

# Total rewards components and work happiness in new ventures

## The mediating role of work engagement

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and work  
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### Abstract

**Purpose** – The purpose of this paper is to examine the influence of total rewards components (monetary, material and non-monetary) on happiness of employees working in Indian technology-based new ventures. Further, with the theoretical lens of social exchange theory, the mediating role of work engagement between total rewards perceptions and work happiness relationship has also been evaluated.

**Design/methodology/approach** – A survey of 201 employees working in Indian technology-based new ventures was conducted. Structural equation modeling was utilized to measure the proposed theoretical model. Regression analysis was conducted to test the direct effects of the hypothesized relationships. Sobel test and bootstrapping analysis were utilized to test the indirect effects of the proposed hypothesized relationship.

**Findings** – The findings supported the hypotheses that employees' perceptions of total rewards have a significant impact on employee work engagement and happiness at work. However, individual component of total rewards, i.e. monetary rewards, demonstrated an insignificant impact on the employee work happiness. Work engagement was positively related to work happiness and fully mediated the relationship between total rewards perceptions and work happiness.

**Practical implications** – Special attention should be given to enhance the material and non-monetary rewards, specifically strengthening the feeling of appreciation, learning and growth opportunities and improving feedback functions. Given the challenges of new ventures (productivity and efficiency of talent), management of total rewards mix should be considered as the main concern of human resource (HR) managers and management (founders). The paper also provides important implications for designing a reward system that enhances employee productivity and efficiency in the unstructured and ambiguous work environment of new ventures.

**Originality/value** – The present study has significant contributions to the HR, entrepreneurship and positive psychology literature. It is an attempt to understand the association between total rewards components and work happiness via mediating mechanism, i.e. work engagement in new ventures. It also extends research in the entrepreneurial context. The emergence and growth of new ventures in India has meant a growing importance for understanding employees' needs and expectations and guaranteeing their happiness. The findings of the study contribute to social exchange theory, Vroom's expectancy and self-determination theory. This research is also a rare investigation of employees' perspectives in an entrepreneurial context.

**Keywords** Work engagement, New ventures, Positive psychology, Monetary and non-monetary rewards, Total rewards, Work happiness

**Paper type** Research paper

### 1. Introduction

India has emerged as the third largest start-up ecosystem globally and is expected to grow by 2.2 times till 2020 (NASSCOM, 2016). Although, new ventures (also called start-ups or young firms) are enablers of innovation and economic progress, their success during their first years is uncertain as they face competition from established firms and the liability of newness challenge (Boso *et al.*, 2013). As new ventures struggle to grow and achieve success, motivating and engaging talent is also a challenge and therefore developing innovative strategies to attract, engage and improve the productivity of employees that can contribute to their survival (Leung *et al.*, 2006). A critical area in human resource management (HRM) that has been seen to affect an individual's motivation to join, learn and stay with the firm is compensation and rewards (Medcof and Rumpel, 2007). Since new ventures adopt an informal HRM function, they have fewer choices available in terms of compensation options (Bau and Dowling, 2007) and view their rewards system through "total rewards" perspective. The holistic view of total



rewards includes both monetary (all monetary payments-pay, benefits, etc.) and non-monetary (learning and growth opportunities, feedback and appreciation for work, etc.) rewards (Heneman and Tansky, 2002). Research works measuring various components of rewards and its motivational effects are largely based on formal and structured work environments and have overlooked its influence in young firms (Pajo *et al.*, 2010). Therefore, studying motivational effect of holistic view of reward system in an informal and unstructured work environment, such as present in new ventures would help newly founded businesses to manage their talent effectively (Khoreva *et al.*, 2017).

Additionally, Baron and Hannan (2002) highlighted that in the highly uncertain and ambiguous work environment of new ventures, few people typically need to cover all business functions resulting in high degree of workload and greater stress negatively affects their productivity at work. Keeping employees happy can boost their productivity as well as work efficiency and new ventures cannot deliver good services from unhappy employees. Moreover, the positive psychology field has asserted the need to the study the pursuit of employee happiness and betterment issues in the entrepreneurial settings (Vo, 2016).

Happiness refers to the feeling of frequent positive affect and a sense of work and life satisfaction (Hofmann *et al.*, 2014). Huang (2016) documented that individuals' happiness has a positive effect on individual performance, as happy employees remain enthusiastically involved in different tasks of the organizations. Within work happiness literature, various components of total rewards have been linked to happiness such as employee income (Oishi *et al.*, 2011), meaningfulness at work (Golparvar and Abedini, 2014), learning and growth opportunities (Rego and Pina E Cunha, 2009), etc. However, little empirical evidence on work happiness as an outcome of total rewards components (Latukha, 2016) in new Indian ventures has been found. The study, therefore, aims to bridge highlighted gaps.

Additionally, work engagement literature has been conceptualized as a mediating mechanism and is embedded in three dimensions: vigor, absorption and dedication (Schaufeli *et al.*, 2002). Organizational rewards model assumes employee engagement as a driving force of the employees' positive attitude at work. This driving force may assist employees to overcome the stress and burnout at workplace and feel happy for the accomplishment of assigned task (Saks, 2006; Crawford *et al.*, 2014). However, little empirical evidence exists that examines work engagement as a mechanism through which job resources (total rewards components) affect employee work attitude (i.e. employee work happiness). Therefore, the research question addressed in the study is as follows:

*RQ1.* How do perceptions of total rewards components influence employee happiness at work?

The purpose of this study is to examine the conceptual and empirical linkages between total rewards components and workplace happiness. In addition, the study also aims to evaluate the role of work engagement as a mechanism via which the perceptions of job resources (total rewards) affect employee work attitude (work happiness).

## 2. Need and rationale of the study

In today's competitive world of work, human resource (HR) are assumed to be a key source of an organization's survival and success. Specifically, in new ventures, each individual contributes to its survival and success (Glaub *et al.*, 2014). However, studies in entrepreneurship (new ventures) domain are skewed toward the topics of firm's growth (Edwards and Rahman, 2016). Therefore, highlighting employee perspective in the unique and dynamic working environment of new ventures would be a contribution in the field of HR and entrepreneurship literature.

Furthermore, past evidence suggests that substantial research works have been done on rewards and its consequences in context of large organizations (Thomas *et al.*, 2017) with little focus on young firms. The compensation models developed in the context of large firms are not

necessarily applicable to young firms (Bau and Dowling, 2007). A few studies have highlighted the motivational effect of rewards in informal and dynamic work environment of new ventures. For example, Bau and Dowling (2001) investigated the impact of financial and non-financial incentives on employee motivation to join German software start-ups. Park *et al.* (2014) have studied the impact of monetary and non-monetary rewards on innovation of technology-based new ventures of France. There remains a sparse research studying consequences of rewards in informal work environment of new ventures in India (Park *et al.*, 2014).

Moreover, employees in organizations of different countries have shown preference of different reward components for happiness (Dolan *et al.*, 2008). Research reveals that the employees of western countries feel happiness if their work is interesting, whereas employees in India feel happiness at obtaining secure jobs (Omar and Noordin, 2015). Therefore, the findings of existing literature suggest that components of total rewards that influence employees' happiness are context based. There is considerable amount of literature existing on employees' happiness in western context (Pan and Zhou, 2013). These studies reflect the understanding of reward system and its impact in those specific countries. Despite the appreciation and continuation of linkages between various components of rewards and work happiness, there remain very few research works that have examined work happiness as an outcome of holistic view of rewards (monetary, material and non-monetary rewards) explicitly, especially in an Indian context (Latukha, 2016). Therefore, the present study would be an important contribution to the Indian entrepreneurship and positive psychology literature.

In addition, while investigating the research in the areas of reward management and work happiness, Bakker *et al.* (2012) found that there is a need to study the relationship between work engagement and work happiness as both variables affect employee productivity and their intention to stay in an organization. Although, literature exists that has examined work engagement and work happiness relationship independently, there is a lack of empirical evidence that has investigated this relationship in Indian firms together (Malinen *et al.*, 2013; Bakker and Oerlemans, 2014).

### 3. Theoretical framework and development of hypotheses

#### 3.1 Total rewards

According to Chen and Hsieh (2006), rewards include everything that employees recognize as fair return in exchange of the efforts and time spent at work. Organizations offer rewards as an appreciation of certain behavior in the form of financial and non-financial incentives after the accomplishment of assigned tasks (Danish and Usman, 2010). Total rewards include both monetary (all monetary recognitions) as well as non-monetary (learning and growth opportunities, appreciation for work, etc.) rewards (Heneman and Tansky, 2002).

#### 3.2 Total rewards categorization

Prior studies on rewards have categorized total rewards in various ways. According to Milkovich and Newman (2005), total rewards or total return on efforts can be divided into two major categories such as total compensation and relational returns. The first category includes direct as well as indirect pay and incentives. The second category includes recognition, challenging work, job security and learning and growth opportunities. According to De Gieter *et al.* (2006), total rewards categorization includes three major categories such as financial rewards, material rewards and psychological rewards. The first category includes all monetary payments. The second category includes material rewards such as benefits, training and growth opportunities and finally the third category includes psychological rewards such as recognition.

Intrinsic motivation of employees and identification with the goals of the organization play a significant role in newly founded organizations rather than in established firms (Brown and Medoff, 2003). Employees working in new ventures put more emphasis on congenial working

environment, interpersonal work relations and team atmosphere compared to other aspects of the workplace (Sauermann, 2017). Therefore, consistent with the above arguments, we find the total rewards categorization recognized by Hulkko-Nyman *et al.* (2012) as monetary, material and non-monetary rewards as the components of total rewards.

### 3.3 *Work happiness*

According to Youssef and Luthans (2007), work happiness refers to the extent to which individuals experience positive affect and satisfaction at work. Pryce indicated that happy employees get faster promotion, get more support from supervisors and co-workers, generate innovative ideas, accomplish assigned task faster and perform task enthusiastically (Pryce-Jones and Lutterbie, 2010). Although, organizations face challenges to assure that their employees are satisfied and happy, Bakker and Demerouti (2014) indicated that the goal of creating positive feelings among employees can be achieved through an effective job resources program (i.e. total rewards system).

Past evidence suggests that employees feel positive about the workplace when they receive material rewards (e.g. training facilities, benefits, career growth opportunities, etc.), social rewards (e.g. good relationship with colleagues) (Abid *et al.*, 2015), non-monetary rewards (e.g. positive feedback, participation in decision making, job security, etc.) (Carpentier and Mageau, 2013) and monetary rewards (e.g. pay rise, etc.) (Oishi *et al.*, 2011). While, they feel unhappy if organizations do not recognize their efforts (Danish and Usman, 2010).

Furthermore, the theoretical underpinning for this study is derived from social exchange theory (SET) (Blau, 1964). When organizations provide adequate job resources (monetary, material or non-monetary rewards), employees become willing to contribute in terms of their knowledge and skills (Bujacz *et al.*, 2014). They feel that the employer is concerned for their welfare and this satisfies people's psychological need of belongingness (Devloo *et al.*, 2015). This, in turn, may lead to experiences of positive affect and happiness. Accordingly, on the basis of the above arguments and theories, it may be assumed that new ventures providing job resources, such as total rewards components (monetary, material and non-monetary), may predict employees happiness at work.

Thus, we hypothesize that:

*H1.* Perceptions of total rewards components will be positively related to workplace happiness.

*H1a.* Perceptions of monetary rewards will be positively related to workplace happiness.

*H1b.* Perceptions of material rewards will be positively related to workplace happiness.

*H1c.* Perceptions of non-monetary rewards will be positively related to workplace happiness.

### 3.4 *Total rewards perceptions and work engagement*

According to Strom *et al.* (2014), employees' engagement level varies according to their perceptions of the return they receive after accomplishing work. Thus, it can be expected that employees will be more likely to involve in the work if they perceive a greater amount of benefits (job resources) for their task performance. Maslach *et al.* (2001) have documented effects of the lack of employee rewards such as stress and burnout. Accordingly, appropriate employee rewards are essential for enhancing the engagement level of employees at work. SET also suggests that when employees assess or perceive their employer as being invested in their welfare, through adequate resource allocation, i.e. rewards (job resources), they are more likely to reciprocate through positive work outcomes such as work engagement.

Hulkko-Nyman *et al.* (2012) studied the influence of total rewards' elements on employee engagement at work. Many research works in the past have studied the relationships

between various components of total rewards and employee work engagement, to the best of the researchers' knowledge previous research works have not studied the relationship of total rewards' components and work engagement in an unstructured work environment of new ventures.

Thus, we hypothesize that:

*H2.* Perceptions of total rewards will be positively related to experiences of work engagement.

### 3.5 *Work engagement and work happiness*

According to Schaufeli *et al.* (2002), work engagement includes three dimensions. The first dimension includes vigor which means mental resilience while working. The second dimension includes dedication which means experiencing a sense of achievement and being strongly involved in work. The third dimension includes absorption which means being fully focused on the work. Past research demonstrates that when employees receive rewards in the form of autonomy, appreciation for work, learning and growth opportunities, they are more likely to be enthusiastic and spend extra efforts in achieving the assigned tasks (Bakker *et al.*, 2014). It creates the enthusiasm to learn new skills, increases their energy to action and meet set targets, which helps them produce a wide range of possible solutions, and subsequently enhances their sense of accomplishment. When individuals experience a sense of achievement at work, they tend to experience positive feelings of pride and enthusiasm that may boost their happiness levels (Baranik and Eby, 2016). Self-determination theory also supports the above argument that happiness is experienced when goals are reached or needs are fulfilled (Ryan and Deci, 2000).

Based on the above, we hypothesize that:

*H3.* Work engagement will be positively related to workplace happiness.

### 3.6 *The mediating role of work engagement between total rewards perceptions and workplace happiness*

The preceding hypotheses link the relationship between total rewards components, work engagement and work happiness. Implicitly, the discussion suggests that total rewards components affects employee work happiness through their engagement in work. That is, firms can utilize a set of reward practices to motivate employees to boost their level of attention and focus at work, which, in turn, promotes experience of happiness at work.

A theoretical explanation for the mediating role of work engagement can be gleaned from self-determination theory (Ryan and Deci, 2000). This theory asserts that job resources (employee rewards) link to positive work attitude (work happiness) via an inner drive. The presence of inner drive (employee engagement) fosters a sense of goal achievement, and generates satisfaction and positive feeling about the work (Crawford *et al.*, 2014). When employees receive fair return in the form of rewards for their achievements, they feel enthusiasm toward the assigned task, and become ready to accomplish even the most difficult task. The feelings of enthusiasm and joy about task achievement lead to the sense of satisfaction with assigned work (Costa *et al.*, 2014).

Recently, research works have documented the strength of this motivational (inner drive) mechanism via the mediating role of engagement in the relationship between reward practices (job resources) and individual outcomes. For example, Airila *et al.* (2014) demonstrated the mediating role of work engagement between job resources (such as supervisor support and interpersonal relations), personal resources (such as self-esteem) and future work ability (such as an individual's functional ability to perform). Schaufeli *et al.* (2002) demonstrated the mediating role of work engagement between job resources and employee turnover intentions. Finally, in a study by Rich *et al.* (2010), job engagement

mediated the relationships between job resource such as perceived organizational support and positive employee outcome such as organizational citizenship behavior.

Following the aforementioned reasoning, this study proposes that job resources (total rewards components) will lead to work happiness via work engagement. Therefore, we hypothesize that:

- H4.* Work engagement will mediate the relationship between total rewards perceptions and work happiness.

## 4. Methodology

### 4.1 Sample and data collection

We utilized a cross-sectional survey strategy for the measurement of a proposed theoretical model. For data collection, we referred to a population of technology-based new ventures in India. The sample for the study was defined as independently founded young firms, less than five years old in India (Sarasvathy, 2004). We developed this sample from the "NASSCOM 10,000 start-ups initiative" list (a well-known and reliable source of Indian technology-based new ventures) by looking at their age and the verticals they were engaged in. In the technology-based sector, four industry domains were surveyed including information technology, retail technology, marketing automation and health technology. Data collection from different industries contributed to the generalizability of the findings (Ostroff, 2007). Additionally, firms having at least one employee were considered for the final selection.

Technology-based new ventures were selected for this study for two reasons. First, Tocher and Rutherford (2009) have attributed the success of technology-based ventures to the quality and capability of the organizations' employees. Therefore, studying factors that enhance employee productivity and efficiency at work would contribute to organization's success (Singh *et al.*, 2016). Second, research works on rewards in technology intensive firms reveal that employees working with these firms have a strong preference for work environment rewards. These firms offer cutting edge work, hire employees who are qualified for doing various tasks and who can work for long hours with high dedication (Medcof and Rumpel, 2007). Therefore, in the less defined and the more dynamic work environment of these firms it becomes compelling to measure influence of total rewards (monetary, material and non-monetary rewards) on employees' happiness.

To measure the proposed relationships among variables, the online link of a self-report questionnaire was sent to 500 employees working in Indian technology-based new ventures. Of 250 responses, 201 were utilized for final analysis, which represented a response rate of 40.2 percent; 55 percent of the respondents were male and 45 percent were female. Participants represented age group varying between 23 and 42 years with diverse educational background. In total, 50 percent were postgraduates, 46 percent were graduates and 4 percent had a doctorate degree.

To establish content validity, a pre-test of the survey instrument was conducted (Zikmund, 2003). Experts from three new ventures including one HR manager, one employee and one founder, along with three academicians, participated in the process. Feedback from the experts was sought on clarity, coverage and relevance of proposed constructs' items. The survey instrument was further tested for reliability of all the constructs.

### 4.2 Measures

Standard measures were utilized to operationalize the major constructs given in the proposed theoretical model. Table I presents reliability and validity of all proposed constructs (Podsakoff *et al.*, 2003). Cronbach's  $\alpha$  of all the constructs exceeded the suggested threshold value, i.e. 0.70.

Measures	Sub-components	No. of indicators in the scales	Reliability	Validity: model fit indices	Total rewards components and work happiness
Total rewards		10	0.79	CFI = 0.98 TFI = 0.97 IFI = 0.98	<b>261</b>
	Monetary rewards	2	0.74		
	Material rewards	6	0.87	–	
	Non-monetary rewards	2	0.76		
Work engagement	–	9	0.87	CFI = 0.97 TFI = 0.94 IFI = 0.97	
Work happiness	–	9	0.82	CFI = 0.98 TFI = 0.96 IFI = 0.98	<b>Table I.</b> Reliability and validity of proposed constructs

**Notes:**  $n = 201$ . \* $p < 0.01$ ; \*\* $p < 0.001$

**4.2.1 Total rewards perceptions.** Perceptions of total rewards were measured with the Hulkko-Nyman *et al.* (2012) scale. The indicators of the measurement were grouped into three total rewards components including monetary (pay perception), material (benefits perception and feedback) and non-monetary rewards (appreciation for work). Monetary rewards including pay perception (two items, e.g.: “How do you think the pay system functions in your organization?”,  $\alpha = 0.74$ ) and material rewards including benefits perception (three items, e.g.: “How do you think employee benefits, learning and growth opportunities function in your organization?”,  $\alpha = 0.87$ ) and feedback (three items, e.g.: “How do you think feedback functions in your organization?”) were measured using a five-point Likert scale ranging from “1” = functions very poorly and “5” = functions very well. While, non-monetary rewards including appreciation for work (two items; e.g.: “My work is appreciated in my organization?”,  $\alpha = 0.76$ ) were measured using five-point Likert scale ranging from “1” = very little or not at all to “5” = very much or always. The three components of rewards were added to create total rewards scale. High scores on addition of all three components represented employees’ perceptions toward total rewards. Cronbach’s  $\alpha$  of the ten-item scale was 0.79.

**4.2.2 Work engagement.** Work engagement was measured with the Schaufeli *et al.* (2002) scale. The indicators of the scale were grouped into three sub-scales including vigor (three items, e.g.: “When I get up in the morning, I feel like going to work”); dedication (three items, e.g.: “I am enthusiastic about my job”) and absorption (three items, e.g.: “When I am working, I forget everything else around me”). These three sub-scales were added to create a measurement of work engagement. High scores on addition of all three sub-scales represented high work engagement. All items were measured using seven-point Likert scale ranging from “1” = strongly disagree to “7” = strongly agree. Cronbach’s  $\alpha$  of the nine-item scale was 0.87.

**4.2.3 Work happiness.** Drawing upon previous studies (Page and Vella-Brodrick, 2009; Wu *et al.*, 2015), this study adapts two widely acknowledged scales to measure work happiness. First, the satisfaction with life scale (Diener *et al.*, 1985) slightly modified in the context of the workplace (Simon *et al.*, 2010) was utilized to measure employee satisfaction at work (five items, e.g.: I am satisfied by my work). Second, the affect scale from Diener *et al.* (1995) slightly modified in the context of the workplace (Choi and Lee, 2014) was utilized to measure positive affect at work (four items, e.g.: I enjoy my work). These two sub-dimensions were added to measure overall employee happiness at work. High scores in addition of both dimensions represented high employee work happiness. All items were measured using seven-point Likert scale ranging from “1” = strongly disagree to “7” = strongly agree. Cronbach’s  $\alpha$  of the nine-item scale was 0.82.

4.3 Control variables

In the analysis of hypothesized relationships, three control variables were included such as education, age and gender. These variables were controlled as the higher age, education or gender may influence proposed hypothesized (rewards and work satisfaction) relationship (Bedeian *et al.*, 1992).

5. Results

5.1 Descriptive statistics

Table II presents the means, standard deviations and correlations among the proposed constructs. The results of mean and standard deviation were within the acceptable range. Results of correlation indicated that the relationship between proposed constructs is consistent with the hypothesized relationships. Also, the results suggested acceptable conditions for measuring the proposed hypothesized relationships.

5.2 Confirmatory factor analysis (CFA) and common method bias

For the measurement of data fit with the proposed theoretical models, CFA was conducted by using AMOS 20.0 version. Fitness criteria suggested by Arbuckle and Wothke (1999) were followed and the results of analysis were found acceptable and demonstrated a good fit to the data ( $\chi^2$  (313) = 519.85, RMSEA = 0.05, CFI = 0.95, TLI = 0.94 and IFI = 0.95). In addition, to ensure the distinctiveness among proposed constructs, we compared the proposed theoretical Model (b) (i.e. a three-factor model which included total rewards, work engagement and work happiness) against the two alternative models: a two-factor model (which included items of total rewards and work engagement) and a one-factor model (which included items of total rewards, work engagement and work happiness). The three-factor model showed a significantly better fit comparative to the alternative models (refer Table III).

Moreover, the issues of common method bias were addressed by conducting the Harman single-factor test (Podsakoff *et al.*, 2003). Results of the analysis documented only 23.9 percent of variance for a single factor. Therefore, we concluded that common method bias is not a concern.

**Table II.**  
Mean, standard  
deviation (SD) and  
correlations among  
the proposed  
constructs

Constructs	Mean	SD	1	2	3	4
1. Monetary rewards	3.05	1.14				
2. Material rewards	4.11	0.76	0.12			
3. Non-monetary rewards	3.82	1.09	0.03	0.38**		
4. Work engagement	4.23	1.07	0.11	0.18*	0.16*	
5. Work happiness	4.75	0.99	0.06	0.15*	0.16*	0.26**

**Notes:** *n* = 201. \*, \*\*Correlation is significant at the 0.05 and 0.01 levels (two-tailed), respectively

**Table III.**  
Findings of CFA

	Model fit indices					
	$\chi^2$	df	RMSEA	CFI	TLI	IFI
Three-factor model	519.85	313	0.05	0.95	0.94	0.95
Two-factor model	1,009.41	151	0.16	0.73	0.70	0.73
One-factor model	3,235.03	350	0.20	0.39	0.34	0.40

**Notes:** RMSEA, root mean square error of approximation, CFI, comparative fit index, TLI, Tucker–Lewis index, IFI, incremental fit index. Three-factor model consisted of proposed measurement model; two-factor model consisted items of total rewards perceptions and work engagement; and one-factor model consisted items of total rewards perceptions, work engagement and work happiness



### 5.3 Hypotheses testing

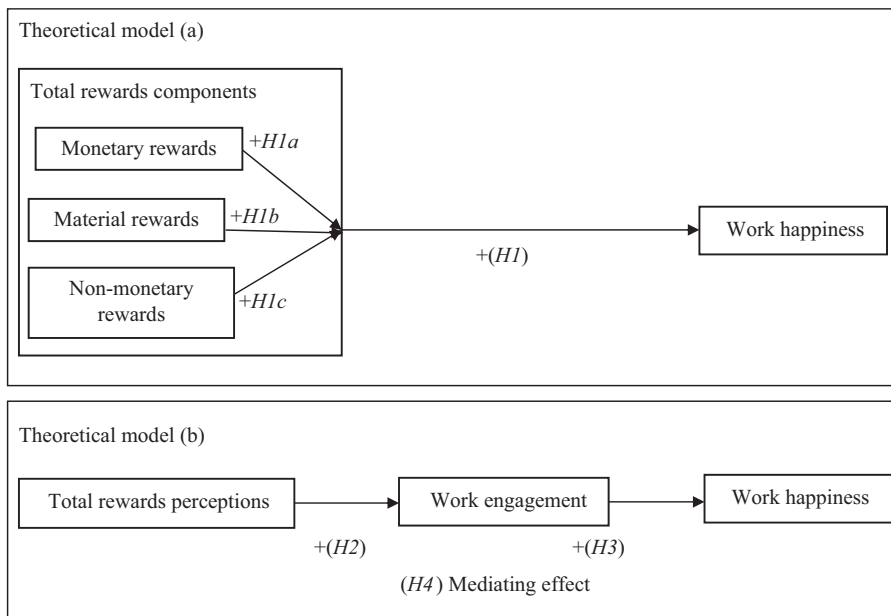
**5.3.1 Strategy of analysis.** In order to measure the direct effects of the proposed hypothesized relationships (Figure 1), linear regressions statistical technique was utilized. For the measurement of mediation effects, we applied the statistical technique recommended by Preacher and Hayes (2004). This approach explicitly suggests a value indicating significance of the indirect effects (Preacher and Hayes, 2004), which is a potential flaw of Baron and Kenny's (1986) long-established approach of measuring mediation (indirect) effects. Specifically, we utilized Sobel (parametric test) and bootstrapping (non-parametric) tests to measure indirect (mediation) effects (MacKinnon *et al.*, 2008; Preacher and Hayes, 2004). For the estimation of mediation effect, if upper and lower confidence intervals (CIs) do not include 0 value, then it represents significant change in coefficients, thereby suggests significant mediation effect.

**5.3.2 Direct effects.** *H1a–H3* were tested using a series of regression analyses. Table IV demonstrates the result of regression analyses.

**Model 1:** relationship between total rewards perceptions and work happiness. *H1* assumed that employee perceptions of total rewards will be positively related to work happiness. The analysis evaluating the association between total rewards perceptions and work happiness revealed significant results ( $R^2 = 0.024$ ,  $F(379.885) = 4.95$ ,  $p < 0.001$ ). The findings suggested that high level of total rewards ( $\beta = 0.20$ ,  $p \leq 0.01$ ) were positively related with work happiness. Thus, *H1* was supported.

**Model 1(a):** relationship between monetary rewards and work happiness. *H1a* assumed that monetary rewards will be positively related to work happiness. The analysis evaluating the association between monetary rewards and work happiness revealed insignificant results ( $R^2 = 0.001$ ,  $F(11.867) = 0.151$ ,  $p > 0.001$ ). The findings suggested that high level of monetary rewards ( $\beta = 0.08$ , ns) were negatively related with work happiness. Thus, *H1a* was not supported.

**Model 1(b):** relationship between material rewards and work happiness. *H1b* assumed that material rewards will be positively related to work happiness. The analysis evaluating



**Figure 1.**  
Theoretical model for  
predicting influence of  
total rewards  
components on work  
happiness

**Table IV.**  
Findings of direct and indirect effect of total rewards components, work engagement and work happiness

Independent variable	Model 1: dependent variable: work happiness	Model 2: dependent variable: work engagement	Model 3: dependent variable: work happiness
<i>Direct effects</i>			
Total rewards	—	0.28	—
Monetary rewards	0.08	—	—
Material rewards	0.25	—	—
Non-monetary rewards	0.78	—	—
Work engagement	—	—	0.21
$R^2$	0.00	0.03	0.06
	0.02		
	0.03		
Adj. $R^2$	−0.00	0.02	0.05
	0.01		
	0.02		
ANOVA $F$	0.15**	6.99**	12.8***
	4.05**		
	6.80**		
<b>Notes:</b> ** $p < 0.01$ ; *** $p < 0.001$			

the association between material rewards and work happiness revealed significant results ( $R^2 = 0.020$ ,  $F(312.34) = 4.05$ ,  $p < 0.001$ ). The findings suggested that high level of material rewards ( $\beta = 0.27$ ,  $p \leq 0.01$ ) were positively related with work happiness. Thus, *H1b* was supported.

Model 1(c): relationship between non-monetary rewards and work happiness. *H1c* assumed that non-monetary rewards will be positively related to work happiness. The analysis evaluating the association between non-monetary rewards and work happiness revealed significant results ( $R^2 = 0.033$ ,  $F(516.61) = 6.801$ ,  $p < 0.001$ ). The findings suggested that high level of non-monetary rewards ( $\beta = 0.78$ ,  $p \leq 0.01$ ) were positively related with work happiness. Thus, *H1c* was supported.

Model 2: relationship between total rewards perceptions and work engagement. *H2* assumed that total rewards perceptions will be positively related to work engagement. The analysis evaluating the association between total rewards perceptions and work engagement revealed significant results ( $R^2 = 0.034$ ,  $F(694.90) = 6.99$ ,  $p < 0.001$ ). The findings suggested that increased levels of total rewards perceptions ( $\beta = 0.28$ ,  $p \leq 0.01$ ) were positively associated with employee engagement in work. Thus, *H2* was supported.

Model 3: relationship between work engagement and work happiness. *H3* assumed that work engagement would be positively related with work happiness. The analysis evaluating the association between the variables was significant ( $R^2 = 0.061$ ,  $F(949.95) = 12.87$ ,  $p < 0.001$ ). Work engagement ( $\beta = 0.21$ ,  $p \leq 0.01$ ) was positively related with work happiness. The results suggest that individuals who are engaged in work also reported work happiness. Thus, *H3* was supported.

#### 5.4 Mediator analysis

Table V presents the findings of mediation effect using Sobel test and bootstrapping analysis approach. *H4* assumed that the employee engagement in work would mediate the association between total rewards perceptions and work happiness. Thus, to measure the mediating effect of work engagement in the relationship between total rewards perceptions and work happiness, Sobel test was conducted (Preacher and Hayes, 2004). Findings of the test indicated that work engagement ( $Z = 2.23$ ,  $p < 0.00$ ) significantly mediated the relationship between total rewards perceptions and work happiness. Additionally, bootstrapping (5,000 bootstrap

samples with 95% CIs) was also conducted (MacKinnon *et al.*, 2004) to estimate the range of indirect effects. The findings of analysis demonstrated the range of indirect effects between 0.02 and 0.39. As the results did not include 0, a full mediation between total rewards perceptions and work happiness was supported. Therefore, the findings of both Sobel test and bootstrapping analysis demonstrated statistically significant indirect effects on work engagement. Thus, *H4* was supported.

## 6. Discussion, theoretical and practical implications

The aim of the study was to evaluate the influence of total rewards components (monetary, material and non-monetary) on work happiness of employees working in the Indian technology-based new ventures. Findings of the *H1* suggested that total rewards components influence employee happiness at work. Therefore, the findings demonstrate a framework which indicates that employees who receive return on their efforts in the form of rewards are more likely to feel happy and satisfied with the working environment of the new ventures. This framework is consistent with SET (Blau, 1964). SET focuses on the exchange relationships that occur within a mutually dependent environment. The conceptual core of the theory suggests that the employee's positive work attitude is consistently directed through job resources provided by the organization. Although, perceptions of total rewards indicated positive influence on employee work happiness but *H1a* suggested an insignificant relationship between individual component of total rewards, i.e. monetary rewards (employee pay perceptions) and employee work happiness. This finding is consistent with the study of Peluso *et al.* (2017), which states the negative relationship between monetary rewards and positive employee outcomes (affective commitment, job satisfaction and innovative work behavior). This suggests that when employees working in new ventures do not receive fair return in the form of pay rise, they are less likely to enjoy work, feel satisfied or experience happiness at work. *H1b* suggested positive significant effect of material rewards on employee work happiness. This finding is consistent with Tremblay *et al.* (2000) who stated a positive relationship between material rewards (benefits satisfaction) and a positive work attitude (job satisfaction) of employees. The finding suggests that if new ventures provide learning and growth avenues, employees feel a sense of competence, and thereby experience satisfaction or happiness at work. Similarly, *H1c* indicated a positive relationship between non-monetary rewards and employee work happiness. These findings are consistent with the study of Markova and Ford (2011), which suggested a positive relationship between non-monetary rewards and an intrinsic motivation to work for long hours. Due to resource shortages, new ventures cannot provide rewards at par with established organizations. They therefore utilize non-monetary rewards as an effective tool to motive and retain employees. The positive influence of non-monetary rewards on employee work happiness suggests that non-monetary rewards such as appreciation for work, challenging or interesting work makes new ventures' employees enthusiastic about their job. This is consistent with the "Broaden-and-Build theory" of positive emotions, which states that experiences of enthusiasm and positive feelings motivate employees to become more

Indirect effects	Dependent variable: work happiness		
	Sobel's normal theory tests		95% Bca CIs bootstrapping results
	Z		
		Lower	Upper
Work engagement	2.23	0.02	0.39

**Notes:** Bca, bias corrected and accelerated. Based on 5,000 bootstrapping samples.  $p < 0.01$

**Table V.**  
Findings of mediation  
test for total rewards-  
work engagement-  
work happiness  
relationship

confident in handling work-related problems, indicating that accomplishing set goals and solving difficult problems lead to employee happiness at work.

Furthermore, findings of this study document a significant role that organizational rewards play in fostering employee engagement at work. It supports the study of Bakker's *et al.* (2014), which states the positive relationship between job resources and employee engagement. This suggests that job resources in the form of training and development opportunities, challenging work, constructive feedback from supervisors and additional benefits, etc., motivate new ventures' employees to immerse themselves in work and utilize cognitive resources for the accomplishment of goals.

Organizational rewards motivate individuals to concentrate, engage and add to resilience while performing work and individual's attitude toward engagement in work varies contextually. Employees working in new ventures possess different needs and expectations in terms of rewards. For example, some individuals expect return on efforts spent at work in the form of monetary rewards (pay, fringe benefits, etc.), while some employees expect return in the form of non-monetary rewards that motivate them to engage in assigned task (Nazir *et al.*, 2016). Thus, studying a holistic view of rewards will contribute in the identification of combination of rewards that motivate employees to engage in a task.

The findings of the study demonstrated employee engagement in work as an enabler of the employees' positive work attitude and fully mediated the proposed hypothesized relationships. It is consistent with the study of Yalabik *et al.* (2013) which reveals that the association between job resources and key employee outcomes is dependent on the driving forces prevailing at the workplace (e.g. stronger intrinsic motivation, positive emotions, or work engagement, etc.). Total rewards do not influence work happiness directly, in fact it affects employee happiness indirectly through increased work engagement.

Additionally, results also contribute to the literature on talent management in new Indian ventures. Around one lakh people are currently employed in Indian technology-based start-ups and this industry is expected to create 2.5–3m new jobs by 2025 (NASSCOM, 2017). As the workforce plays a crucial role in the success and survival of new businesses, enhancing employee productivity and efficiency at workplace is a significant concern.

Therefore, studying employees' perceptions working in Indian new ventures, their engagement in work and work happiness has improved our theoretical understanding of key challenges and issues in enhancing employee productivity and efficiency at work.

This study bridges the rigor-relevance gap and has the following theoretical and practical implications.

### 6.1 Theoretical implications

The present study is a significant contributor to the field of total rewards, work engagement and work happiness literature. In total rewards domain, it contributes in terms of a holistic view of rewards framework that different new ventures may offer and utilize for enhancing employee experiences of happiness (work satisfaction and positive affect) at work.

By studying the linkage between total rewards (monetary, material and non-monetary rewards) and work engagement, this study contributes to knowledge about individuals' preferences for job resources that encourage them to work for long hours and be immersed and resilient at work. Similarly, studying the linkage between work engagement and work happiness, this study adds to self-concepts and sense of achievement which includes self-identity with work and achievement of self-set goals.

In work engagement domain, it contributes to the existing HR, positive psychology and entrepreneurship literature by demonstrating mediating mechanism between total rewards and employee work happiness relationship in new ventures. Although, much research has focused on the significance of total rewards, we attempted to extend these studies by revealing the

mediating (work engagement) mechanism that operates between total rewards and work happiness in an entrepreneurial (technology-based new ventures) context. Therefore, a significant theoretical contribution of this study is examining work engagement as a mechanism via which job resources are linked with positive experiences of employees working in Indian technology-based new ventures. In addition, it also contributes to building the SET, Vroom's expectancy and self-determination theory.

## 6.2 Practical implications

This study has implications for HR managers and management of new ventures. The findings suggest that employees of new ventures feel positive about and initiate new work when they receive non-monetary and material rewards. Therefore, special attention should be given to enhancing material and non-monetary rewards, specifically to strengthening feelings of appreciation, learning, as well as expanding growth opportunities and improving feedback functions. As new ventures are characterized by reactivity and informality, the findings of the study can help formalize a total rewards system that may enhance employee work happiness. Additionally, the identification of the combination of total rewards that influence employee work happiness will allow new ventures to create differentiated reward strategies.

The findings also suggest that employees working in new ventures feel positive about the workplace if they find meaning or purpose at work in the form of rewards. Thus, new ventures should provide meaningful work as a form of organizational reward. Moreover, it can be concluded from the findings of the study that a total rewards mix can influence strategies to enhance productivity and efficiency of employees, on the basis of which a reward mechanism can be designed to help in motivating and engaging critical talent in young Indian ventures.

## 7. Limitations and future research

The study captured total rewards perceptions and work happiness relationship via work engagement, but could not examine these relationships longitudinally. As these factors are time specific and variable in nature, there is possibility of changes in these factors with the evolution of new ventures. For example, work engagement may have curvilinear relationship or may change after certain duration. Similarly, happiness and its conception for some activity may change after a period of time. Therefore, it is recommended to study them longitudinally. This research is measuring perceptions of employees working in new Indian ventures only. Thus, the findings of this study cannot be generalized to perceptions of employees working in new ventures of other countries. Therefore, it is recommended to generalize these findings in other markets.

Additionally, this study gauges perceptions through self-report survey design. It is recommended to conduct research validating the findings through external rating source including founders or co-workers.

Future studies could examine related variables that influence work happiness such as life happiness (Joo and Lee, 2017) and positive workplace climate (Chaudhary and Rangnekar, 2017). Additionally, more mediators and moderators could emerge amongst the work happiness, work engagement and total rewards perceptions relationship that future studies may investigate.

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