Firm characteristics associated with organizational support for risk-taking in providing employee health benefits

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Abstract

Employee benefits are often overlooked in research despite being an important part of compensation and linked with worker satisfaction, absenteeism, and productivity. Previous research has demonstrated that organizational support for risk taking predicts subsequent employer exploration of innovative employee health benefits. This paper examines organizational characteristics associated with the organizational support for risk taking. The results indicated that for profit firms with greater financial resources who perceive greater benefit to innovative health benefits are more likely to report greater organizational support for risk taking. With replication of these results, future work should examine how to increase organizational support for taking risks on employee health benefits whose potential promise has been demonstrated.

Employee benefits are an important component of compensation for many US employees. Approximately 30% of worker compensation comes in the form of fringe benefits, and benefits have been linked to increased productivity and worker satisfaction, and reduced absenteeism (Artz, 2010). While health and life insurance are common benefits provided to employees, firms also offer EAP programs, child care, flexible work hours, work-at-home programs, long-term disability insurance, and health and wellness programs including well-baby programs, gym memberships, stress reduction programs, on-site flu vaccines, and weight management programs.

Relatively little is known about how corporations make decisions about the benefits they offer their employees, particularly when new benefits enter the market. The literature on corporate innovation provides some insight to guide initial inquiry. Innovation is typically defined as to include the development and adoption of new ideas, programs, or behaviors (Amabile, 1988; Damanpour, 2006). Others have defined creativity as the development of ideas, and innovation as the implementation of ideas (Anderson, 2014). While creativity and innovation are often studied in terms of firms developing, producing and providing new products and services, the potential for developing new programs to attract talented workers provides opportunities for firms to be creative and innovative in the area of human resources.

One of many important contributors to company innovation is the organizational climate regarding risk-taking. Organizational climates which promote risk taking has been theorized to impact corporate innovation independently (Caruna, 2002) or in combination with other organizational and environmental factors (Nystrom, 2002). As an independent predictor, risk taking is viewed as a necessary prerequisite for adopting new ideas whose outcomes cannot be

guaranteed (Albrecht, 1991). A meta-analysis of 24 organizational studies demonstrated that organizational support for risk taking demonstrated a 0.78 effect size on innovation (Hunter, 2007). Pro-innovation managerial attitudes predict innovation adoption in both the public and private sector (Moon, 2002). As a mediator, organizational support for risk taking may explain the relationship of organizational financial health (Kearney, 2000; Walker, 2006) and size (Damanpur 2010; Walker 2008).

To complement our previous research identifying organizational risk taking as a significant predictor of innovative health benefit decision-making (Rost, 2014), the research team conducted an exploratory analysis of factors associated with organizational risk taking in human resource departments to inform future research on employee benefit decision-making.

Methodology

Data

The data were collected in an intervention study to encourage employers to improve depression treatment in the workforce (Rost, 2014). The study recruited employers through the 58 regional coalitions in the National Business Coalition on Health (NBCH) and 12 related professional associations. Both groups invited employers that provided health benefits to at least 100 employees to participate in the study. Some groups invited their entire membership and some invited selected members only. There were 419 employers interested in participating in the study, 16 of whom failed to meet eligibility criteria. Of 403 interested and eligible employers, 325 (80.6%) participated in the study. Participating employers were requested to send the human resource professional most knowledgeable about their company's health benefit decisions to participate in the intervention. Baseline data were collected using a computerized survey

between April 2009 and May 2011. The protocol and informed consent that employers signed were approved by the Institutional Review Boards at Florida State University and the University of South Florida.

Measures

Dependent Variable

Organizational Risk Taking – Organizational risk taking regarding health benefit decisions was measured as the mean response to five questions: whether the employer's health benefits philosophy is to play it slow, safe, and sure; whether the health benefits program takes calculated risks; whether health benefit decision-making is too cautious for maximum effectiveness; whether health benefits managers are willing to take a chance on a good idea; and whether it is necessary to take big risks to keep health benefits ahead of competition. Each question had four possible responses (1=strongly agree, 2=agree, 3=disagree, 4=strongly disagree) with responses to questions 1 and 3 reversed for consistency. These items were adapted from an organizational climate scale measuring risk taking (Nystrom, 2002) with demonstrated reliability, predictive validity and discriminant validity (Emmons, 2012) by making each item specific to health benefit decision making. The adapted scale demonstrated an alpha coefficient of 0.66 with predictive validity (Rost, 2014).

Predictor Variables

Predictors were placed into three categories: structural, decision group characteristics, and perceived characteristics of innovative health care benefits, as enumerated in Table 1.

Structural characteristics included the number of full-time employees, for-profit status (for-profit, non-profit, or public), company age, and geographic spread (number of sites with 100 or more employees). Organizational financial health was measured based on the mean response to three questions: whether the organization has sufficient financial resources to purchase additional health benefits next year; whether after paying for existing programs, the organization has no money left to purchase additional health benefits; and whether there are too many additional health benefits competing for too few dollars next year. Each of the three questions had four possible responses (1=strongly agree, 2=agree, 3=disagree, 4=strongly disagree) with responses to the first question reversed. The scale had an alpha coefficient of 0.76.

Decision group characteristics included the number of people who regularly participate in the group that makes final health benefit decisions, whether benefit decisions are made locally (versus a central location), and whether finance people are included in the decision making process.

Perceived characteristics of innovative health benefits was assessed by asking respondents about two potential interventions regarding depression in the workplace. The first innovation was the purchase of a depression product that provided high quality care for employees with the condition for $800 per participating employee. The second innovation was corporate monitoring of Healthcare Effectiveness Data and Information Set (HEDIS) scores to determine whether employees are getting quality care for depression in their most subscribed health plan. (NCQA, 2012). For each potential program, participants were asked to compare the program to others the firm has recently undertaken in terms of the likelihood that employees would benefit from the program, the financial cost of the program, and the complexity of the program. Potential responses ranged from 1 (much worse than programs our organization has

recently undertaken) to 4 (much better than programs out organization has recently undertaken). Given the nature of the questions, higher values indicate higher benefits, lower costs, and lower complexity than other programs recently undertaken. The mean answer for the two potential programs was used to capture perceived benefits, costs, and complexity of innovative health care benefits.

Methods

Ordered logistic regressions are used to estimate associations between employer characteristics and organizational risk taking. The analyses were conducted using SAS procedure GENMOD. Generalized Estimating Equations (GEE) is an appropriate method because it can accommodate a logistic distribution, and samples with repeated observations on health plans (14).

$$Organization\ risk\ taking_f = Structural_f \cdot \alpha + Decision\ group_f \cdot \beta + Innovation\ characteristics_f \cdot \delta + \upsilon_f \quad (1)$$

where *f* denotes employers.

Results

Respondents to the survey were 70% female, 14% minority (African American, Hispanic, Asian), with a median age of 41-50 years old. They had been in their current position for an average of 7.4±6.5 years. Descriptive statistics for the 325 employers provided in Table 1 indicated that the sample included a range of employers with varying structural, health benefit, and need characteristics. The organizations in this study had been in existence, on average, for 75 years with a median of 70 years. The average number of sites with more than 100 employees was nearly 22, but the average was influenced by several outliers as the median was one site and 82% of organizations in the study had 10 sites or fewer with 100 employees.

<Table 1>

Table 2 contains the ordered logistic regression results. Results from two specifications are reported. The first specification includes all variables, while the second specification is limited to variables with significant coefficients. The first specification found that for profit firms report greater organizational risk taking (OR=1.68, CI 1.00-2.82, p=.048), as do firms with more financial resources (OR=1.64, CI 1.14-2.34, p=.007). Firms that perceive greater benefits to innovative health benefits are more likely to report greater organizational risk taking (OR=1.56, CI 1.05-2.33, p=.03).

<Table 2>

The second specification also found that for profit firms report greater organizational risk taking (OR=1.76, CI 1.09-2.87, p=.02), as do firms with more financial resources (OR=1.68, CI 1.19-2.37, p=.003) and firms that perceive greater benefits to innovation (OR=1.53, CI 1.08-2.17, p=.02). In addition, firms tend to report less organizational risk taking when the decision group includes people from the finance department (OR=0.55, CI 0.31-1.00, p=.049).

Discussion

This paper examined firm characteristics associated with organizational risk taking in employee health benefits. The results indicated for profit firms with greater financial resources that perceive greater benefits to innovation are more likely to report greater risk taking.

Overall, the results that achieved statistical significance were consistent with prior research on risk taking in the workplace. In regards to firm characteristics, Aghion (2011) argues that the public sector has greater opportunities for creativity, but that the private sector is actually more likely to be innovative. While the focus of their research was the development of

new knowledge and products, West (2009) found that corporations exhibited greater technology innovation than public sector organizations. Studies of decision-making (Nutt, 2005) report that private sector firms are more willing to undertake risk than public sector firms. A similar process may also hold for human resource benefits. Firms with greater financial resources are more likely to be report greater risk taking. This result is consistent with a wide literature that indicates firms with greater capital are more likely to be innovative (Kearney, 2000; Walker, 2006). The inclusion of finance people in the decision process may be likely to slow risk taking. Finance people are more likely to be focused on the return to investment, and many innovative programs do not have the established track record of providing a positive return on investment. This can be particularly challenging when it comes to benefit decisions since it is difficult to monetize the returns to an investment in worker benefits. It is unclear why we did not observe a relationship between organizational size and support for risk-taking, given previous research linking organizational size and innovation (Damanpour 2010; Walker 2008). Not surprisingly, firms that perceive greater benefits to innovation are more likely to be innovative even when the benefits are not described suggesting that the organizational climate towards risk taking supports positive attitudes towards innovative products.

There are a number of limitations to this analysis. First, our adaptation of the organizational risk taking measure has not been validated by independent research. While we recognize the desirability of measuring organizational support for risk taking from multiple respondents in each company, we are encouraged that previous studies demonstrate that managers and the workers they supervise show good agreement (Carlfjord, 2010). Second, we lack more detailed information on the decision making group (e.g., gender composition, organizational status of members). Third, the cross-sectional nature of the data clearly limits

causal conclusions that can be drawn from the analysis. Fourth, survey responses are subject to a number of biases and misreporting. Finally, while the sample of employers was national in scope, it was not a random sample, limiting the generalizability of the findings.

Conclusion

This paper examined organizational characteristics that are associated with the organizational climate for taking risks in designing employee health benefits. These benefits are often overlooked in research despite being an important part of compensation and linked with employee satisfaction, absenteeism, and productivity. With replication of these results, future work should examine how to increase organizational support for taking risks on employee health benefits whose effectiveness and cost-effectiveness has been demonstrated.

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Table 1
Descriptive statistics

	Mean / %	Std dev
Organizational risk-taking	2.16	0.43
Structural characteristics		
Employees	33.5%	
<500	30.8%	
500-2499	35.7%	
2500+		
For profit (y/n)	55.7%	
Years in business	74.8	47.1
Number of sites	21.9	107.2
Financial resources	2.53	0.71
Decision group		
Finance involved (y/n)	79.5%	
Size of group	6.91	6.22
Decisions made locally (y/n)	6.2%	
Innovation characteristics		
Cost of innovation	2.33	0.65
Complexity of innovation	2.43	0.69
Benefits of innovation	2.70	0.67
Observations	325	

Table 2
Ordered logistic regression results
Dependent variable: Organizational risk taking regarding employee benefits

	OR	95% CI		OR	95% CI	
Structural characteristics						
Employees (ref: 2500+)						
<500	0.708	0.382	1.310			
500-2499	0.901	0.495	1.641			
For profit (y/n)	1.680	1.003	2.815	1.764	1.085	2.866
Years in business	1.001	0.995	1.006			
Number of sites	1.001	0.999	1.003			
Financial resources	1.635	1.144	2.337	1.678	1.190	2.367
Decision group						
Finance involved (y/n)	0.578	0.316	1.060	0.553	0.307	0.997
Size of group	0.993	0.954	1.034			
Decisions made locally (y/n)	1.417	0.496	4.048			
Innovation characteristics						
Cost of innovation	0.955	0.617	1.478			
Complexity of innovation	1.055	0.703	1.582			
Benefits of innovation	1.563	1.050	2.329	1.533	1.082	2.172
Likelihood ratio	27.72		0.006	25.73		<.0001