RUNNING HEAD: Changing Organizational Pay Systems

Please use the following reference for this paper:

Wagner, M., & Westaby, J. D. (2020). Changing Pay Systems in Organizations: Using Behavioral Reasoning Theory to Understand Employee Support for Pay-for-Performance (or Not). *Journal of Applied Behavioral Science, 56(3), 301-321.*

Changing Pay Systems in Organizations: Using Behavioral Reasoning Theory to Understand Employee Support for Pay-for-Performance (or Not)

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Abstract

Recently, the use of pay-for-performance systems has rapidly expanded into new industries. However, many employees resist these changes, mitigating effectiveness. Unfortunately, little scientific research has examined underlying reasons for the support or non-support of such systems, informed by theory. Grounded in behavioral reasoning theory and organizational change frameworks, this study examined antecedents and consequences of employees' reasoning process to support or not support pay-for-performance systems. Structural equation results on 245 employees demonstrated that reasons for and reasons against supporting pay-for-performance systems predicted attitudes and intentions to support the systems. Significant antecedents of the reasoning included pay valence, top management support, and coworker support. Top reasons for supporting the systems included increased opportunities to make money and being recognized for high performance. Top reasons against supporting the systems included the political nature of pay-for-performance and concerns that performance would not be measured accurately. Implications for organizational change programs are highlighted.

"Why would managers abandon pay-for performance plans they initiated with great hopes? Why would employees celebrate this decision?" (Beer & Cannon, 2004; p. 3). Although the authors provided some preliminary reasons for employees' likes and dislikes of pay-for-performance, very little, if any, empirical research has examined employees' reasoning to support or not support pay-for-performance systems in organizational change initiatives, grounded in behavioral intention theorizing. The objective of this study is to explicitly examine this issue, providing an empirical examination based upon recent theoretical advances.

In general, pay-for-performance (PFP), also known as variable pay or merit-based pay, includes organizational compensation schemes in which part of an employee's pay consists of incentives for recent performance (Curran & Walsworth, 2014; Kepes, Delery, & Gupta, 2009; Kim, Mone, & Kim, 2008; Martocchio, 2001). For example, a manufacturing employee may receive a bonus for each item produced beyond a pre-determined minimum. An educator may receive an incentive payment when his or her students show an increase in standardized test scores (Odden & Kelley, 2002). PFP systems are often viewed in HRM as an important way to elicit increased performance (Backes-Gellner & Pull, 2013; Brumback, 2006). Because of this, the use of PFP has grown rapidly in the U.S. (Miller, 2017). There is also evidence that the use of PFP is growing in other regions of the world (Chang, 2002; Jerez-Gómez, Céspedes-Lorente, & Valle-Cabrera, 2005; Singh, 2013; Wickramasinghe & Wickramasinghe, 2016) as well as in new industries, such as education, medicine, and government (Beck & Heynen, 2016; Levoy, 2013; Morrison, 2013).

Despite the increase, many employees resist the idea of their pay being tied to their performance (Shirom, Westman, and Melamed, 1999), when organizations attempt to make changes. For example, concerns about the expansion of PFP have been raised by the American

Medical Association (Benko, 2005), the National Treasury Employees Union (Zeller, 2005), and various teachers' unions (Delisio, 2003). These include concerns over favoritism (Solomon & Podgursky, 2000), stress (Shirom et al., 1999) and breakdown of team functioning (Beer & Cannon, 2004). Some research suggests that imposing PFP systems upon employees who do not support PFP could ngatively impact employee attitudes (Beer & Cannon, 2004; McFarlin & Sweeney, 1992; Scarpello & Jones, 1996). This could hinder the plan's usefulness as a means of enhancing motivation.

This study aims to better understand the underlying psychological reasons that contribute to employees' intentions to support or not support the potential implementation of pay-for-performance in organizations that are considering the change. Given the power of system support in the prediction of performance (Westaby, Pfaff, & Redding, 2014), this study focuses on understanding the behavioral reasoning underlying employees' intentions to support the potential use of PFP in their organizations (or not). A large amount of research has examined the factors underlying support for other organizational and HRM policies and practices, such as affirmative action (Lowery, Unzueta, Knowles, & Goff, 2006) and drug testing (Latessa, Travis, & Cullen, 1988). In line with past work, we conceptualize "support" as employees' willingness and intentions to support the given organizational policy, practice, or program. In this study, our focus is on employees' support for pay-for-performance (or not).

Conceptual Framework

Behavioral intention theorizing has proven useful in understanding employees' intentions to support various organizational initiatives (van der Zee, Bakker, & Bakker, 2002; Wiethoff, 2004). The widely used theory of planned behavior (Ajzen, 1991) proposes that one's intention is directly influenced by attitude (e.g., supporting PFP would bring benefits), subjective norms

(e.g., important people to me think I should support PFP), and perceived control (e.g., supporting PFP would be easy).

Behavioral Reasoning Theory

Behavioral reasoning theory (BRT) expands on previous theory by examining how people's reasons impact not only intentions, but also attitudes, norms, and perceived control; Westaby (2005) defined reasons as "the specific subjective factors people use to explain their anticipated behavior" (p. 100). The theory posits that reasons act as important mediators between beliefs/values and global motives and that reasons can directly predict intention. The flow of the theory is as follows: Beliefs/values → reasons → global motives (e.g., attitude, subjective norm, perceived control) → intention → behavior. There is also a direct path between reasons and intentions, which has not been posited in past theory. Research has also demonstrated the value of the theory's constructs in understanding various attitudes, intentions, and behaviors (Ahmad, Driver, McNally, & Stewart, 2009; Briggs, Peterson, & Gregory, 2010; Chatzidakis & Lee, 2013; Claudy, Peterson, & O'Driscoll, 2013; Maertz & Kmitta, 2012; Norman, Conner, & Stride, 2012).[1] Because reasons are used to justify behavior, they can be valuable targets for change interventions. Given the controversy associated with PFP rollout, and the need for targeted change programs in these rollouts, BRT provides a helpful and pragmatic framework for understanding psychological levers for change.

In our integrative framework, we synthesize how relevant antecedent variables from the HR pay-for-performance literature influence components in BRT, thereby providing a more

[1] The theory differentiates between "reasons for" and "reasons against" behavior, which has been empirically confirmed, and reasons have been empirically differentiated from expectancies and values (Westaby, 2005).

unified understanding. Hence, our model examines how important antecedent belief and value factors, such as pay valence and risk aversion, predict reasons and global motives.

Pay Valence

Pay valence has been defined as one's belief that pay can satisfy various personal and social needs (Fox, Scott & Donohue, 1993). As one factor in valence-instrumentality-expectancy (VIE) theory, valence is presumed to influence effort and performance (Vroom, 1964). Thus, a person with high pay valence should be more likely to have positive attitudes toward and reasons for supporting PFP, because it has the potential to satisfy his or her need for greater pay. Research has found that under PFP systems, employees with high pay valence have higher performance than do those with low pay valence (Schwab & Dyer, 1973; Fox et al., 1993). Furthermore, persons with high pay valence, because of their focus on financial rewards, would likely pay attention to the potential upside of PFP, causing them to be amenable to its use. Research has shown that that values are related to employees' attitudes (Kirkman & Shapiro, 2001) and pay-for-performance programs (Gully, Phillips, & Tarique, 2003).

Hypothesis 1: Pay valence is positively related to attitudes toward supporting PFP.

Risk Aversion

Risk aversion represents one's tendency to seek security when making decisions (Lopes, 1987). Risk averse persons tend to pay less attention to the possible gains that may result from taking a risk (Connoly & Ordonez, 2003). Risk preferences have been related to turnover (Allen, Weeks, & Moffitt, 2005) and the type of firm employees choose to work (Turban, Lao, Ngo, & Chao, 2001). Because PFP can introduce pay risk into an organization, they are expected to impact employee perceptions (Sitkin & Pablo, 1992). Thus, we expect that employees who are risk averse will have negative attitudes toward (and reasons against) supporting PFP. In support

of this, Cable and Judge (1994) found that graduate business students who scored low on risk tolerance were more likely to prefer pay systems that were not contingent on performance. Yukl, Latham, and Pursell (1976) found that tree planters who disliked being rewarded under a pay-for-performance often cited the risk in this system as a reason for their reservations. Deckop, Merriman, and Blau (2004) found that risk aversion is negatively related to pay satisfaction. Hence, risk aversion should be related to PFP non-support mechanisms.

Hypothesis 2: Risk aversion is negatively related to attitudes toward supporting PFP.

Procedural Justice

Procedural justice is an important factor in various HRM initiatives (Kwon, Kim, Kang, & Kim, 2008) and has been defined as the belief that the processes and procedures used to reach decisions in the organization are fair (Byrne & Cropanzano, 2001). We further define *procedural justice of pay systems* as the belief that the processes and procedures used to reach pay decisions are fair. Research has found that perceptions of procedural justice are related to pay satisfaction, job satisfaction, and organizational commitment (Fong & Schaffer, 2003). Procedural justice perceptions of specific pay plans have also been positively related to organizational commitment and attitudes towards one's supervisor (Lee, Law, & Bobko, 1999; Scarpello & Jones, 1996). The organizational change literature also demonstrates the importance of procedural justice in employee reactions to potential changes (Oreg, Vakola, & Armenakis, 2012). These findings suggest that when employees perceive the procedures underlying pay systems as just, they would hold favorable attitudes toward new potential PFP plans. Thus, we expect that employees who perceive current systems as just would expect such fairness to carry over into new pay systems.

Hypothesis 3: Procedural justice of pay systems is positively related to attitudes toward supporting PFP.

Distributive Justice

Distributive justice is often defined as employees' beliefs of the fairness of outcomes within an organization (Fong & Schaffer, 2003; Lee et al., 1999). Extending this, we define *distributive justice of pay outcomes* as the belief that pay outcomes in the organization are fair. The importance of distributive justice is supported by equity theory (Adams, 1965). One would predict that employees would see outcomes as just when those outcomes are reasoned to be commensurate with the individual's input. We anticipate that distributive justice perceptions would positively impact attitudes toward supporting PFP for the following rationale: If employees believe that decision outcomes regarding pay are fair, then decision outcomes under new potential PFP plans would likely be viewed as fair as well. In support of this, research indicates that distributive justice of pay plans is a predictor of pay satisfaction (Fong & Schaffer, 2003). Hence, distributive justice should be an important factor in employee's attitudes toward supporting PFP plans in organizations.

Hypothesis 4: Distributive justice of pay outcomes is positively related to attitudes toward supporting PFP.

Coworker Support

We define coworker support for PFP as the extent to which employees perceive that their coworkers believe the PFP plan would be beneficial. Perceived coworker support for the PFP plan is expected to impact subjective norms toward and reasons for supporting PFP, because coworkers likely provide an important referent group when individuals consider how strongly they should support organizational practices. This is supported by studies on similarity (Byrne, 1971) and conformity (Asch, 1956), which have shown that perceptions of the beliefs of similar others provide normative pressure to adopt similar beliefs and reasons. Other research suggests

that coworker support for organizational practices, such as structured interviews (van der Zee, Bakker, & Bakker, 2002) and diversity training (Wiethoff, 2004), helps establish subjective norms in support of those practices. This argument is also supported by the organization change frameworks, which indicate the importance of social comparison with others in employee reactions to change (Chaudhry & Song 2014).

Hypothesis 5: Coworker support for PFP is positively related to subjective norms toward supporting PFP.

Top Management Support

We define top management support for PFP as the extent to which employees perceive that their organizations' executives and managers believe that the PFP plan would be beneficial. Organizational leadership theorists have illustrated the importance of top leadership support in implementing change (Higgs & Rowland, 2011; Liu, Caldwell, Fedor, & Herold, 2012). Top management can signal to employees such support by sending out communications educating employees about initiatives (Shaw & Gupta, 2007). To illustrate, Rynes and Rosen (1995) found that employee perceptions of top management support for diversity was related to the adoption of diversity training and to perceived success of diversity training in organizations. Thus, we expect that perceived top management support for organizational practices will foster social pressure, and thus influence subjective norms for those practices.

Hypothesis 6: Top management support for PFP is positively related to subjective norms toward supporting PFP.

Past Performance

Using Thompson's framework (2005), we define past performance as having set and achieved high goals at work. We predict that employees who demonstrate high past performance

would have high perceived control over supporting PFP in organizations, given their successes in the past. Research also suggests that persons with a strong record of performance are willing to have their pay tied to performance (Kanfer & Heggestad, 1997; Rynes et al., 2004). The argument that higher performing employees would find it easier to support the use of PFP is indirectly supported by Harrison, Virick, and William (1996), who found that high performing salespersons' likelihood of quitting decreased to the extent that their pay was contingent upon performance. Research among business students also shows that strong records of academic and extracurricular achievement are positively related to a preference for pay based upon performance (Trank, Rynes, & Bretz, 2002).

Hypothesis 7: Past performance is positively related to perceived control for supporting PFP.

Mediation Mechanisms in Behavioral Reasoning Theory

In line with BRT's predictions that belief and value components influence reasons, each of the above antecedent factors are expected to be related to employees' reasons for and against supporting PFP. In addition, reasons are expected to predict global motives and intention, and global motives are expected to be related to intention (Westaby, 2005). These predictions fit with the theoretical flow of decision-making in the theory: beliefs/values → reasons → global motives →intention → behavior. All hypothesized linkages in the following sets of hypotheses are denoted in Table 2 for brevity.

Hypothesis set 8: The antecedent variables in the conceptual framework will be related to reasons in BRT.

Hypothesis set 9: Behavioral reasons will be related to each of the global motives in BRT.

Hypothesis set 10: Global motives will be related to intention to support PFP.

Method

Sample

This sample comprised professional educators, given that PFP has been lofted as a useful organizational tool in this area to improve performance, even as there have been mixed findings regarding whether teachers support its use (Morrison, 2013; Odden & Kelley, 2002). 1,419 surveys were distributed to teaching professionals who were actively employed. Two hundred forty-five employees returned completed surveys (15.4% response rate). All respondents held a bachelor's degree, and 90% held a master's degree. The average age of participants was 40.8 (*SD* = 10.6) years, and participants had an average of 15.0 (*SD* = 11.9) years of full time work experience. Women and men made up 78% and 22% of the sample, respectively. Caucasians comprised 91.4% of respondents, while 2.9% of respondents were African-American, 3.3% were Hispanic or of Latino origin, and 2.5% of other ethnic backgrounds. The ethnic makeup of respondents corresponded to that of the counties in which the school districts were located in the United States (U.S. Census Bureau, 2000). Regarding income, 4.5% of respondents reported earning less than $20,000 per year, while 19.8% of respondents earned between $20,000 and $40,000, 36.6% between $40,000 and $60,000, 24.7% between $60,000 and $80,000, 10.3% between $80,000 and $100,000, and 4.1% over $100,000. 96.7% indicated that English was their first language, while 3.3% reported that English was their second language. Married persons made up 66.8% of the sample, 25.8 were single, 4.1% were divorced, 1.6% were separated and 1.6% were widowed. Respondents had 1.4 children on average (*SD* = 1.2). Only one respondent indicated currently working under a PFP plan.

Procedure

To preserve anonymity, all surveys were distributed in paper-and-pencil format, and were collected in a sealed, marked box at the participants' place of employment. In the survey, participants read the following passage to define pay-for-performance / variable pay, based upon contemporary usage (Martocchio, 2001): "Survey questions below refer to the term 'variable pay.' In this survey, we define variable pay as a compensation system in which a significant part of the employee's pay consists of incentives for his or her performance. For example, a portion of your pay could be based upon your performance each year." This method of presenting a stand-alone description of an organizational or HRM policy, and then measuring the participants' level of support for the policy, has been used in past research on support for organizational and HRM policies (Lowery, et. al 2006). Respondents were then asked to respond to the following item to confirm their processing of this information: "I have read the above definition of variable pay" (yes/no).

Measures

Unless otherwise indicated, participants were asked to indicate their level of agreement with each item with responses ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Five items were used to measure pay valence. Two items were taken from Summers and Hendrix' (1991) scale: "Increasing my pay is attractive to me" and "A pay increase would be unattractive to me" (reverse scored). Three new items were created to bolster scale reliability: "Being paid well is one of the most important things to me"; "It is essential that I receive high pay"; "Pay is one of the most important things to me" ($\alpha = .77$)

Cable and Judge's (1994) scale was used to measure risk aversion, such as "I prefer a low risk and high security job with a steady salary over a job that offers high risks and high rewards"

(α = .91). Fifteen items were used to measure procedural justice of pay systems, based upon Scarpello and Jones (1996). (α = .93). Thirteen items were used to measure distributive justice of pay outcomes using Dulebohn and Martocchio's (1998) scale (α = .96). Two items were adapted from Rynes and Rosen (1995) to measure coworker support: "The coworkers in my organization would play active, visible roles in supporting variable pay in my organization" and "The coworkers in my work unit would play active, visible roles in supporting variable pay in my organization." An additional item was created to further evaluate reliability: "My coworkers would support variable pay in my organization." (α = .86). Two items were adapted from Rynes and Rosen (1995) to measure top management support for pay-for-performance, and an additional item was created to evaluate reliability: "Top management would support variable pay in my organization" (α =.86). Past performance was assessed with four items adapted from Thompson's (2005) scale (α = .93). Work self-efficacy was controlled for in this study, given mixed results in past work on pay-for-performance (Cable & Judge, 1994; Kuhn & Yockey, 1994); seven items were adapted from Jones' (1986) work self-efficacy scale. (α = .71).

Attitude toward supporting PFP was measured with three items, based on past research (Elliot, Armitage, & Baughan, 2003), such as "My supporting the use of variable pay in my organization would be wise" (α = 93). Likewise, subjective norm was measured with three items (Elliot et al., 2003), such as "People close to me would think I should support the use of variable pay in my organization" (α = 90). Perceived control was measured with four items (Elliot et al., 2003), such as "My supporting the use of variable pay in my organization would be easy" (α = .66). Intention was assessed with four items as well, such as "I would support the use of variable pay in my organization" (α = 96), consistent with past theory (Ajzen, 1991).

Specific reasons for and against supporting PFP were measured in line with BRT (Westaby, 2005). These scales were developed after conducting extensive interviews with compensation subject-matter experts (SME's), who were seasoned professionals in academia, consulting, and corporate human resources. SME's were provided a survey in which they were asked, in an open-ended format, to provide typical reasons why employees typically do support variable pay, and why they typically do not support variable pay. The survey also contained a list of reasons for supporting PFP, and reasons against supporting PFP, and SME's were asked to rate whether typical employees would consider the reasons to be typical for supporting or not supporting variable pay (1 = not a reason to 4 = a strong reason). Follow-up interviews were conducted with the SME's, to further elucidate their responses.

Based on this information from the SME's, we developed a ten-item scale of reasons for supporting PFP and a thirteen-item scale of reasons against supporting PFP. The reasons for supporting PFP in the organization were assessed on a four-point scale ranging from 1 (*not a reason*) to 4 (*a strong reason*) ($\alpha = .93$).[2] Reasons against supporting the use of variable pay in the organization were also assessed on a four-point scale ranging from 1 (*not a reason*) to 4 (*a strong reason*) ($\alpha = .91$).[3]

[2] These reasons were: because it would increase my opportunities to make more money; because it would provide me with clear goals; because it would be fair; because it would recognize me for high performance; because it would let me show my high performance capacity; because it would motivate me; because it would keep me focused; because it would be supported by my organization; because it is becoming typical in organizations; because my job performance can be measured easily.

[3] These reasons were: because it wouldn't be fair; because it would put my pay at risk; because I can't always control my performance; because the pay amounts wouldn't be fair; because it wouldn't recognize my achievements; because it would be too political; because it would cause too much competition between me and my coworkers; because it would cause too much stress; because it would not increase the money I make; because my performance is too difficult to measure; because the system wouldn't measure my performance accurately; because it would not be supported by employees in this organization; because it is hard to get fair evaluations in this organization.

Steps were taken to address common method variance concerns. Podsakoff, MacKenzie, Lee, & Podsakoff (2003) noted that common method variance problems often occur when survey concepts are ambiguous. For this reason, the central concept of the survey (PFP/variable pay) was clearly defined at the beginning of the survey, and survey items were kept clear and concise, as recommended by Tourangeau, Rips, and Rasinski (2000). In addition, participants were assured that their responses would be kept anonymous, in further attempts to mitigate common method variance and foster honest responding (Podsakoff et al., 2003). We also found support for a multiple factor representation of the data as discussed below, suggesting that common method variance may not entirely explain study results, although this does not rule out the possibility that common method bias is still at work in the observed data, a common problem in survey research (Brannick, Chan, Conway, Lance, & Spector, 2010).

Results

Anderson and Gerbing's (1988) classic two-step framework for structural equation modeling (SEM) was used in this study. The first step includes a confirmatory factor analysis that evaluates the measurement model of latent constructs. The proposed SEM is then tested in the second step as well as relevant alternative models.[4] One alternative model included an examination of the significance of the paths from reasons to intention. If significant, it suggests that the alternative model based on the theory of planned behavior (Ajzen, 1991) is inadequate to fully explain PFP support.

[4] The measurement model tested the twelve latent constructs. Mplus software was utilized (Muthén & Muthén, 2008). Because of the large number of variables relative to sample size, we created item parcels for the antecedent constructs with seven or more items: procedural justice, distributive justice, and work self-efficacy. Creating item parcels requires the researcher to first randomly assign items from the selected scale to unique parcels (Gong & Fan, 2006). Once each parcel has been assigned three or four items, these items are averaged to create a score for each parcel. Each parcel is then treated as a unique variable in the measurement model. Using a random number generator, we randomly assigned items from the work self-efficacy scale to one of three parcels and took the average score for the assigned items as a participant's parcel score. Using the same process, we created four parcels each for the procedural justice scale and distributive justice scale.

Table 1 lists means and standard deviations for the scales as well as intercorrelations. All covariances in the measurement model were positive definite. Goodness of fits results for the measurement model indicated an acceptable goodness of fit (χ^2 = 1,323.65; *df* = 753, CFI = .92; TLI = .91; RMSEA = 0.06).[5] Tests of the measurement model revealed that all factor loadings were statistically significant at $p < .001$ and ranged from .24 to .97.[6] In the SEM, consistent with past research using the theory of planned behavior (Collins & Carey, 2007) and BRT (Westaby et al., 2010), (1) antecedent factors were allowed to covary, (2) reasons for and against composites were allowed to covary[7], and (3) attitude, subjective norm, and perceived control were allowed to covary. The hypothesized model, which included the reason predictions, resulted in the following goodness of fit indices: χ^2 = 1,533.83, *df* = 839, CFI = .91, TLI = .89; RMSEA = .06. According to Hu and Bentler (1999), these results indicate that the hypothesized model met acceptable standards of model fit.

Table 2 shows all significant and non-significant path coefficient results from the SEM; standardized parameter estimates are shown. As for antecedent variables, coworker support for PFP was positively related to subjective norms (path = .34). Pay valence was a significant, positive predictor of reasons against supporting PFP (path = .15), against expectations. The path between top management support and reasons for supporting PFP was significant (path = .16). Coworker support for PFP had a direct effect on subjective norms (path = .34) and attitudes (path = .17).

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[5] For commentary on structural equation modeling and the interpretation of the chi-square statistic, see Hayduk, Cummings, Boadu, Pazderka, and Boulianne (2007).

[6] The majority of factor loadings exceeded .70. The item whose loading was .24 was a reversed-scored item, and so was included as a safeguard against common method variance.

[7] An average score is used to represent the reasons for and reasons against scales, theoretically consistent with past belief-based (Ajzen, 1991) and reason-based prescripts (Westaby, 2005).

The global motive of attitude was directly related to intentions (path = .58), but subjective norm and perceived control were not significantly predictors. BRT allows for global motives to vary in their predictive validity. Reasons for (path = .16) and reasons against (path = -.18) were independently associated with intentions, providing strong support for behavioral reasoning theory and hence rejecting the alternative model based only on the theory of planned behavior. Likewise, the model with reasons predicted significantly more variance in intention ($r^2 = .72$) than did the model without reasons ($r^2 = .58$), suggesting that BRT was stronger model ($p < .001$). The squared multiple correlation was .72 for intention ($p < .01$), .60 for attitudes ($p < .01$), .48 for subjective norms, ($p < .01$), and .19 for perceived control ($p < .01$).

Discussion

This study proposed a model that tested key antecedent variables expected to influence the support (or non-support) of new PFP programs in organizational change initiatives in the context of behavioral reasoning theory. This theory was selected because it has provided new insight into explaining intentions and behavior (Ahmad et al., 2009; Chatzidakis & Lee, 2013; Maertz & Kmitta, 2012; Norman et al., 2012; Westaby et al., 2010). Overall findings provided general support for BRT, especially because reasons explained variance in intentions over that explained by attitude, subjective norm, and perceived control in the original theory of planned behavior. The paths from reasons to intentions were also significant in the structural equation model. Thus, BRT received strong support over the theory of planned behavior.

Reasons appeared to provide employees with strong justifications and explanations for support of new PFP systems (or not). Practically, this suggests that HR managers should try to provide employees with specific reasons for supporting PFP when introducing their plans (and to mitigate their reasons against). So, what were employees' specific reasons? Employees

indicated that their strongest reason for supporting PFP was that it would "increase their opportunities to make more money." Thus, practitioners may want to emphasize ways that employees can earn more money under the plan. Another strong reason for supporting PFP was that it could "recognize employees for high performance." Thus, HR leaders may want to communicate that an important purpose of PFP is to promote recognition for high performance. This may help employees see the link between their achievements and PFP, which should promote work attitudes in line with expectancy theories (Vroom, 1964).

In contrast, respondents indicated that a strong reason against supporting PFP was that "it would be too political." Thus, HR needs to emphasize that payouts will be based upon clear performance criteria and not the "buddy system" (Solomon & Podgursky, 2000). Results indicated that another strong reason against supporting PFP was that employees were concerned that their "performance could not be measured accurately." For this reason, HR managers need to clearly describe the criteria being used and provide explanations for why these criteria were chosen (Gross, 1995).

As for antecedents in the model, pay valence did not predict attitude and reasons for PFP, but it did predict reasons against supporting new PFP plans, suggesting that it is related to more loss than gain frames. We also found that the link between risk aversion and attitudes was non-significant, which is inconsistent with previous research (Cable & Judge, 1994); hence, future replication is needed. We also proposed that procedural justice would positively predict attitudes. Results were non-significant. However, this study found that the path between procedural justice and reasons against supporting PFP was positive and significant. A possible explanation for this link is that some employees may view their current (non-PFP) pay system as already having high procedural justice and they simply do not want to change to a new PFP

system where the procedural justice of the system is unclear (Beckhard & Dyer, 1983). In lay terminology, why fix what is not broken? This finding may imply that it is important for HR leadership to emphasize the ways in which the new system will be as procedurally just in comparison to the previous system (Lee et al., 1999). To do this, management should provide clear guidelines on how payouts will be determined, including how management will gather performance information, such as through supervisor evaluations, production numbers, and/or customer feedback. Indeed, the organizational change literature notes the importance of providing information in building support for change (Van den Heuvel1, Schalk, & van Assen, 2015). Cichelli (2004) recommends that guidelines include the actual formulas for payout calculation, with easy-to-understand examples. In addition, HR guidelines ought to be written in clear language, not compensation jargon, and should include information on what employees will or will not receive if they change jobs or leave the company. Finally, HR should provide clear procedures for how employees can get answers to their questions about the plan, as well how they can address grievances (Scarpello & Jones, 1996).

Unexpectedly, the link between distributive justice and attitudes was not significant. Previous research has shown that persons with high distributive justice perceptions support PFP (e.g., Fong & Schaffer, 2003). We surmise that respondents may have already viewed their current pay system as sufficient in distributive justice and, therefore, would see no advantage of switching to a new PFP system. In contrast, results showed that the relationship between top management support for PFP and reasons for supporting PFP was positive and significant. This suggests that management should make it readily known to employees that they fully support the new PFP systems being proposed. Other results indicated that the links between coworker support and subjective norms were relatively strong. This suggests that HR should focus on

informing employees that coworkers support PFP during implementation stages of new programs. For example, if PFP has been successfully implemented in certain departments, those employees could share their success stories with others.

Against expectations, results indicated that top management support for PFP was not related to subjective norms. This finding ran counter to predictions based on previous theory, which suggests that employees' perceptions of top management support can influence support for system initiatives (Kanter et al., 1992). A possible explanation is related to the heavily unionized environment in the education sample examined in this study (Delisio, 2003; Odden & Kelley, 2002). Future study across different industries is needed. Unexpectedly, results showed that the path between past performance and perceived control, a proxy for self-efficacy (Ajzen, 1991), was not significant. This means that high performers were no more likely to view supporting PFP as easy and efficacious than were low performers. This finding contradicts previous research that finds that past performance is related to self-efficacy perceptions in the case of PFP (e.g., Kanfer & Heggestad, 1997; Rynes et al., 2004; Trank et al., 2002). Because respondents had not worked under PFP, they may not have sufficiently understood the requirements of PFP systems, which may have attenuated this relationship.

Other results showed that the relationship between coworker support and attitudes toward (and reasons for) PFP was positive and significant. The practical implication is that HR should seek ways to build awareness about coworker support for PFP, to enhance people's attitudes toward and reasoning for new PFP systems in organizational change initiatives. As for global motives in behavioral reasoning theory, the finding that attitudes was a strong predictor of intentions is consistent with past HRM research (van der Zee, Bakker, & Bakker, 2002; Van Hooft, Born, Taris, Van der Flier, & Blonk, 2004). However, subjective norm and perceive

control were not independently related to intentions. Considering that perceived control items were operationalized consistently with previous theory of planned behavior studies, this result was surprising. Practically, the above findings indicate that HR professionals wishing to promote PFP should focus on ensuring that employees view PFP as wise and beneficial, in comparison to focusing on subjective norm and perceived control issues.

Despite the above findings, there was unexplained variance in model components. Thus, examining additional factors is warranted. For example, it may be helpful to study satisfaction with one's current pay system as a possible predictor of attitudes toward PFP (Schreurs, Guenter, Schumacher, Van Emmerik, & Notelaers, 2013). Past research suggests that respondents who view their current compensation plan favorably are less likely to support changing to a PFP system (Beckhart & Dyer, 1983). The perceived power of one's union may also be important. For instance, if teacher unions have strong negotiating power, teachers may feel confident that unions can negotiate high wages for all employees (Delisio, 2003; Odden & Kelly, 2002) and hence believe that they could earn more money under a union contract than under a PFP system. Further, results should be examined in the light of different cultural contexts (Lowe, Milliman, De Cieri, & Dowling, 2002).

There were other limitations in this study. First, the study used a cross-sectional design and lacked an objective follow-up measure of behavior. Thus, one cannot know whether the factors that predicted intention to support PFP carry over to future behavior, such as voting in favor of PFP at a union meeting (Delisio, 2003). Although it is common to use cross-sectional designs to examine intentions, and behavioral intention is often the best predictor of behavior and serves as an important dependent variable it its own right (Ajzen, 1991), this design prevents drawing causal conclusions about study variables on external behavior (Donaldson & Vallone,

2002). Future research using longitudinal designs would be helpful as well. Second, the study utilized self-reported measures, albeit a very common approach in the behavioral science literature. When self-reported measures are used, there can be concerns about response bias (Donaldson & Vallone, 2002), such as socially desirable responding (Zerbe & Paulhus, 1987), although some researchers claim that self-report studies are useful for understanding explicit attitudes at work (Spector, 1994); moreover, the study of PFP has normally not been considered high in social desirability. Third, the sample represented a demographically homogenous group in a suburban area. Thus, one cannot know whether these findings would generalize to more diverse samples. The teacher sample also restricts us from making inferences about supporting new PFP plans in other industries, such as medicine and government (Beck & Heynen, 2016; Levoy, 2013), or in professions in which tasks are simpler and thus more easily quantified. Finally, our survey instrument used a broad definition of PFP to provide a generalizable scenario, but this limited its specificity. Future research should therefore investigate how participants would respond to PFP under different scenarios, providing more specifics on the organizational program. These specifics could include level of pay at risk, frequency of assessment, the parties providing the assessment, and the criteria for payout.

In conclusion, this study tested an integrative model of the motivational factors underlying PFP support and non-support. Results indicated that coworker support, justice perceptions, attitudes, and reasons were significant predictors of the PFP support process. These findings may be useful as HR evaluates the feasibility of their proposed pay-for-performance plans and organizational change initiatives.

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Table 1

Intercorrelations and descriptive statistics in the integrative model.

Variable	*M*	*SD*	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Pay valence	4.03	0.60	(.77)													
2. Risk aversion	2.96	0.75	.08	(.76)												
3. CWS for PFP	2.57	0.90	.10	.01	(.91)											
4. TMS for PFP	3.13	0.82	.04	-.06	.18**	(.88)										
5. Work self-efficacy	4.04	0.38	.15*	.00	-.02	-.04	(.69)									
6. Past performance	4.13	0.80	.01	.05	-.06	.06	.47**	(.91)								
7. Procedural justice	3.56	0.48	-.03	-.02	-.09	-.12	-.03	-.04	(.85)							
8. Distributive justice	3.21	0.85	-.08	.04	-.06	.01	-.07	-.08	.58**	(.95)						
9. Attitudes	2.57	1.04	-.03	-.02	.49**	.18**	-.03	-.08	-.19**	-.14*	(.93)					
10. Subjective norm	2.53	0.91	.06	-.07	.58**	.16*	-.07	-.08	-.15*	-.11	.77**	(.90)				
11. Perceived control	2.45	0.69	-.10	-.12	.22**	.06	-.03	-.02	.10	.06	.38**	.37**	(.66)			
12. Intentions	2.31	1.17	.08	-.07	.45**	.19**	.06	-.06	-.17**	-.10	.81**	.65*	.32**	(.96)		
13. RF supporting PFP	2.10	0.81	.12	.00	.42**	.23**	.12	.04	-.13*	-.13*	.62**	.49**	.21**	.64**	(.93)	
14. RA supporting PFP	2.57	0.80	.13*	.12	-.35**	-.02	.02	.09	.08	.04	-.57**	-.48**	-.38**	-.59**	-.36**	(.91)

Note. Numbers in parentheses on diagonal indicate reliability coefficients. PFP = pay-for-performance; CWS = Coworker support; TMS = Top management support. RF = Reasons for. RA = Reasons against. * $p \leq .05$, ** $p \leq .01$

Table 2

Hypotheses and Path Coefficient Results for Conceptual Framework

Antecedent Hypotheses Concerning the Support of PFP	Coefficient	p-value
H1: Pay Valence → Attitudes	-.01	ns
H2: Risk Aversion → Attitudes	.01	ns
H3: Procedural justice → Attitudes	-.13	ns
H4: Distributive justice → Attitudes	-.01	ns
H5: Coworker support → Subjective norm	.34	<.001
H6: Top management support → Subjective norm	.07	ns
H7: Past performance → Perceived control	.05	ns
H8a: Pay Valence → Reasons for	.06	ns
H8b: Pay Valence → Reasons against	.15	<.05
H8c: Risk Aversion → Reasons for	-.03	ns
H8d: Risk Aversion → Reasons against	.08	ns
H8e: Procedural justice → Reasons for	-.01	ns
H8f: Procedural justice → Reasons against	.21	<.01
H8g: Distributive justice → Reasons for	-.10	ns
H8h: Distributive justice → Reasons against	-.12	ns
H8i: Coworker support for PFP → Reasons for	.32	<.001
H8j: Coworker support for PFP → Reasons against	-.33	<.001
H8k: Top management support for PFP → Reasons for	.16	<.05
H8l: Top management support for PFP →Reasons against	.05	ns
H8m: Past performance → Reasons for	-.04	ns
H8n: Past performance → Reasons against	.08	ns
<u>Reasons Hypotheses Concerning the Support of PFP</u>		
H9a: Reasons for → Attitudes	.46	<.001
H9b: Reasons against → Attitudes	-.39	<.001
H9c: Reasons for → Subjective norm	.29	<.001
H9d: Reasons against → Subjective norm	-.30	<.001
H9e: Reasons for → Perceived control	.20	<.001
H9f: Reasons against → Perceived control	-.36	<.001
H9g: Reasons for → Intention	.16	<.01
H9h: Reasons against → Intention	-.18	<.01
<u>Global Motives Hypotheses Concerning the Support of PFP</u>		
H10a: Attitudes → Intention	.58	<.001
H10b: Subjective norm → Intention	.12	ns
H10c: Perceived control → Intention	-.03	ns

Note. H = Hypothesis. PFP = Pay-for-Performance. Standardized path coefficients shown.

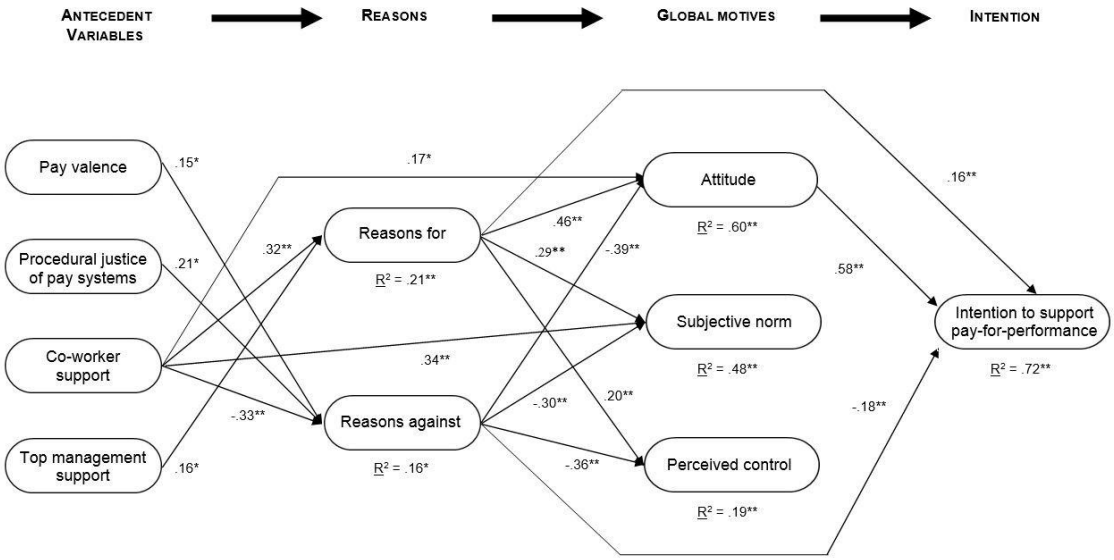

Figure 1. Structural equation modeling results for the integrative model. *Note*. Standardized parameter estimates shown. Non-significant hypothesized relationships were omitted for simplicity of viewing. $^{*}p \leq .05$, $^{**}p \leq .01$.