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Exploring the signaling function of idiosyncratic deals and their interaction

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ABSTRACT

By adopting signaling theory as the overarching framework and integrating self-determination theory, we examined the signaling function of task i-deals, financial i-deals, and their interaction. Across three studies with varying measures, we found that task i-deals, independently and jointly with financial i-deals, conveyed a positive message regarding competence in that they were positively related to recipients' competence need satisfaction. In turn, competence need satisfaction positively related to organizational citizenship behaviors. The competence-signaling function of task i-deals and task-financial i-deals interaction remained significant even after accounting for leader–member exchange, organization-based self-esteem, and perceived organizational support. Financial i-deals, however, did not exhibit a competence-signaling function. The current research sheds light on the signaling function of i-deals and their interaction, and provides guidance on the practice of granting one or multiple types of i-deals.

1. Introduction

As organizations continue to strive toward attracting and retaining top talent, attention has increasingly focused on the provision of non-standard, idiosyncratic deals (i-deals) to employees as a way for organizations to distinguish themselves from other employers, as well as to enhance employee performance and loyalty. Since the seminal work by Rousseau (2005), research has demonstrated that i-deals are granted with at least moderate frequency in different organizations across multiple industries, and that such i-deals can lead to enhanced attitudinal and behavioral outcomes, including job satisfaction, organizational commitment, task performance, and organizational citizenship behaviors (e.g., Anand, Vidyarthi, Liden, & Rousseau, 2010; Ho & Tekleab, 2013; Hornung, Rousseau, & Glaser, 2009; Hornung, Rousseau, Weigl, Müller, & Glaser, 2014; Liu, Lee, Hui, Kwan, & Wu, 2013).

Reflecting the idiosyncratic nature of such deals, prior works have also found that the content of i-deals can vary, whereby content refers to the particular resources that the i-deals encompass (Rousseau, Ho, & Greenberg, 2006). For instance, Rousseau and colleagues (Hornung, Rousseau, Glaser, Angerer, & Weigl, 2010; Rousseau & Kim, 2006) found, in the context of hospitals, four types of i-deals pertaining to scheduling flexibility (flexibility i-deals), workload reduction, developmental opportunities (developmental i-deals), and the nature of work tasks and responsibilities (task i-deals). More recently, Rosen, Slater, Chang, and Johnson (2013) introduced an updated typology that captures i-deals commonly negotiated across multiple employment settings beyond hospitals. While three of these forms replicate the earlier ones (scheduling flexibility, location flexibility, task/work responsibilities), a new form—financial i-deal—was introduced, capturing compensation arrangements that fit individual needs.

A key premise underlying i-deals theory is that different forms of i-deals convey different messages to employees, such that employees respond differently depending on the content of their i-deals (Rousseau et al., 2006). While some i-deals are indicative of a high-quality social exchange relationship with the organization and may enhance employee motivation, others convey a more economic transaction and may be less effective in motivating employees (Hornung et al., 2009; Rousseau, Hornung, & Kim, 2009). This suggests that different i-deals not only convey different messages, but also may not necessarily engender reciprocity from employees. Thus, researchers have noted that "social exchange theory arguments are insufficient in explaining the process" linking i-deals and employee outcomes, and called for theory-building that expands the set of explanatory mechanisms beyond the conventional social exchange perspective that has dominated i-deals research (Liao, Wayne, & Rousseau, in press, p. 6).

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The present research takes a step toward doing so by integrating signaling theory and self-determination theory (SDT) to examine the competence-signaling, motivational mechanism underlying i-deals. Specifically, our research objective is to explore how two very distinct forms of i-deals (financial and task i-deals) can drive recipients' discretionary organizational citizenship behaviors (OCB) by fulfilling their competence need, over and above the more commonly examined social exchange mechanisms. We focus on task and financial i-deals because their very different nature provides for greater scope to compare the competence-signaling, motivational potential underlying i-deals. Specifically, while task i-deal represents an abstract and non-monetizable form of i-deal, financial i-deal constitutes a more concrete and monetizable form (Rousseau et al., 2006), thereby suggesting that they are likely to convey different messages to employees. Furthermore, their conceptual distinctiveness raises the question of whether the competence-enhancing signal conveyed by each i-deal will be reinforced or diminished when both occur concurrently. In examining the *meta-feature* (Bowen & Ostroff, 2004) of i-deals in terms of how internal consistency between different i-deals may alter their motivational potential, we offer a richer, more nuanced view of such deals.

Building on signaling theory (Connelly, Certo, Ireland, & Reutzel, 2011; Spence, 1973) as an overarching framework to examine how task and financial i-deals independently and jointly drive employees' OCB, this study is the first to explicitly investigate the signals conveyed by i-deals, a notion that was first advanced by Rousseau et al. (2006), who noted that i-deals "can signal [to their recipients] the value an employer places on [them]" (p. 979). At the same time, while signaling theory provides the logic for how i-deals can convey positive messages to employees, it does not articulate the specific mechanisms through which such messages translate into enhanced behavioral responses. Thus, we use self-determination theory (SDT; Deci & Ryan, 1985; Ryan & Deci, 2000), a well-established contemporary theory of motivation, to explicate how the signals from i-deals can enhance individuals' competence need satisfaction and, in turn, OCB.

Our study contributes to extant research on i-deals in three ways. First, we push beyond the dominant perspectives in i-deals theory, primarily social exchange theory (in the form of leader–member exchange and perceived organizational support) (e.g., Anand et al., 2010) and self-enhancement perspective (Liu et al., 2013), to introduce a signaling function of i-deals, thereby advancing i-deals theory. Second, we delineate the role of financial i-deals, a relatively under-investigated form of i-deals, by examining how they not only relate to OCB but also moderate the signaling function of task i-deals, thereby expanding the limited body of work on financial i-deals. In particular, the fact that the only two existing studies (Ho & Tekleab, 2013; Rosen et al., 2013) examining financial i-deals revealed inconsistent findings on their attitudinal outcomes underscores the need to further investigate whether financial i-deals can indeed elicit positive employee outcomes. Our third contribution pertains to demonstrating that different forms of i-deals can operate jointly to shape employee responses, over and above the role that each form of i-deals may independently play. In so doing, we go beyond prior i-deals research that has primarily examined individual forms of i-deals in isolation. Investigating the interactive role that i-deals can play offers a richer, more accurate perspective of how i-deals function, in that employees' reactions to one form of i-deals may be contingent on the level of another form of i-deals. This also addresses researchers' calls to enrich signaling theory by investigating how signalers can manage a portfolio of signals, rather than each individually, so to maximize their collective effectiveness (Connelly et al., 2011), thereby paving the way for further research on the meta-features of i-deals.

We adopt a three-study approach to provide robust support for our model and enhance the validity of our findings. In Study 1, we conduct a field study to examine the relationships that task and financial i-deals have, independently and jointly, with competence need satisfaction, which in turn facilitates coworker-reported OCB. We include leader–member exchange (LMX) as a control mediating mechanism to demonstrate the robustness of competence need satisfaction as a mediating mechanism above and beyond the leader–member social exchange mechanism. In Study 2, we replicate the findings from the previous study while also including organization-based self-esteem (OBSE) as a control mediating mechanism, so as to account for the self-enhancement explanation. In the final field study (Study 3), we replicate our findings from the previous two studies while controlling for perceived organizational support (POS) as another alternative mediator.

2. I-deals as signaling devices

We advance a novel view of i-deals as signaling devices that can explain how i-deals predict employee outcomes. Originally proposed by Spence (1973) to explain how education conveys otherwise unobservable qualities of job candidates to potential employers, signaling theory addresses information asymmetry between two parties (e.g., employer and employee; executives and investors), one of whom has access to information about one's quality and/or intent that the other party does not, and focuses on how the former can communicate such information to the latter through various signals so as to elicit certain desirable responses from the latter. Signaling theory has been used to explain various phenomena, including how brand managers use advertising to signal the quality of their products and services to consumers (e.g., Chung & Kalnins, 2001), how negotiators use offers and counteroffers to signal their willingness to agree on a particular outcome (e.g., Srivastava, 2001), and how employers use various types of employment practices (e.g., recruitment strategies; pay-for-performance[2] incentive plans) to signal their intent to potential and existing employees (e.g., Belogolovsky & Bamberger, 2014; Rynes, 1991). In the specific context of i-deals research, scholars have also alluded to the signaling function of i-deals by noting the i-deals can convey positive signals in the employment relationship and serve as powerful cues (e.g., Rousseau & Kim, 2006; Rousseau et al., 2006; Rousseau et al., 2009).

Several features of signaling theory underscore its relevance to the current focus on i-deals as signaling devices. As elaborated on by Connelly et al. (2011), the key elements in signaling theory comprise (1) the signaler (e.g., employer) who possesses private information about an organization, individual, or products that is not available to outsiders; (2) the receiver (e.g., employee), an outsider who does not have, but wishes to access, such information; and (3) the signal (e.g., i-deals), consisting of actions that the signaler takes to intentionally convey the information to the

[2] While pay-for-performance and merit pay practices share some similarities with financial i-deals, they are nonetheless distinct. I-deals are, by definition, (i) individually negotiated between an employee and the employee; and (ii) heterogeneous such that the terms are customized to the individual. In contrast, merit pay and pay-for-performance practices are generally part of an organization's standard compensation design (not individually negotiated), and all employees in the same position or group can receive the same set of terms and conditions (not heterogeneous). Additionally, the nature of financial i-deals goes beyond simply increasing base pay or bonus according to one's performance, as is typical in pay-for-performance and merit pay plans. Instead, financial i-deals can include different combinations of various financial incentives to suit the individual's needs, such as changing the configuration of salary and benefits, or combining different types of benefits such as health insurance and tuition reimbursement according to one's preferences. Accordingly, despite the fact that all these practices relate to financial incentives, the idiosyncratic nature of financial i-deals sets it apart from the other more conventional and standardized forms of financial incentive systems.