



ROYAL INSTITUTE OF TECHNOLOGY

**REWARD MANAGEMENT IN SWEDISH REAL ESTATE FIRMS:
Five essays**

Doctoral thesis in Real Estate Management

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Dedicated to my mother who taught me the things that matter the most, my siblings who looked out for me, my teachers who believed in me, my wife who asked me the uncomfortable questions, relentlessly.

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Introduction

Reward systems and reward management has been of interest to researchers (Jensen, Murphy, and Wruck, 2004; Werner and Ward, 2004; Dulebohn and Werling, 2007) and practitioners for many reasons. Changes in the approach to the design of reward systems reflect a shift from an emphasis on where individuals are in the firm hierarchy to what they contribute to firm success (Kanter, 1987). Reward systems not only represent a substantial business expense but also are instrumental in enabling the organization to recruit, reduce turnover, and motivate employees. Despite the fact that the role of reward systems in the recent financial crisis (Crotty, 2009) has come under scrutiny, reward management in real estate firms in general, and in Sweden in particular, has not received as much attention.

The noted perverse role that rewards played in prompting the crisis underscores the need to understand the role of rewards in the real estate sector so as to evaluate its capacity to attract high-quality talent, foster retention of high performers and improve performance in ways that are sustainable and supportive of the rest of the economy. Although a great deal of research has been conducted on reward management, the primary argument that runs throughout this research is that not much is understood about rewards in the real estate sector. Whatever little research has been done in this sector focuses almost exclusively on senior executives in the United States, despite the fact that the core contributors to the organization are not solely executives. European real estate firms should be just as important when it comes to understanding the nature of employee rewards.

In an attempt to close the gap in knowledge of reward management for real estate firms and assist Swedish managers of real estate firms with a relatively comprehensive description of reward management in the sector, this study argues that exploring reward management by Swedish real estate companies would help initiate a process of understanding Swedish real estate employee motivation and behavior. It may also help the sector to maximize returns to current investments in employees as well as to avoid some of the pitfalls that have befallen the financial services sector.

Goals and Objectives

The goal of the study was to gain insights into the research and practice of reward management within Swedish real estate firms by

- determining how prevalent different reward management practices are in the Swedish real estate sector and performing some preliminary assessments of their effectiveness,
- exploring which factors explain differences in reward management practices between different firms in the Swedish real estate industry,
- testing for possible links between reward management and firm performance.

Significance of the study

Perkins and Vartiainen (2010) define reward management as “the process of designing and implementing strategies and systems developed to help organizations achieve their objectives through attracting, motivating, and retaining the best qualified employees”. On the one hand, the mismanagement of rewards could lead to severe problems for the organization when rewards become susceptible to abuse (Baker, Gibbons, and Murphy, 1994; Crotty, 2009). They could also destroy intrinsic motivation and teamwork (Kohn, 1993). On the other hand, the justification provided for reward schemes is that they serve to attract, retain, and engage employees (Thierry, 2002). They are increasingly seen as a means to enhance organizational performance (Salimäki, Hakonen, and Heneman, 2009).

Saks (2006) noted that employee engagement in particular is a difficult concept to define. A distinction is made between practitioner definitions and academic definitions of engagement. Macey and Schneider (2008) observed that the term is more commonplace among practitioners than among researchers. Frank, Finnegan, and Taylor (2004), as well as Towers Perrin (2003), saw engagement as occurring when employees exercise discretionary effort, whereas Richman (2006) and Shaw (2005) depicted it as being emotionally and intellectually devoted to the firm for which one works. Kahn (1990) classifies engagement as a behavior; engagement occurs when workers “employ and express themselves physically, cognitively, and emotionally during role performances.” Macey and Schneider argued that

engagement is both attitude and behavior. However, they conceptualized attitude as a cause of behavior.

Of importance to this discussion are not only the definitions but also the causes and results of employee engagement. Saks (2006) identified reward and recognition as a probable cause of engagement but could not find empirical evidence to support the claim. However, Saks found the nature of the job, such as skill variety, task identity, task significance, autonomy, and feedback to be significantly related to employee engagement. In addition, perceived support from one's supervisor and employers was also found to be significantly related to employee engagement. Macey and Schneider (2008) identified conditions of the workplace (such as challenge and variety) and the nature of leadership as drivers of both attitude and behavioral engagement. These conditions are similar to the work environment factor that is described as a nonfinancial reward by mostly practitioners who argue for a broader notion of reward (Towers Perrin, 2001). The argument is that these conditions drive engagement more than financial rewards and require a coherent analysis of company-wide reward systems to look beyond financial rewards. Engagement behavior takes the form of discretionary effort (Towers Perrin, 2003) that is expected to translate into individual and organizational outcomes. Saks (2006) found that engagement leads to job satisfaction, organizational commitment, and reduced intention to quit.

Saks (2006) also argued that individuals would react differently to the various psychological drivers of employee engagement, which means that the psychological approach to explaining employee engagement proves insufficient. A stronger reason why these drivers of employee engagement seem plausible is that their provision falls within a framework of social exchanges in the workplace. The essential idea in Social Exchange Theory is that parties that are mutually interdependent generate reciprocal commitments as a result of repeated interaction (Whitener, Brodt, Korsgaard, and Werner, 1998; Cropanzano and Mitchell, 2005). In the organizational context, the firm can thus elicit commitment from its employees by providing economic and socio-emotional resources. These resources are not very different from the concept of financial and nonfinancial rewards being pushed by advocates of non-financial

rewards. Saks (2006) provided evidence of the role of nonfinancial rewards in employee engagement, using employee data from the Toronto area. Perceived organizational support predicts engagement toward the job and the firm, features of the predict job engagement, and fairness in organizational procedures predicts engagement toward the firm.

Methods and approach

Given that only a limited amount of research has been conducted on the reward management of real estate firms, this study attempts to extend what was done in other industries to the real estate industry. A number of questions thus need to be answered with respect to the nature of rewards in Swedish real estate firms:

- How prevalent are incentive plans within Swedish real estate firms?
- What factors explain disparities in reward management between firms in the industry?
- What other reward items are offered in addition to financial rewards?
- What can we say about the effectiveness of the different reward items in driving employee engagement?
- Is there a link(s) between rewards and performance? What is the nature of this link(s)?

Attempts to answer these questions are partly descriptive and partly analytical, entailing the use of a number of complementary theoretical approaches combined with survey research as the primary means of data collection. The justification for this use of multiple approaches is that the complementary nature of the different theoretical approaches compensates for weaknesses that are inherent in individual theories, thus providing a broader basis for analyzing a survey on reward management in the Swedish real estate sector. This use of multiple approaches should provide better insights into most, if not all, of the abovementioned questions. Another reason

is that the nature of reward management is too complex to be explained by a single theoretical approach.

Analytical approach and the related paradigms

As mentioned earlier, the basic approach to data collection was the survey method. The analysis consisted of description of current practice at the time of the study, logistic regression to test a hypothesis of ownership and size as determinants, as well as structural equation modelling (SEM).

The survey

Pinsonneault and Kraemer (1993) characterized survey research as the provision of quantitative characterizations of a population under study, which are applicable to individuals, groups, and organizations. The main method of collecting information is the use of structured, predefined questions, which are administered on a subset of the population; the answers provided by the respondents constitute the data to be analyzed. Furthermore, unlike case studies and experiments, surveys take place in a variety of natural settings so as to answer questions about current and past occurrences of phenomena, their magnitude and reason for occurrence, as well as the nature of their occurrence. The research questions raised earlier fit the characterizations that lead to the structure of the study illustrated in Figure 1.

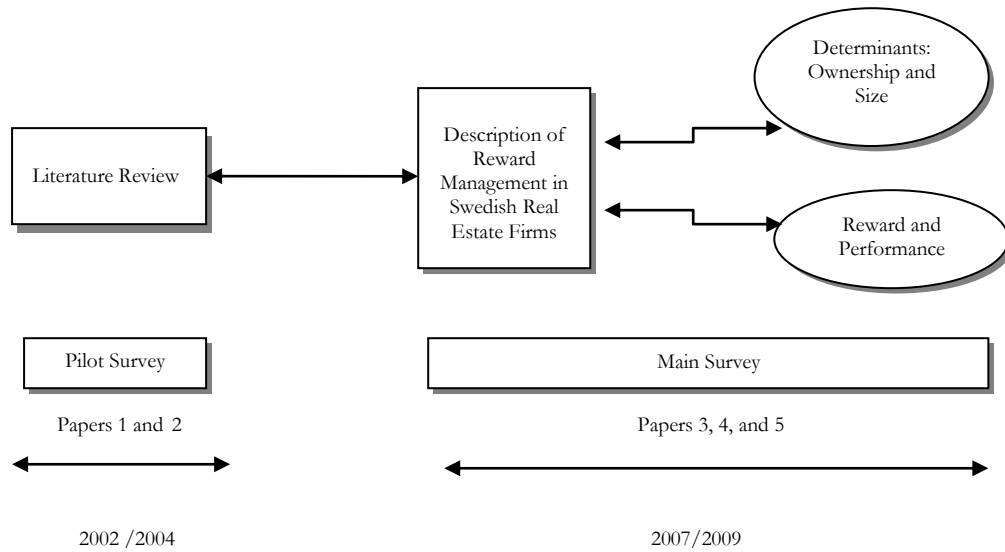


Figure 1: The structure of the study

The data collection process started with a pilot survey in 2003 using a questionnaire adapted from Chiu, Luk, and Tang (2002). The questions focused on reward items offered to senior, middle, and non-managers, as well as the performance measures used in the companies. It also included questions on satisfaction with the current reward programs and future plans. The goal of the pilot study was to check the applicability of the items included in the questionnaire, the adequacy of the questionnaire itself, the respondents' understanding of the questions as well as the appropriateness of the sampling method. It was also meant to check if the sampling frame and technique were effective (See van Teijlingen and Hundley, 2001). Different theoretical models were also used to guide a preliminary description of patterns of occurrence of rewards (Paper 2) as a way of further developing the research questions as well as planning for a more comprehensive study. One outcome of the pilot study was the realization by the researcher that certain benefit items are not offered by companies given that they are part of the welfare system. These were thus excluded from the main survey.

The follow-up study was a more comprehensive survey, which was conducted in 2007. The questionnaire covered the four major areas of reward being surveyed: pay, benefits, learning and development programs as well as the work environment. The

results of this survey have been analyzed in three papers: a largely descriptive paper describing the prevalence of different reward types and two more analytical papers focusing on links between performance and reward as well as the impact of ownership and size as predictors of variable financial rewards.

Participants

The respondents for the pilot survey and the main survey were chief executive officers (CEOs) of real estate companies in Sweden. The list of respondents was obtained from *constellator.se*, a Swedish website that listed firms in the real estate sector. The firms were divided into different strata, namely:

1. Listed companies
2. Unlisted companies
3. Municipal housing companies
4. Portfolio/fund managers and property consultants
5. Bank/insurance and investment companies

With the exception of strata 1, 4 and 5 (whose numbers were small), each strata was systematically sampled. To boost the response rate, the questionnaire was translated into Swedish and professionally laid out. Each questionnaire pack included a cover letter that informed participants about the purpose of the study. Participants were asked to complete the survey as part of a study on reward management in the Swedish real estate sector. Participation was voluntary, and participants were assured of the anonymity and confidentiality of their responses. Upon completion, participants returned their survey in a sealed envelope to the researcher.

120 questionnaires were sent out in March 2007, followed by two reminders in April and May of the same year. Of these, 93 completed questionnaires were returned, giving a response rate of approximately 78 per cent. Armstrong and Overton (1977) suggest that if non-response is under 30 per cent, non-response bias is not a problem. Dropout analysis was therefore not performed for non-respondents.

A potential weakness of the research method concerns the fact that the questionnaire survey basically entailed organizations' self-report of their own reward practices. This could be problematic on a number of levels. One obvious problem is that respondents could overstate what they offer employees in order to avoid painting a dismal picture of their reward practices (see also Milkovich, Gerhart and Hannon, 1990). They may also give responses based on non-technical, layperson theories of the role of different reward practices (Podsakoff and Organ, 1986). One way to control for it was to eliminate some questions from the analysis; these are questions that are judged to be susceptible to self-reporting bias, such as reasons for using financial incentives and satisfaction with existing schemes.

Analytical methods

The methods of analysis were chosen based on the nature of the variables under study and the hypothesized relationship between them. Papers 2 and 3 consist of largely descriptive analyses of the various forms that reward can assume. Balkin and Bannister (1993) argue that understanding the different forms that employee pay assumes: salary, bonuses of different types and non-financial rewards enables a more complete understanding of the nature of employee reward compared to the narrow focus on the salary and bonus component of the pay package. They argue that differences in the relative importance of different items in the package could give insights into differences in the bargaining influence of different employees within a firm and across firms. It was thus important to attempt a comprehensive description of the different types of reward items being used in the sector. Binary logistic regression is appropriate when the dependent variable is categorical and the predictor variables are categorical and/or continuous (Peng, Lee, and Ingersoll, 2002; Hair, Black, Babin, and Anderson, 2006). In paper 4, logistic regression was appropriate because two variables: ownership (categorical) and size (continuous) were used as predictors of a dichotomous dependent variable: whether or not a firm uses variable pay. The study also employed SEM in paper 5 for a variety of reasons. It allowed the flexibility to develop a model that simultaneously examined two dependent relationships: the possible existence of a link between nonfinancial rewards and financial rewards. This

dependent variable becomes an independent variable in the next relationship within the same analysis—that is, between financial rewards and performance— while also simultaneously analyzing the two dependent variables (Jöreskog, Sörbom, du Toit, and du Toit, 1999). It also allowed regression analysis and confirmatory factor analysis to be integrated into one statistical test (Chin, 1998; Garver and Mentzer, 1999). The growth in the use of SEM in management research has been noted (McQuitty, 2004).

Research paradigms

Research paradigms are “overall conceptual frameworks within which some researchers work” (Healy and Perry (2000, p.118). Deshpande (1983, p.101) describe a research paradigm as “a set of linked assumptions about the world which is shared by a community of scientists investigating the world”. The four major research paradigms are positivism, critical theory, constructivism and realism (Guba and Lincoln, 1994). Each paradigm has three elements: ontology, epistemology and methodology.

Ontology relates to the reality the researcher is trying to understand. Epistemology is about the link between the reality and the investigator and methodology is the technique the researcher employs to investigate the phenomenon of interest. The four paradigms are illustrated in table 1.

Table 1: Four categories of scientific paradigms and their elements (source: Healy and Perry, 2000)

Paradigm				
Element	Positivism	Critical theory	Constructivism	Realism
Ontology	Reality is real and capable of being understood	“Virtual” reality shaped by social, economic, ethnic, political, cultural, and gender values, crystallized over time	Multiple local and specific “constructed” realities	Reality is “real” but only imperfectly and probabilistically ascertainable
Epistemology	Objectivist: findings true	Subjectivist: value mediated findings	Subjectivist: created findings	Modified objectivist: findings probably true
Typical methodologies	<i>Experiments/surveys:</i> verification of hypotheses, mostly quantitative methods	<i>Dialogic/dialectical:</i> researcher is a “transformative intellectual” who changes the social world in which participants live	<i>Hermeneutical/dialectical:</i> researcher is a “passionate participant” within the world being investigated	<i>Case studies/convergent interviewing:</i> triangulation, interpretation of research issues by qualitative and some quantitative methods such as structural equation modelling

Two of these paradigms appear to be of relevance to this study: positivism and realism. Positivism is the dominant paradigm in science and, as shown in table 1 is rooted in realism, an empiricist epistemology based on a correspondence theory of truth, characterised by quantitative methods (Booth, Kenrick, and Woods, 1997). The devotion to quantitative methods arises from the physical and natural sciences, entailing a systematic and seemingly objective approach to data gathering. This has led to the replication of methods of enquiry in the natural sciences to social

phenomena, such as the study of organizations. This has created a focus on the observable, based on the belief that all constructs used to explain organizational phenomena ought to be closely tied to what can be observed.

Booth, Kenrick and Woods argue that the positivist approach is reductionist in essence, and its methods are basically concerned with the definition and control of phenomena being investigated, with the resultant measurements and observations subjected to statistical testing. This process results in normative theories proposing explanations of observed phenomena and relationships between constituent variables of interest. Hypotheses deduced from the theories are tested using statistical data.

Realism is a slightly more flexible variant of the positivist tradition. It rests on the belief that reality exists even if it cannot be perfectly observed (Guba and Lincoln, 1994). The findings of this approach are stated with probability and the commonest methods are multi-method approaches (triangulation) and a mix of qualitative and quantitative approaches.

In contrast to positivism and realism, critical theory and constructivism approaches are rooted in relativism, a subjectivist epistemology characterised by the use of qualitative methods (Booth, Kenrick, and Woods, 1997). Unlike the positivist tradition where the researcher attempts to maintain a distance from the phenomenon under study, the researcher in this case is a participant and his/her relationship with the other participants is part of the data. The analytical approach under these paradigms is neither reductionist and quantitative. Instead analysis focuses on the meaning of observed behaviors, field notes, and transcripts. These paradigms tend to lean more towards theory building than positivist theory testing (Healy and Perry, 2000).

The study mixes surveys with different multivariate techniques (quantitative, positivist approaches) as well as SEM (a realist approach). This is because, in addition to attempting a description of the prevalence of different types of employee rewards, the study also tested hypotheses arising from agency theory concerning the impact of ownership and size on the odds of using incentive pay with logistic regression.

The study also tested hypothesized links between financial and non-financial reward and performance, using SEM. Healy and Perry (2000) argue SEM is probably the only appropriate survey analysis technique for a realism researcher to use, because it allows us to test models with complex interdependencies; and explicitly allows for multi-item scales and some measurement error in its latent constructs. This is appropriate in this context since the links between the constructs financial and non-financial rewards as well as performance were tested simultaneously.

Research contribution and major findings

Ladik and Stewart (2008) define research contribution as occurring when research work “clearly adds, embellishes, or creates something beyond what is already known”, changing the “mind and/or behavior of a stakeholder” (Rust, cited in Ladik and Stewart, 2008). Since the goal of the research was to gain insight into practice and research on reward management in the Swedish real estate sector, the potential beneficiaries of this research are managers of Swedish real estate firms as well as researchers in reward management. The former would be able to benchmark to some extent their reward management practices against that of their peers. They may also find in this work, alternative ways of engaging employees using reward items reward items that may be even more beneficial and less controversial than financial rewards. Reward management researchers may find in this work, applications of theory as well as extensions to some of the existing discussions on reward management.

The primary contribution of this dissertation is to extend reward management research in real estate firms by studying the Swedish sector, where, to the best of the author’s knowledge, no prior work was conducted. It also adopts a company-wide focus,

compared to prior studies that were confined to executives of Real Estate Investment Trusts (REITS). This dissertation is thus the first extensive description and analysis of company-wide reward systems in Swedish real estate firms, as reported by the firms that participated in the study. This study also attempted to broaden the theoretical discussion beyond a single disciplinary area. Werner and Ward (2004) noted that compensation research tends too often to be restricted to a single discipline. This research drew on theoretical constructs from different disciplines (including social and occupational psychology, organizational behavior, and the economics of contracts) because employee reward and its impact on worker motivation have been discussed in different disciplines. These different theoretical approaches reflect the complex and multifaceted nature of employee reward and motivation.

In addition, this dissertation highlights the role of nonfinancial rewards as part of a social exchange, with the power to elicit reciprocal employee engagement (Wayne, Shore, and Liden, 1997; Saks, 2006). Perhaps a fundamental question is whether these rewards ever translate into performance. Using structural equation modeling (SEM), this study explored possible links between senior managers' self-reports of reward management practices in the survey and financial information obtained from independent sources.

The aims of paper 1, "Incentive Plans and Real Estate Firms: A Literature Review," were to highlight some of the mainstream theoretical approaches to studying the subject and the paucity of research on the subject within real estate research so as to identify issues that may be covered in researching into employee rewards in the real estate sector. A review of goal and expectancy theories of motivation leads to the argument that organizations need to establish clear links between performance and reward so that reward can achieve its motivational impact. Agency theory, career concerns theory and tournament theory together suggest employee motivation can come from the prospect of qualifying for financial gains, future reputational concerns in the external labor market as well as intra-firm wage differentials. The argument one can make from reviewing the different theories is that if one relaxes the Agency Theory assumption of agent uniformity, employee motivation may come from

different sources, in addition to variable pay. This undermines somewhat the recommendation of agency theory as to how to align employee interests with those of the owners of the firm. Paper 1 was originally focused only on research in the area of personnel economics. As the research progressed, it became clear that the nature of work motivation is too complex to be confined to a single discipline. The scope of the review in paper 1 was thus broadened to include noneconomic theories.

Paper 2, “Reward Management in the Swedish Real Estate Sector: A Pilot Survey,” as the title suggests, was a prelude to a comprehensive description of the status of pay and benefit programs in Swedish real estate firms. Paper 2 was also modified in the sense that the analysis was reframed using insights from three theories¹ to explain the occurrence of financial and nonfinancial rewards in the pilot survey. A consequence of the pilot study was to identify additional elements of non-financial rewards that could be added to the main survey. Papers 1 and 2 were previously submitted as part of the thesis for a Licentiate degree in Real Estate Management.

Papers 3, 4, and 5 were based on the follow-up survey. Paper 3, “A Survey of Reward Management in the Swedish Real Estate Sector,” applied insights provided by agency theory, social exchange theory, and resource dependence theory to frame a description of reward practices of Swedish real estate firms. Resource dependence theory suggests that the amount of control wielded by individuals or groups of employees in determining the amount and type of reward they receive depends on resources they can provide or withhold. This control of access to critical resources needed by the firm (e.g., information and expertise) gives them power to negotiate not only the size but also the types of reward items they can access (Thierry, 2001). Differences in financial rewards at different levels of some of the firms may have been amplified by differences in the benefit structure, reflecting the superior bargaining position of different groups of employees.

By international standards, company benefits offered in Europe, and Sweden for that matter, are likely to be relatively less generous because the state provides some of

¹ Agency theory, career concerns theory, and resource dependence theory.

these benefits to everyone, thus making employers a less important source of income security. The provision of these benefits limits the vulnerability of low-income earners more than it does in the United States (Root, 1985). Even though investments in training as well as flexible working hours could be framed as social exchanges that could drive employee engagement, the study also found that employers might not be doing enough to ensure that investments in training do result in skill transfer.

Paper 4, “Ownership and Size as Predictors of Incentive Plans within Swedish Real Estate Firms,” sought to explore two firm characteristics that had been identified in previous research to influence the likelihood of the adoption of incentive plans: ownership and firm size—with the latter measured, in this instance, as the number of employees. The main finding of this paper was that private firms were more likely to award incentive pay than their public sector counterparts because of difficulties in designing contracts for multitasking public sector workers who were also accountable to multiple stakeholders. This relative difference may also be caused by differences in the priority that public sector workers place on nonfinancial rewards, relative to their private sector counterparts. Swedish municipal housing companies, which comprise the bulk of the public subsector of the industry, also find themselves in a relatively unique role of serving a disproportionate number of poor families and immigrants. Because these firms are a virtual extension of the social services system, they are unlikely to be employers who will provide bonuses, given the complexity of measuring performance in this line of work.

Paper 5, “Reward and Performance of Swedish Real Estate Firms,” explored the total rewards framework and tested for any links that might exist between financial/nonfinancial rewards and the performance of Swedish real estate companies. Survey data and performance data from an independent database were examined. The main finding, based on SEM, was that financial rewards probably mediate the relationship between nonfinancial rewards and performance. This finding is interesting, especially considering the motives given by the fraction of the respondents who provide financial incentives (table 2).

Table 2: Reasons for awarding performance-based bonuses

Reasons for awarding bonuses	Cases, % (N = 51)
Recruitment	27.6
Retention	44.8
Motivation	93.1
Other reasons	10.3

It appears that the respondent companies place a great deal of faith in financial rewards as a motivator. It is unclear, however, if the respondent companies recognize the role of nonfinancial rewards as the real drivers of employee engagement. The mediated link between non-financial rewards and performance may add to the arguments put forward by Social Exchange Theorists about the capacity of nonfinancial rewards to elicit reciprocity and drive employee engagement. Critics of Agency Theory, one of the main theoretical justifications of variable pay, argue that the theory's assumption of opportunistic individuals discount other possibilities that are more likely to characterise economic transactions such as employer-employee relations (Wright, Mukherji and Kroll, 2001). For instance, Agency Theory assumes agents are similar in the sense that they seek to maximise economic utility in an opportunistic way (Wright and Mukherji, 1999; Wright, Mukherji and Kroll, 2001). This is needlessly restrictive because agents in reality could be enlightened in their self-interest because of their interdependence on others, dissimilar in being unequally motivated by the desire to maximise economic benefits and trustworthy (Wright and Mukherji, 1999).

The diversity in personal value structures imply that not everyone will be motivated by financial rewards alone. This increases the plausibility of the mediated impact of non-financial rewards on performance suggested by the data analyzed in this study.

This also adds credence to the views of advocates of the “new pay” (Schuster and Zingheim, 1992) or “total rewards” (Armstrong, 1996), who have suggested that firms need to provide more than financial rewards so as to remain competitive.

The main non-financial rewards that were identified as having significant impact were training and development, flexible working hours and the frequency of performance appraisal. Training could provide employees the opportunity to develop the capacity to assume new responsibilities. It could also enable them to update their knowledge, given the speed with which knowledge is becoming obsolete. Training could thus be a source of job satisfaction. Flexible working hours also enables employees strike a balance between work and personal life which is likely to reduce the stress employees may feel towards the job. A company that offers flexible working schedules may appear as a caring organization, eliciting employee engagement and loyalty in return. Finally, frequent feedback in the context of performance appraisals could also enable employees to course correct in mid-flight and continuously improve.

In addition, from a Social Exchange Theory perspective, the repeated provision of nonfinancial rewards (e.g., training, coaching, feedback, and flexible work arrangements) could generate reciprocal obligations on the part of employees, which constitute engagement. It is important to perform a follow-up survey to determine employer opinions of the relative importance of both financial and nonfinancial rewards as drivers of employee engagement.

Limitations of the research

Even though the study was focused on the real estate sector, brokerage firms were omitted because these services tend to be commission based (Keillor, 2007) and were, therefore, likely to distort the prevalence of performance-based pay plans in the non-brokerage parts of the sector. Another issue not covered by the study was the physical workspace as a tool to attract employees and reduce turnover. Research has recently emerged on the role of dependent care assistance facilities, such as on-site day care, in recruitment outcomes (Casper and Buffardi, 2004).

The study also focused on what company executives reported with regards to the prevalence of different reward items, financial and nonfinancial. However, the study's examination of the effectiveness of reward management in the Swedish real estate sector must be considered incomplete because it did not discuss the level and amount of pay and other benefits, the employees' opinions of reward items, and the employees' satisfaction with these schemes. This limitation was a deliberate effort to narrow the scope of the study.

Given that questionnaire surveys of managers suffer self-reporting bias, the validity of the findings from the survey could have been increased by supplementing the survey results with interviews with a sub-sample of respondents (Jick, 1979). This would have increased the credibility of the findings. In other words, supplementing surveys with interviews would have increased the chance that the results are acceptable representations of the data generated in the survey.

Conclusions and further research

This study revealed the different types of financial and nonfinancial rewards in use in the Swedish real estate sector. However, in terms of financial rewards, a disparity appears to exist between the private sector and the public sector. Private sector firms appear more likely to use performance based pay than public sector firms. The differences may be due to difficulties in contracting on work outcomes in the public sector as well as differences in the nature of work motivation in the public sector, relative to the private sector. This study also showed that differences may exist between financial and non-financial rewards given to managers and non-managers—possibly because of (a) the criticality of the skills of senior managers and (b) the difficulty with which they can be replaced (Pfeffer and Davis-Blake, 1987). In other words, the companies covered in the study appeared to assign a greater variety of rewards to the functionally more valuable jobs so as to attract employees with the greatest talent and training.

The expected performance impact of investments in learning and development are probably being offset by inadequate post-training follow-up. However, the use of

flexible working hours, which enables workers to maintain a balance between work and personal life, appears to exist at modest levels. Social exchange theory predicts that these investments generate reciprocities in terms of employee engagement, which can exist even in the absence of explicit financial incentives (Kohn, 1993).

One argument put forth in the present study is that flexible work schedules and telecommuting enable employees to balance their work and personal life. However, the impact of flexible work schedules and telecommuting on the employees' attachment to, and familiarity with, their workplace and on their sense of identity is not clearly understood. Previous research has indicated that the physical layout of a workplace, in particular the role of dependent care assistance facilities (e.g., on-site day care), influences recruitment outcomes (Casper and Buffardi, 2004; Martin and Black, 2006). The impact of office layout on older workers in the United Kingdom has also been previously investigated (Erich and Bichard, 2008). Whereas the opportunities for teamwork and collaboration increased with open offices, the performance of tasks requiring concentration was difficult in these settings. Non-computerized tasks were also difficult to achieve, as were rest and relaxation. As an extension of the concept of the work environment as a reward item, future research should investigate whether the layout of a workplace affects the decisions of individuals to join or stay with an organization.

The performance impact of financial and non-financial rewards was also explored. There is some evidence to suggest a link may exist between non-financial rewards and company performance, mediated by financial rewards. Non-financial rewards may serve to amplify the motivational impact of salary and bonuses.

As noted in this dissertation summary, the present study did not include an evaluation of the importance of the different reward items to the employees themselves. This type of evaluation could shed light on which reward items are effective and why. Salimäki et al. (2009) argued that organizations could enhance the returns on their investments in reward systems if they pay attention to how employees interpret the signals that are conveyed by the implementation process. In addition, the pay system

would provide feedback on performance. Thierry's (2001) "reflection theory of compensation" is particularly useful in understanding the meaning that employees attach to rewards. Thierry proposed four means by which pay can be of importance for an employee: motivation (instrumentality), relative position (feedback and status), control (autonomy), and its purchasing power. Thierry put forward the following argument:

The pay an individual receives encompasses a variety of meanings that we consider to be vital to that person's self-identity. . . . Pay "reflects" information about what is happening in other fields [external to the person], the meaning of which connects to the person's self-identity. (pp. 151–152)

A more complete picture would be obtained if the level of importance of different types of rewards could be determined from the employees' perspective.

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