, alternatively, of 'everyone a winner' (where everyone takes a turn at receiving recognition) (McAdams, 1999, 25);
- May be demotivating where employees feel that the reward is tokenistic and patronising ('beads and trinkets') and not worth the effort;
- Can lead to charges of favouritism;
- May be seen as a substitute for regular pay;
- Are very unlikely to motivate under-performers.

Some rewards may also convey unintended messages. For instance, as McAdams cautions (1999, 254) using earned time off to reward high performers may reinforce the idea that leisure is pleasure and work is pain. Moreover, even the most ardent supporters to not subscribe to the view that non-cash recognition constitutes a complete alternative to performance pay. Indeed, the conventional wisdom amongst leading remuneration writers (Lawler, 2000; Zingheim and Schuster, 2000, 189, 195, 197; Armstrong and Murlis, 2004, 371) is that, at best, non-cash plans represent a potentially valuable complement to financial rewards in a well-integrated 'total reward management' system. An study of job satisfaction predictors by Applebaum and Kamal (2000, 733) of non-financial incentive efficacy in a

small business contexts finds that recognition and other non-financial rewards 'are most effective when supplemented with an income that allows employees to meet physiological and security needs for themselves and their families.' At the very least, then, money remains an important moderating variable.

3. Hypothesised Correlates and Predictors of Non-Cash Recognition Practice

Associations with other Performance and Reward Practices: Substitutes or Complements?
The widespread belief that non-cash recognition should not be used as a stand-alone performance enhancement method inevitably invites questions as to the relationship in practice between non-cash recognition and other performance management and reward plans. Do non-cash plans complement some performance and reward practices, while substituting for others? For instance, do firms adopt individual non-cash recognition as a substitute for individual merit pay while simultaneously using it to complement performance pay for team?

The substitution hypothesis posits that firms make strategic choices between different methods of rewarding individual performance and, similarly, between different methods of rewarding group performance. One possible attraction of individual non-cash recognition is that they represent an inexpensive, flexible and potentially very effective alternative to regular merit pay increments or bonuses. Indeed, it may be far from coincidental that non-cash recognition awards have risen to prominence during the era of shrinking merit pay budgets.

The complementarity argument proposes that a mix of methods may allow the firm to capitalized on the advantages of each while minimizing any deficiencies. For example, a combination of group and individual plans may counter the tendency to self-interest possible in individual plans while at the same time reducing the possibility of 'free-riding' within the teams. Adding, say, an individual cash or non-cash performance reward might counter the potential for 'free-riding' in group-based cash incentives.

Of course, substitution and complementarity may not be mutually exclusive. It may be that complementarity is more typical of choices made *between* individual, group and organisational performance rewards while substitution is more characteristic of plan choice *within* each of these three broad categories. On this basis, it may be that firms making greater use of individual non-cash recognition may make less use of individual cash incentives while making greater use of group cash or non-cash plans.

A further possibility, identified by Long (2002), is the 'independent benefits' explanation. This suggests that a firm's choice of plan or plans is based on separate analyses of the anticipated costs and benefits of adopting any particular plan. As such, plan adoption is more likely to be based on *ad hoc* rather than integrated decision-making and we should therefore not necessarily expect to find any significant relationship between the presence of one type of reward plan and any other. For instance, this may explain the presence of a number of individual performance plans drawn from the one category, since a firm may choose to use two or more plans within the same category if they are seen as providing different net benefits to the organization or if the combination is seen to deliver greater administrative efficiencies.

We shall return to the issue of 'fit' between non-cash and other performance and reward management practices at a later point in the paper. First, though, we need to consider the structural, strategic and contextual factors that may be most conducive to the use of non-cash recognition. In the absence of significant prior research on the incidence of such practices,

any discussion of factors likely to influence the adoption of such plans must necessarily be conjectural in nature.

How a firm configures its reward practices is likely to be influenced by numerous factors internal and external to the organisation. In analysing these possible determinants (i.e. 'predictors'), we have followed the contingency framework advanced by a number of leading contributors to the strategic and international human resource management literatures (Schuler, Dowling and De Cieri, 1993; Jackson and Schuler, 1995; Pool and Jenkins, 1998; Miceli and Heneman, 2000; Budhwar and Sparrow, 2002). This basically proposes that reward strategy and practice 'depends on the fit among environment, organization, and strategy' (Miceli and Heneman, 2000: 292). In line with a contingency framework, it can be hypothesized that non-cash recognition awards will be better suited to certain jobs/roles, workforce profiles, industries, firms of a certain size and ownership status, and certain people management styles/strategies rather than others; we might also speculate that non-cash recognition may also be better accommodated within some regimes of employment relations regulation and taxation than others.

Job and Workforce Characteristics as Predictors of Non-cash Recognition

As with all reward practices, the adoption of non-cash rewards is likely to be influenced by the nature of the jobs and job-holders involved. Anecdotal evidence suggests that symbolic recognition in particular may be best targeted at staff performing routine task work, particularly juniors and women in casual and part-time positions, and rather than at those undertaking work of a highly discretionary nature. Part-time and casual employees are also less likely to be eligible for many of the individual merit pay plans and group and organisational performance plans frequently available to full-time permanent staff (Drago and Heywood, 1995). Managerial and degree-educated professional employees with hefty mortgages, high acquisitiveness and high need for power and/or achievement will be looking for rewards in the form of pay, status and promotion rather than rewards of a social and symbolic (i.e. 'trophy value') nature. On this basis, we might expect the incidence of non-cash plans to be related negatively to the proportion of the workforce with higher education qualifications. Studies by Kato (2002) and Torrington (1993) indicate that workers with more education are particularly interested in receiving financial rewards tailored to individual performance. A possible exception here would be knowledge-workers operating in project teams, for whom special recognition for group goal achievement may be entirely appropriate.

Numerous commentators have argued that team-based incentives can reinforce team effectiveness (Gross, 1995; Lawler, 2000; McAdams, 2000; Nelson, 1997). Logically, then, we might expect the incidence of group recognition to be higher where the proportion of employees organised in self-managing work teams is also higher. Evidence suggests that firms are more willing to use non-cash ways of recognising team performance than team financial incentives because it is believed that the former are easier to implement than monetary rewards (Gross, 1975; McClurg, 2001). But what of individual recognition in a team context? Singling out individual team members for special recognition may have a dysfunctional effect on team cooperation. Alternatively, as Gross (1995, 1999), Heneman and Von Hippel (1995) and others suggested, recognising the contribution of individual team members via non-cash as opposed to cash rewards may help both to sustain individual motivation and to counteract 'free-riding' without also rupturing team relationships. This may be all the more likely where award allocation is based on peer nomination. On this basis, we might expect to find a positive association between teamworking and group recognition but not necessarily a negative relationship between teamworking and individual non-cash plans.

There is now a wealth of evidence to indicate that union presence/absence has a powerful effect on reward plan choice and configuration for non-managerial workers. It is widely believed that that unions will favour fixed time-based pay over 'at risk' pay and that they will be particularly averse to individual performance incentives since these stand to undermine worker solidarity. Research from the USA, Britain and Canada (Brown, 1990; Heywood, Hubler and Jirjhan, 1997; Ng and Maki, 1994) does, indeed, indicate a negative relationship between union presence and some widely used individual performance pay plans, such as piece-rates and merit pay. While there is no comparable extant evidence on the relationship between individual non-cash awards and unionisation, we might expect to find a similarly negative relationship. The evidence on unionisation and group incentives is very sparse, but we might expect that unions would be less averse to group plans, particularly those of a non-cash nature, than to individual plan.

Firm Industry, Firm Size and Ownership, and HR Strategy as Plan Predictors

The key characteristics of the industry in which a firm operates are likely to influence the firm's approach to reward management. Anecdotal evidence suggests that formal recognition programs are common in service industries, particularly retailing, hospitality, travel, accommodation, fast-food, call-centres, data-processing, and banking and financial services. They also appear to have become quite widespread in some professionally-based areas of service provision, including law firms. The common denominator here is direct exchange between the service provider and the customer/client. It may be that non-cash recognition is being used to communicate and reinforce desired behaviours, including 'customer focus' and service 'quality' in those industries where 'emotion labour' is seen as being crucial to business success. On this basis, we can expect to find a positive association between recognition practices and service industry status, especially where the services involved are of a personal nature. However, since no prior research has been conducted on this issue, we must maintain an open mind as to the possibilities. Whatever the particular relationships may be, it is reasonable to expect that industry factors will have a significant influence on plan incidence in our two countries, and therefore our statistical comparisons will include controls for differences in industry composition.

Firm size is also likely to be a determining factor (Jackson and Schuler, 1995; Miceli and Heneman, 2000). Indeed, larger firms may have a greater propensity to adopt all forms of performance and reward management practice since it is more likely that they will have access to the resources to design and maintain such plans. A key advantage for large firms is that they have more employees across whom to spread the fixed costs of plan development and administration (Brown, 1990). In support of this, a recent study of British, Canadian, and French firms (Tremblay and Chenevert, 2004) found larger firms relied significantly more on both individual and group performance pay than did smaller firms. By extension, we might expect that larger firms are also more likely to make use of all forms of non-cash recognition, although it could be argued that the more personalised work relationships typical of smaller enterprises create a more favourable climate for non-cash recognition.

The nature of firm ownership can be expected to have an impact on choice of plans. Given the influence of international parent corporations, foreign subsidiary firms may adopt reward practices quite distinct from that of locally-owned firms. An Australian study by Walsh (2001) reports that the utilisation of human resource practices, including individual incentive/bonus schemes, was more widespread in foreign-owned firms than local ones, with British-owned firms making greater use of individual incentives and other forms of

performance-related pay, while US-owned firms make more use of bonus schemes. Accordingly, we can expect to find a higher usage of individual recognition plans amongst foreign subsidiaries than amongst domestically-owned firms.

The nature of a firm's general approach to people management – its Human Resource Management 'style' or 'strategy' – is also likely to be an influential factor. 'High Involvement Management' (HIM) is one of the most discussed and debated approaches in contemporary human resource management research. Indeed, it is widely seen as a central element of 'soft' Human Resource Management discourse and practice (Marchington, 2001). HIM is perhaps most commonly represented as a managerial approach characterized by a combination of employee 'empowerment', two-way communication flow, job enrichment and self-managing work teams (Edwards and Wright, 2001; Guest and Peccei, 2001; Huselid, 1995; Ichniowksi, Shaw, and Prennushi, 1997; Lawler, 1992; Levine, 1995; MacDuffie, 1995; Marchington, 2001). Yet there is considerable disagreement as to the specific 'bundle' of reward practices that are most characteristic of HIM (Becker and Gerhart, 1996; Guest and Peccei, 2001; Long and Shields, forthcoming). In the absence of any research evidence, the relationship between HIM and non-cash recognition is necessarily a matter of speculation. One possibility is that non-cash rewards, especially those given at the supervisor's discretion, are less likely to be found in HIM firms than in firms with a traditional 'top-down' management style. This would accord with the approach to employee recognition in the Human Relations approach to people management. By instituting formal systems of symbolic recognition and praise, Human Relations organisations can ensure that supervisors demonstrate high concern for line employees. Such rewards may also encourage a friendly workplace atmosphere and facilitate strong work group affinity. An alternative possibility is that non-cash rewards may be quite supportive of HIM, especially where recipient selection is based on peer nomination. Equally, group recognition plans may align with and reinforce the self-managing teams characteristic of HIM.

Contextual Predictors: Employment Relations and Taxation Regimes

Given the cross-national nature of the data samples, it is necessary to consider country-specific differences and effects. Since Canada and Australia have a common political and cultural heritage, differences in cultural values *per se* are unlikely to be of particular importance in shaping national-scale differences between the two countries. Factors likely to be of much greater importance here include patterns of industrial relations, employment regulation, and taxation provisions. A related issue here is Canada's proximity to the United States, which creates a potential for US-based policies to influence Canadian practices to a greater extent than Australian practices.

Historically, Australia has had substantially higher rates of union density. However, this difference has now been reversed, as many of the protections afforded to Australian unions under the old regime of compulsory arbitration have been whittled away. Although union density has declined in both Canada and Australia, Australia has seen a much sharper decline, from 63% at its high water mark in 1953 (Peetz, 1998), to 24% at present, compared to the current Canadian union density of 31%, down from a peak of 38% in 1986 (Gunderson, Ponak, and Taras, 2005). Union membership is also spread more thinly across Australian firms, whereas in Canada membership tends to be more concentrated. On this basis, we might expect to find stronger union effects in Canada than Australia.

Canada and Australia exhibit significant differences in the area of employment relations. Historically, arbitration has had a far greater impact in Australia, with national "awards" that

covered entire industries across Australia. In contrast, Canadian collective agreements have always been bargained at the enterprise level and the longer experience of firm-specific bargaining has given Canadian firms greater scope to tailor their remuneration methods to suit their particular needs, frequently with the acquiescence of union locals. As such, we might expect to find evidence of a sharper 'fit' between reward practice and firm specifics in Canada than Australia.

As numerous international studies show (e.g. Brown and Heywood, 2002), taxation policies can have a major influence on the overall incidence of reward practice configuration within a particular country. While income tax and capital gains tax provisions will obviously have greatest impact on cash remuneration practices, the nature and extent of non-cash rewards is likely to be shaped primarily by tax provisions relating to fringe benefits. In Australia, for instance, with the exception of employer-funded superannuation and child care, all work-related benefits, including benefits in kind, incur the highest marginal rate of income tax (currently 47 per cent). In both Canada and the USA, benefits are taxed at a significantly lower rate. Australia's relatively high level of taxation on fringe benefits means that there is no tax-based incentive for employers to use non-cash rewards of a substantial nature. Conversely, it may incline them to make greater use of low financial value recognition of a largely symbolic nature. Accordingly, we might expect to find that non-cash recognition is more widely diffused across Canadian firms than in Australia.

Finally, differences in employment law can be expected to have an impact. Pay equity legislation in Ontario and Quebec, Canada's two most populous provinces, requires that firms having predominantly female job classifications use a 'gender neutral' job comparison system to ensure that these job classifications are paid equitably in comparison with male-dominated classifications that are of comparable worth to the organisation (Long and Shields, 2005 in press; Pay Equity Commission 1989). Clearly, this requirement constrains management's ability to differentiate between individuals in similar jobs in terms of remuneration level. In turn, this may encourage management to turn to non-cash ways of recognising and rewarding outstanding individual performance. While Australia also has a long history of arbitral 'equal pay' provisions, none have mandated organisationally specific job evaluation along Canadian lines.

Given the possible combined effects of the above array of structural, strategic and contextual factors, it is necessary to subject the data gathered on reward practice in each of the two chosen comparator countries to multivariate analysis in order to ascertain the key underlying determinants of non-cash recognition use in each case. Before presenting the results of this analysis, we offer a brief description of the method used to generate the study data.

4. Methodology

Cross-National Samples and Data Collection

Data gathering occurred between 1999 and 2002, and focused on listed and unlisted profit-making enterprises, thus excluding public sector organisations such as hospitals, universities, government departments, and not-for-profit bodies. The Canadian research involved a mail-out survey to 1744 medium to large firms having a head office in Canada, based on a list generated by Dun and Bradstreet, which incorporated a random sampling of industrial sectors. The Australian research involved two mail-outs of the same survey form: one to 542 for-profit organisations based on a membership list generated by the Australian Human Resource Institute; and another to 300 companies drawn for a list of the 500 most highly capitalised companies listed on the Australian Stock Exchange.

The survey procedure involved an initial telephone call to confirm the name and contact details of the individual with primary responsibility for human resource management within the organisation. The survey was then mailed to this individual. If a response was not received with four weeks of the mail-out, a follow-up phone call was made. Overall, usable surveys were returned by 246 Canadian firms and 116 Australian firms, giving response rates of 14.1 percent and 13.8 percent respectively. While modest, these response rates are considered viable for purposes of statistical analysis. It was also decided to eliminate the small number of firms with fewer than 50 employees, leaving 245 firms in the Canadian sample and 104 in the pooled Australian sample.

Reward and Performance Management Practice Measures
The survey measured usage of two types of non-cash recognition:

- 'Individual Non-Cash Recognition Awards (eg. individual recognition awards; merit certificates).'
- 'Group/Team Non-Cash Recognition Awards (eg. team recognition awards; merit certificates).'

Information was also sought on one category of individual cash recognition, namely 'Special Purpose Cash Incentives (eg. attendance bonuses; suggestion bonuses; etc.)' as well as on range of other pay and performance practices. In addition to the two non-cash categories, the survey instrument sought information on a total of 13 performance pay practices (including five individual performance pay plans, three types of group performance pay, and five types of organisational performance pay), four base pay practices (job evaluation, salary surveys, skill/competency pay, and broadbanding) and six performance management practices (supervisory, peer and subordinate appraisal, individual goalsetting, employee attitude surveys, and self-managing teams).

Respondents were asked to provide information on the percentage proportion of non-managerial employees covered by each of the nominated practices (hereafter referred to as extent of plan *coverage).* A major advantage of interval data of this type is that it is amenable to bivariate correlation and linear regression analysis. Data on coverage was also used to generate binary data on the incidence of each pay practice. Responses for a given plan were coded as '1' if the firm reported any employees covered by that plan, and '0' if they did not. The incidence of each practice was also calculated based on the whether or not the respondent reported that any of the non-managerial workforce was covered by that plan (hereafter referred to as plan *incidence*). Responses for a given plan were coded as '1' if they did, and '0' if they did not.

Firm and Workforce Characteristics
Respondents were asked to provide information on a number of general characteristics of the firm and its workforce. These included industry, ownership of the firm (private; publicly listed; foreign subsidiary), and total number of employees. The latter was treated as an indicator of firm size, and a logarithmic transformation was applied to reduce distortion caused by extreme values. In addition, several variables were used as indicators of the nature of the workforce in each firm, including the proportion of employees with a university degree, the proportion of female employees, the proportion of part-time employees, the proportion of casual employees, and the proportion of unionised employees. Respondents were asked to indicate the percentage of their non-managerial workforce in 'self managing work teams or project teams'.

High Involvement Management

Since a key purpose of the wider study was to identify the extent of alignment between HIM and specific human resource management practices, we chose to define and measure HIM not in terms of a specific 'bundle' of practices (which, in any case, would have required us to prejudge the issue) but, rather, in terms of a set of broader organisational characteristics informed by Miles' (1975) pioneering work in this field. Specifically, HIM was measured using the following set of 15 Likert-type items (using a '1' (disagree strongly) to '7' (agree strongly) response scale) that tapped five key aspects of the organisation structure – job scope, co-ordination process, control mechanism, communication, and leadership/decision-making:

Job scope:

1. Most jobs in this organisation require a high level of skill, knowledge and ability to accomplish them.
2. Most jobs in this organisation are narrow in scope with a very limited range of responsibilities and duties. (Reverse scored)
3. For most jobs in this organisation, individuals have considerable latitude in planning and organising their work activities.
4. Most jobs in this firm are highly repetitive. (Reverse scored)

Co-ordination:

5. Co-ordination of work activities is carried out mainly by managers/supervisors. (Reverse scored)
6. In this organisation, there is a strict hierarchy of authority that is almost always followed. (Reverse scored)

Control:

7. In this organisation, rules are considered largely unnecessary, since employees will act responsibly even without them.
8. Management believes that because most employees are committed to and enjoy their jobs, they will work effectively even without supervision.
9. There are a great many rules in this organisation. (Reverse scored)

Communication:

10. In this organisation, communication flows freely up, down, and across the organisation.
11. In general, management believes that it is not necessary for employees to have any more information beyond that required to perform their jobs. (Reverse scored)

Decision-making:

12. In this organisation, even small matters have to be referred to someone higher up for final decision. (Reverse scored)
13. When decisions are made in this organisation, there is usually a significant amount of participation by employees.

Leadership style:

14. The main role of a supervisor at this firm is to ensure that employees are doing their jobs. (Reverse-scored)
15. The main role of a supervisor at this firm is to facilitate and support employees in carrying out their assigned duties.

The scale was created by summing of these items and dividing by 15. The scale for the combined sample had a Cronbach's alpha reliability of 0.84, a very satisfactory level (Nunnally 1967). In essence, this scale captures what might best be described as each firm's broad orientation to employee involvement – or the HIM 'style'. There were no significant differences in the mean level of HIM style between Canada and Australia.

Characteristics of the Samples

Table 1
Characteristics of Sample Firms by Country[1]

Characteristic	Canada (N=245)	Australia (N=104)
Industry Sector[2]:		
Resources	**5%**	**11%**
Manufacturing	36%	40%
Construction	**2%**	**10%**
Utilities	3%	6%
Wholesale/Retail	15%	13%
Accommodation/Food	4%	3%
Transportation	9%	5%
Communication	8%	9%
Finance/Insurance	13%	13%
Other	18%	23%
Ownership:		
Publicly traded	47%	38%
Subsidiary of foreign firm	26%	24%
Number of Employees:		
Mean (Median) number of employees	1877 (880)	1700 (580)
Workforce Composition:		
Mean proportion of part-time employees	**14%**	**6%**
Mean proportion of casual employees	6%	9%
Mean proportion of female employees	40%	37%
Mean proportion with university degree	23%	26%
Mean proportion of managers	15%	17%
Mean proportion in teams	**7%**	**14%**
Union Status:		
Firms with some unionisation	**55%**	**68%**
Proportion unionised (all firms)	29%	24%
Proportion unionised (excluding non-union firms)	**52%**	**36%**

[1]Bolded percentages indicate significant differences between countries, t-tests, $p < .10$, two tailed.
[2]Adds to more than 100%, since some firms are involved in more than one industry sector.

Table 1 shows that most characteristics of the firms in the Canadian and Australian samples were quite similar, particularly regarding workforce size and firm ownership. However, there were four areas of statistically significant difference. Firstly, the Australian sample had a significantly higher proportion of firms in the resources and construction industries. Secondly, Canadian firms had a higher proportion of part-time employees (14 per cent compared to 6 per cent). Thirdly, the mean proportion of employees in self-managing teams was significantly higher in the Australian sample (14 percent compared to 7 per cent). Fourthly, while Canadian firms were less likely to have any union presence, those that did so also had a significantly higher proportion of their employees unionised than did their Australian counterparts (52 per cent compared to 36 per cent). In other words - and as might be expected given the historical differences in the two countries' employment relations regimes – the Canadian sample exhibited a more selective and concentrated pattern of unionisation.

5. Results and Discussion

Incidence of Recognition Award Use: Cross-National Similarities and Differences

On average, Canadian firms made more use of individual non-cash plans than Australian firms (50 per cent compared to 41 per cent), while Australian firms had a higher mean incidence of group non-cash plans. In both cases, the average extent of plan coverage in firms using each plan type was higher in Australian firms: in particular, among Australian users the

mean coverage of group plans was 82 per cent, compared to 74 per cent in Canadian users. However, as the independent samples t-test results in Table 2 show, none of these differences are statistically significant, a result confirmed by multiple regression analysis (nor reported here) in which control variables for industry, firm size and proportion unionised were inserted into a regression equation prior to the insertion of country as a dummy variable.

Table 2
Incidence and Extent of Coverage of Non-cash Recognition Award Use, by Country

	Canada[1]	Australia[1]	t-value	Significance of Difference
Incidence of practice:				
Individual non-cash recognition awards	50% (n=120)	41% (n=43)	-1.449	.149
Group non-cash recognition awards	27% (n=66)	33% (n=34)	.975	.331
Coverage (%) of Non-Managerial Workforce[2]:				
Individual non-cash recognition awards	78%	82%	.644	.520
Group non-cash recognition awards	74%	82%	.954	.324

1. Bolded percentages indicate significant differences between countries, t-tests, p<.01, two tailed.
2. Excluding firms not using practice for non-managerial employees.

Correlations between Recognition Awards and other Reward and Performance Management Practices

With what other reward and performance management practices are each of the two categories of non-cash recognition most (and least) closely associated? To address this question, Pearson zero-order bivariate coefficients between the proportion of the workforce covered by individual and group non-cash recognition plans and other major reward and performance management practices were examined.

Table 3
Significant Bivariate Correlations between Coverage of Individual and Group Non-cash Recognition Awards and Other Reward and Performance Management Practices, by Country

	Canada		Australia	
	Individual Non-cash RAs	**Group Non-cash RAs**	**Individual Non-cash RAs**	**Group Non-cash RAs**
Non-Cash Recognition Plans				
Individual NCR Plans	1.000	.491****	1.000	.682****
Individual Performance Pay Plans:				
Piece-rates				
Commissions				
Merit Raises	.193***	.115*	.256***	.346****
Merit Bonuses			.321***	.366****
Special Individual Cash Incentives	.272****	.199***	.361****	.258***
Group Performance Pay Plans:				
Gainsharing				
Goalsharing		.108*		.277***
Other Group/Team Cash	.187***	.286****	.220**	.262***

Incentives				
Organisational Performance Pay Plans:				
Profitsharing		.118*		
Share Bonuses				
Share Purchase				
Share Options				
Other Organisational Incentives	.152**			
Base Pay Practices:				
Job Evaluation	.257****	.129**		.292***
Salary Surveys	.273****	.155**	.228**	.335***
Broadbanding	.182***			
Skill or Competency-based Pay	.178***			
Performance Management Practices:				
Supervisory appraisal	.370****	.214***	.237**	.257***
Peer appraisal	.143**	.124*		.268***
Subordinate appraisal	.132**	.126*	.272***	.418****
Goalsetting for individuals	.246****		.206**	.266***
Employee attitude surveys	.282****	.204***	.283***	.289***
Self-managing teams	.173***	.119*		

*Significant at p<.10, two tailed; ** at p<.05, two tailed; *** at p<.01; ****at p<.001

The results, which are presented in Table 3, reveal significant similarities between the two countries. In both countries, individual and group non-cash rewards themselves are clearly complementary rather than substitutive. Firms making more use of one also make greater use of the other. Likewise, in both countries both non-cash reward types are also positively associated with the use of special individual cash recognition awards and special cash incentives for teams/groups, suggesting that cash and non-cash recognition practices are also seen as additive (or at least as offering independent benefits) rather than alternatives. These data also reveal a wider pattern of plan complementarity. Contrary to expectations, in both countries, both non-cash recognition types correlate positively with merit raises (i.e. appraisal-based increments to base pay), which suggests that non-cash plans are used to both reinforce and moderate this widely used form of individual performance pay. Likewise, in both Canada and Australia, group non-cash recognition is associated positively with the use of group goalsharing, which is also indicative of plan complementarity. In both countries, both non-cash plans also correlate positively with most of the specified performance management practices, including both supervisory and subordinate appraisal and employee attitude surveys. This latter association is to be expected since attitude surveys are, *inter alia*, a useful means of identifying employee expectations ad preferences regarding non-cash rewards. Likewise, firms making greater use of the two types of non-cash recognition are also more likely to use salary surveys in establishing pay levels, from which it can be inferred that such firms are concerned to retain competitive levels of remuneration and do not seek to use non-cash rewards as a substitute for cash remuneration.

At the same time, the Table 3 data also reveals some interesting inter-country differences in plan use. In Australia, but not Canada, both non-cash plans are associated positively with the use of merit bonuses (i.e. appraisal-based payments that do not become a permanent addition to base pay). Canadian firms using group non-cash recognition plans also make greater use of profit-sharing, an association not present in Australia. Moreover, in Canada but not Australia, both types of non-cash recognition are associated positively with self-managing teams. Finally, in Canada, but not Australia, the use of individual non-cash rewards correlates

strongly with all four base pay practices on which data was collected. Intriguingly, this across-the-board association is not evident for group non-cash recognition. In Canada, at least, it would seem that individual non-cash recognition may be used as a means of recognising individual performance contribution in reward systems where the emphasis is primarily on base pay level and adjustment. One reason for this may be the statutory requirement for equal pay for jobs of equal size in the two most populous Canadian Provinces (Long and Shields, 2005 in press).

Notwithstanding these inter-country differences, the overall message from these data is one of plan complementarity. There are no performance or reward practices with which either type on non-cash recognition is significantly negatively correlated.

Predictors of Non-Cash Plan Coverage

If firms choose non-cash plans to complement more traditional pay and performance practices, how are these choices shaped by wider structural and strategic factors? To identify the chief underlying predictors of non-cash recognition use in each country, multiple regression analysis was applied to each sample. In each case, industry, firm, and workforce control variables were entered into a single-step regression equation. Table 4 displays the results of this analysis for each of the two non-cash practices in each country.

Against expectations, industry is of surprisingly little importance as a determinant of plan use. While small cell sizes, particularly in the Australian sample, necessitate considerable caution here, these data provide little support for the assumption that non-cash awards are more characteristic of retail and other service sector firms than firms in other industries. In fact, after controlling for other factors, these results indicate that firms in hospitality industries make *less* use of non-cash recognition, significantly so in the case of Canada. In Australia, public utilities also have an aversion to both types of non-cash recognition, perhaps because many such entities are recently privatised firms in which the legacy of public sector reward practice remains strong. Conversely, there is some indication that group non-cash practices are favoured in 'old economy' firms. Canadian manufacturing firms are favourably disposed towards group non-cash plans, as are Australian resources firms. Overall, though, in both countries, non-cash reward use appears to be quite widely diffused across industries rather than being confined to particular sectors.

Table 4
Regression Results for Non-cash Recognition Award Coverage, with Industry, Firm and Workforce Variables, by Country.

	Canada		Australia	
	Individual Non-Cash Recognition Awards	**Group Non-Cash Recognition Awards**	**Individual Non-Cash Recognition Awards**	**Group Non-Cash Recognition Awards**
Industry Characteristics:				
Resources	.050	.078	.061	.217*
Manufacturing	-.014	.282***	.067	.065
Construction	.079	-.073	-.111	-.105
Utilities	-.034	.025	-.238*	-.253**
Wholesale/retail	-.097	.025	-.017	.034
Accommodation/food	-.127*	-.126*	-.030	-.026
Transportation	.021	.034	.073	.117
Communications	-.073	.048	.150	.127
Finance/insurance	-.010	.013	.129	.068

Firm Characteristics:				
Foreign subsidiary	.050	.007	.162	.068
Size (log employees)	.089	.098	.239*	.365***
HI Management	.069	.080	-.220*	-.111
Workforce Characteristics:				
Proportion with degree	-.030	.025	-.065	-.135
Prop. part-time	.045	.167*	.143	.129
Prop. casual	.032	.131*	-.049	-.174
Proportion female	.068	.055	.023	.022
Proportion unionised	-.248***	-.172**	-.153	-.409***
Proportion in teams	.126*	.127*	-.051	.041
R^2	.132	.117	.239	.323
F Value	1.603*	1.396	1.134	1.720*
N	208	208	83	83

* Significant at p<.10; **p<.05; ***p<.01; ****p<.001; two tailed tests.

Turning to characteristics of the firm, contrary to expectations, we find that in neither country is foreign ownership a significant predictor of non-cash plan use. Beyond, that, however, there are substantial inter-country differences. In Canada, such plans have no underlying association with either firm/workforce size or with HIM style. Conversely, in Australia size is a strong positive predictor of plan use while HIM firms make significantly *less* use of individual non-cash plans. In sum: after controlling for other factors, characteristics of the firm make a significant difference in Australia, but not Canada.

The regression results for workforce composition reveal exactly the opposite: in Canada, but not Australia, workforce composition matters. While, as expected, unionisation is a strongly negative predictor of non-cash plan use in both countries, in Canada, but not Australia, firms that make more use of group plans also have higher proportion of part-time and casual workers. In Canada, but not Australia, team-working is also a positive predictor of both types of non-cash plans. Against expectations, though, workforce feminisation and education level were of no significance in either country.

6. Conclusion

As with all empirical inquiry, this study is not without its limitations. The data relies on information provided by single respondents which leaves little scope for information cross-checking or validation. The data are also cross-sectional in nature, which limits the study's potential to address temporal variation in reward practice associations. There is also an imbalance in sample size between the two countries, with the Australian sample being significantly smaller, but no adjustment has been made for this. The choice of countries has also been informed by a desire to combine and compare 'like' with 'like' in terms of national characteristics and this limits the generalisability of the findings to countries with different backgrounds, regulatory institutions and cultures.

Nevertheless, the study does have a number of significant advantages. Most importantly, it would appear to be the first empirical study of non-cash reward use. Moreover, whereas most existing studies of reward practice use are either single-country in scope, or cross-national but with limited controls for industry, firm or workforce variables, this is one of the first cross-national empirical studies to seek to gauge the relative significance of industry, firm and workforce characteristics as predictors of reward practice choice. Further, although its brief is to explore non-cash recognition plan use, it is one of the first cross-national studies of its type to consider the entire spectrum of reward practices rather just one or two specific practices. The study also utilises a composite measure of HIM that allows HIM style to be modelled as a

variable independent of reward practice, which thereby eliminates the need to make *a-priori* assumptions about the practices that 'truly' constitute HIM 'best practice'. Finally, the combination of multi-firm, multi-industry and multi-country data provides greater confidence regarding the generalizability of the findings.

Overall, the results of this study support the view that non-cash recognition practices are now widely applied to non-managerial employees in Canada and Australia. Non-cash recognition has now become part of the mainstream of reward and performance management practice in these countries, chiefly as a complement to more traditional practices. In Canada, at least, such plans also harmonise with the full range of base pay practices. As suggested, this across-the-board association with base pay practices may arise from Canada's statutory equal pay requirements, since recognition in kind rather than cash poses far fewer compliance problems here.

The study also offers insights on the main structural and strategic determinants of non-cash plan use. As expected, in both countries, such plans are less common in more highly unionised firms. However, the results also produced some surprises. Industry factors were of far less predictor importance than expected. Contrary to expectations, industry the use of such plans is no higher in service sector firms, in foreign-owned firms, or in firms with highly feminised workforces. Moreover, far from being more typical of firms adopting a high involvement approach to people management, the results suggest that, if anything, such plans are more likely to be found in firms managed along more traditional 'top-down' lines. While the overall plan incidence is very similar in Canada and Australia, there are some intriguing differences in the underlying determinants of plan use: firm size matters, but only in Australia; the proportion of part-time and casual employees matters, but only in Canada. On this basis, it would seem that it is only in Canada that the use of non-cash plans has been tailored to suit the nature of the employment relationship.

Overall, these findings highlight the need to avoid a priori assumptions about 'best fit' application of non-cash rewards, as well as the importance of distinguishing between general/global determinants and context specific factors in explaining the turn to non-cash rewards in such countries.

References

Armstrong, M. & Murlis, H. (2004), *Reward Management. A Handbook of Remuneration Strategy and Practice*, 5th edn. Kogan Page, London.

Aplebaum, S.H and Kamal, R. (2000), 'An Analysis of the Utilization and Effectiveness of Non-Financial Incentives in Small Business', *Journal of Management Development*, 19 (9), 733-763.

Asmus, J. & Mayfield, T. (1998), 'Texins Recognition Program: Innovation in Total Compensation', *ACA Journal*, 7(4), 28-31.

Becker, B. and Gerhardt, B. (1996), 'The Impact of HRM on Organizational Performance: Progress and Prospects', *Academy of Management Journal*, 39, 779-801.

Bennett Stewart, G. et.al. (1993), 'Rethinking Rewards', *Harvard Business Review*, 71(6), 37-49.

Brooks, S. (1994), 'Non-cash Ways To Compensate Employees', *HRMagazine*, April, 38-43.

Brown, C. (1990), 'Firms' Choice of Method of Pay', *Industrial and Labor Relations Review* 43, 165-182.

Brown, M. and Heywood, J. (2002), 'Paying for Performance. What Has Been Learned? In Brown, M. and Heywood, J, (eds.), *Paying for Performance. An International Comparison*. ME Sharpe, Armonk, NY, 261-264.

Budhwar, P.S. and Sparrow, P.R. (2002), 'An Integrative Framework for Understanding Cross-National Human Resource Management Practices', *Human Resource Management Review*, 12, 377-403.

Cameron, J. & Pierce, D. (1997), 'Rewards, Interest and Performance: An Evaluation of Experimental Findings', *ACA Journal*, 6(4), 6-15.

Cherrington, D.J. (1991), 'Need Theories of Motivation', in Steers, R.M. & Porter, L.W.
(eds.), *Motivation and Work Behavior*, 5th edn., McGraw Hill, New York, 31-44.

Deci, E.L. & Ryan, R.M. (1985), *Intrinsic Motivaton and Self-Determination in Human Behavior*, Plenum Press.

Deci, E.L., Koestner, R., & Ryan, R.M. (1999), 'A Meta-Analytic Review of Experiments Examining the Effects of Extrinsic Rewards on Intrinsic Motivation', *Psychological Bulletin*, 125(6), 627-668.

Drago, R., and Heywood, J. S. (1995), 'The Choice of Payment Schemes: Australian Establishment Data', *Industrial Relations*, 34, 507-531.

Edwards, P. & Wright, M. (2001), 'High Involvement Work Systems and Performance Outcomes: the Strength of Variable, Contingent and Context-bound Relationships', *International Journal of Human Resource Management*, 12(4), 568-585.

Evans, E., et al (1995), 'A Series of Essays about How Rewards Can Succeed', *ACA Journal*, 4(2), Summer, 20-35.

Foote, D. (1998), 'Non-Cash Rewards and Incentives: Secret Weapons in the High-Tech Worker Staffing Wars', *ACA Journal*, 7(4), 24-27.

Freeman, J. (1996), 'Rewarding Workers', *The Weekend Australian*, 14 September.

Gross, S.E. (1995), *Compensation for Teams*, Amacom, New York.

Gross, S.E. (1999), 'Aligning Pay to Team Results', in Risher, H. (ed.), *Aligning Pay and Results. Compensation Strategies that Work from the Boardroom to the Shop Floor*, Amacom, New York, 236-258.

Guest, D. and Peccei, R. (2001), 'Partnership at Work: Mutuality and the Balance of Advantage', *British Journal of Industrial Relations*, 39(2), 207-236.

Gunderson, M., Ponak, A. and Taras, D. (2005), *Union-Management Relations in Canada*, Addison Wesley, Don Mills, Ontario.

Gupta, N. & Shaw, J. (1998), 'Financial Incentives are Effective!!', & Kohn, A. (1998), 'Challenging Behaviorist Dogma: Myths about Money and Motivation', *Compensation and Benefits Review*, March-April, 26-37.

Hay, D. (1998), *Maximising the Impact of Recognition: An Approach to Rewarding Employee Contributions*, American Compensation Association, Scottsdale Arizona.

Heneman, R.L. & Von Hipple, C. (1995), 'Balancing Group and Individual Rewards: Rewarding Individual Contributions to the Team', *Compensation and Benefits Review*, July-August, 63-68.

Herzberg, F. (1966), *Work and the Nature of Man*, Staples Press.

Herzberg, F. (1987), 'One More Time: How Do You Motivate Employees?', *Harvard Business Review*, 65, 109-20.

Heywood, J. S., Hubler, O., and Jirjahn, U. (1998), 'Variable Payment Schemes and Industrial Relations: Evidence from Germany', *KYKLOS*, 51, 237-257.

Human Resources Magazine (2005), 'The Money or the Box? Cash vs. Non-cash Incentives', http://www.humanresourcesmagazine.com.au/articles/0C/)C02590C.asp?Type=60&C

Huselid, M.A. (1995), 'The Impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance', *Academy of Management Journal*, 38, 635-72.

Ichniowksi, C., Shaw, K. and Prennushi, G. (1997), 'The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines', *American Economic Review*, 87, 291-313.

Jackson, S.E. and Schuler, R.S. (1995), 'Understanding Human Resource Management inn the Context of Organizations and Their Environments.' *Annual Review of Psychology*, 46, 237-264.

Kato, T. (2002) 'Financial Participation and Pay for Performance in Japan'. In Brown, M. and Heywood, J eds., *Paying for Performance. An International Comparison*, ME Sharpe Armonk, NY, 214-235.

Kohn, A. (1993), *Punished By Rewards*, Houghton Mifflin, New York.

Kohn, A. (1995), 'Why Rewards Undermine Performance: An Exclusive Interview with Alfie Kohn', *ACA Journal*, 4(2), Summer, 6-19.

Kohn, A. (1998), 'Challenging Behaviorist Dogma: Myths About Money and Motivation', *Compensation and Benefits Review*, March-April, 26-37.

Klubnik, J.P. (1995), *Rewarding and Recognizing Employees. Ideas for Individuals, Teams, and Managers*, Irwin Professional Publishing.

Labov, B. (1997), 'Inspiring Employees the Easy Way', *Incentive*, 171(10), 114-18.

Lawler, E.E. (1992), *The Ultimate Advantage: Creating the High-involvement Organization.* Jossey Bass, San Francisco.

Lawler, E.E. (2000), *Rewarding Excellence. Pay Strategies for the New Economy*, Jossey Bass, San Francisco.

Levine, D. (1995), *Reinventing the Workplace: How Business and Employers Can Both Win*, Brookings Institution, Washington, DC.

Long, R. J. (2002), 'Performance Pay in Canada', in Brown, M. and Heywood, J eds., *Paying for Performance. An International Comparison*, ME Sharpe, Armonk, NY, 52-89.

Shields, J. & Long, R. (2005, in press), 'Best Practice or Best Fit? High Involvement Management and Base Pay Practices in Canadian and Australian Firms', *Asia Pacific Journal of Human Resources*, 41(3).

Long, R. & Shields, J. (forthcoming), 'High Involvement Management and Performance Pay in Canadian and Australian Firms', *International Journal of Human Resource Management.*

Maslow, A.H. (1943), 'A Theory of Human Motivation', *Psychological Review*, July, 370-96.

MacDuffie, J. P. (1995), 'Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry', *Industrial and Labor Relations Review*, 48, 197-221.

Marchington, M. (2001), 'Employee Involvement at Work.' In Storey, J. (ed.) *Human Resource Management. A Critical Text*, Second Edition, Thomson Learning, London, 232-252.

McAdams, J.L. (1991), 'Nonmonetary Awards', in Rock, M. & Berger, L. (eds.), *The Compensation Handbook: A State of the Art Guide to Compensation Strategy and Design*, third edn., McGraw Hill, New York, 218-235.

McAdams, J.L. (1995), 'Rewarding Special Performance: Low-Cost, High-Impact Awards', in Risher, H. & Fay, C. (eds.), *The Performance Imperative: Strategies for Enhancing Workforce Effectiveness*, Jossey Bass, San Francisco, 361-388.

McAdams, J.L. (1996), *The Reward Plan Advantage: A Manager's Guide to Improving Business Performance Through People*, Jossey Bass, San Francisco.

McAdams, J.L. (1999), 'Nonemonetary Rewards: Cash Equivalents and Tangible Awards', in Berger, L.A. & Berger, D.R. (1999), *The Compensation Handbook. A State-of-the-Art Guide to Compensation Strategy and Design*, 4th edn., McGraw-Hill, New York, 241-260.

McAdams, J.L. (2000), 'The Essential Role of Rewarding Teams and Teamwork', *Compensation and Benefits Management*, 16(4), 15-27.

McCoy, T.J. (1992), *Compensation and Motivation*, Amacom, New York.

McClurg, L.N. (2001), 'Team Rewards: How Far Have We Come?', *Human Resource Management*, 40(1), 73-86.

Mercer Human Resource Consulting (2004), *Australian Benefits Review*, Sydney.

Miceli, M.P and Heneman, R.L. (2000), 'Contexual Determinants of Variable Pay Plan Design: A Proposed Research Framework.', *Human Resource Management Review*, 10(3), 289-305.

Miles, R.E (1975), *Theories of Management: Implications for Organizational Behaviour and Development*, McGraw-Hill., New York.

Nelson, B. (1994), *1001 Ways to Reward Employees*, Workman Publishing, New York.

Nelson, B. (1996), 'Dump The Cash, Load On the Praise', *Personnel Journal*, July, 65-70.

Nelson, B. (1997), 'Does One Reward Fit All?', *Workforce*, 76(2), February, 67-70.

Ng, I., and Maki, D. (1994), 'Trade Union Influence on Human Resource Management Practices', *Industrial Relations*, 33, 121-135.

Nunnally, J. C. (1967) *Psychometric Theory*, McGraw-Hill, New York.

O'Neill, G. (1995), 'Linking Pay to Performance: Conflicting Views and Conflicting Evidence', *Asia Pacific Journal of Human Resource Management*, 33(2), 20-35.

Patrickson, M. (2001), 'Stimulating High-Performance Outcomes Through Non-Financial Incentives', in Weiser, R. & Millett, B. (eds.), *Management and Organisational Behaviour*, John Wiley & Sons Australia, 25-34.

Pay Equity Commission (1989), *How to do Pay Equity Job Comparisons*, Ontario Pay Equity Commission, Toronto.

Peetz, D. (1998), *Unions in a Contrary World: The Future of the Australian Trade Union Movement*, Cambridge University Press, Cambridge.

Poole. M and Jenkins, G. (1998), 'Human Resource Management and the Theory of Rewards: Evidence from a National Survey', *British Journal of Industrial Relations*, 36 (2), 227-247.

Schuler, R.S., Dowling, P.J. and De Cieri, H. (1993), 'An Integrative Framework of Strategic International Human Resource Management', *International Journal of Human Resource Management*, 4, 717-764.

Steers, R.M. & Porter, L.W. (eds.) (1991), *Motivation and Work Behavior*, 5th edn., McGraw Hill, New York, ch. 3 (29-107).

Torrington, D. (1993) 'Sweets to the Sweet': Performance Related Pay in Britain', *International Journal of Employment Studies*, 1, 149-164.

Towers Perrin (2003), *Managing Performance and Rewards in a Challenging Business Environment*.

Tremblay, M. and Chenevert, D. (2004), "The Effectiveness of Compensation Strategies in International Technology Intensive Firms', *International Journal of Technology Management*, 10(10), 1-17.

Trunko, M. (1993), 'Open To Suggestions', *HRMagazine*, 38(2), 85-89.

Walsh, J. (2001), 'Human Resource Management in Foreign-owned Workplaces: Evidence from Australia', *International Journal of Human Resource Management*, 12(3), 425-444.

Wilson, T.B. (1994), *Innovative Reward Systems for the Changing Workplace*, McGraw Hill, New York.

Zingheim, P. & Schuster, J. (2000), *Pay People Right! Breakthrough Reward Strategies to Create Great Companies*, Jossey Bass, San Francisco.