THE ORGANIZATIONAL DESIGN OF NONPROFITS FOR PEOPLE WITH DISABILITIES

Víctor Martín Pérez vmartin@eco.uva.es **Universidad de Valladolid**
Natalia Martín Cruz ambiela@eco.uva.es **Universidad de Valladolid**

RESUMEN

Utilizando información obtenida de los directivos de 105 pequeñas organizaciones sin fines de lucro españolas que, en el año 2007, se dedicaban a la prestación de servicios a personas con discapacidad, hemos analizado como el diseño organizativo –en concreto, los sistemas de recompensas extrínsecas e intrínsecas- influye sobre la delegación, la motivación y la transferencia de conocimiento a la hora de lograr el objetivo de la organización consistente en mejorar la calidad de vida de las personas que viven con una discapacidad. Los resultados muestran que, debido a la carencia de conocimiento técnico, los directivos de estas entidades no lucrativas (ENL) deben delegar derechos de decisión en empleados cualificados y utilizar en mayor medida recompensas intrínsecas y extrínsecas para motivar a los empleados a que transmitan conocimiento entre ellos eficientemente.

PALABRAS CLAVE: discapacidades, recompensas, conocimiento, entidades no lucrativas, satisfacción.

ABSTRACT

We use data obtained from managers of 105 small nonprofit organizations (NPOs) providing services to people with disabilities in Spain in 2007 to examine how organizational design—particularly, extrinsic and intrinsic reward systems—impacts delegation, motivation, and knowledge transfer to achieve the NPO's goal to improve the lives of persons living with disabilities. We find that, due to lack of technical knowledge, managers of these NPOs must delegate decision rights to qualified employees and that they successfully use a higher degree of intrinsic and extrinsic rewards to motivate employees to transfer knowledge among themselves efficiently.

KEYWORDS: disabilities, rewards, knowledge, nonprofits, satisfaction

1.- INTRODUCTION

Organizational design is not a simple task for any firm, but for small, nonprofit organizations (NPOs) that often lack financial resources, developing an efficient and effective organizational method can be even more daunting. In addition, founders and managers of NPOs that provide services to people with disabilities, who are often parents and family members of someone living with a disability, commonly lack the required technical knowledge of the disability. As a result, they must often delegate these technical decision-making responsibilities to qualified employees who hold sufficient knowledge of the disability (Laursen and Foss, 2003). The manager must also motivate these employees, both extrinsically and intrinsically, to achieve adequate and efficient knowledge transfer to achieve the manager's goal, namely, the NPO's mission to improve the quality of life of people living with a disability (Lee and Antonakis, 2006).

The nonprofit sector has become increasing significant in recent years; people with disabilities have newly founded specialized organizations to meet their needs in more than 100 countries between 1998 and 2008 (Enns, 2008). The majority of NPOs for people with disabilities have been created to improve the quality of life conditions, particularly to find new treatments for rare disabilities (e.g., larynxtomy, multiple sclerosis, Down's syndrome, autism, lupus, fatigue severity, among others) that are not sufficiently supported by the public services. Other objectives include providing a voice for people with disabilities—identifying their needs, expressing their views on priorities, evaluating services, advocating change, and enhancing public awareness. As vehicles of self-development, these organizations also provide people living with disabilities opportunities to develop negotiation skills and organizational abilities, find mutual support, share information, and often discover vocational skills and opportunities (Enns, 2008).

In establishing the delegation–motivation–knowledge transfer process to achieve the agency goals, founders/managers are faced with two critical organizational design choices: (a) How much authority should they delegate to their employees to make the best use of their knowledge (Boeker and Wiltbank, 2005), and (b) which reward systems should they use to motivate their employees to undertake the desired actions while avoiding misuse (Brickley, Smith and Zimmerman, 2004). The assignment of decision-making authority should create an effective link to the desired action, along with the necessary relevant information for good decision making. To motivate employees, managers should consider employees' responsibilities (Horngren, Foster and Datar, 2000) and performance (Sanders, 2001; Indjejikian and Nanda, 2002) so that the organization can provide suitable rewards that properly influence their effort and behavior to the achievement of the organizational mission.

Previous research has shown that rewards systems have a positive effect on employees' knowledge transfer (Quigley, Tesluk, Locke and Bartol, 2007). Considering that the most strategically important resource for organizations is knowledge (Conner and Prahalad, 1996; Kogut and Zander, 1996), for small NPOs serving people with disabilities, where employees have specialized and complementary knowledge (e.g., physicians, nurses, social assistants, physiotherapists, psychiatrists, among others), organizing organizational efforts and behavior around knowledge transfer is critical to achieving the NPOs' mission. In effect, knowledge transfer among the employees of these organizations is the primary method to enable them to work together effectively and, thus, essential to create organizational efficiency (Goh, 2002; Huysman and de Wit, 2004). As a means of maximizing knowledge transfer among the employees, prior research has suggested not only establishing extrinsic reward systems (Collins and Yeager, 1988; Balkin and Gomez-Mejia, 1990; Bushman, Indjejikian and Smith, 1996; Brickley and Van Horn, 2002) but also developing intrinsic rewards that allow employees to visualize their professional development with greater autonomy by developing a strong commitment to the organization through commonly held ideals, inside a pleasant work environment, and in line with their ethical and moral values (Pfeffer, 1998; Hallock, 2002).

Taking into account the effect of the organizational variables (i.e., delegation and extrinsic/intrinsic rewards) on knowledge transfer, organizational design has a significant impact on the efficiency of the organization (Brickley, Smith and Zimmerman, 1995; 2002; 2004). Previous literature has suggested that the effect is directly evaluated: rewards to efficiency (Delaney and Huselid, 1996; Bloom and Milkovich, 1998; Sanders, 2001). However, measuring efficiency in NPOs is particularly challenging because efficiency consists of a portfolio of performance dimensions, and NPOs are commonly characterized by ambiguity, multiplicity, inconsistency, and

incoherence in their goals (Kanter and Summers, 1987). In addition, efficiency of NPOs can be difficult to measure because they tend to produce hard-to-observe outputs (Brickley and Van Horn, 2002), which are often defined as fulfilling a social need rather than meeting financial expectations. Because managers are strongly committed to the philosophy of their NPOs (Hansmann, 1980; Mirvis and Hackett, 1983), their satisfaction regarding the success in achieving the NPO's mission and goals can serve as a proxy for the efficiency of the organization. In effect, the level of efficiency determines the survival of all organizations—NPOs are no exception.[1]

Although the theoretical literature recognizes the importance of delegation on rewards (Jensen and Meckling, 1992; Milgrom and Roberts, 1992; Bushman, Indjejikian and Penno, 2000) and intrinsic and extrinsic rewards on employee knowledge transfer behaviors (Ancona, 1990; Goh, 2002; Lucas and Ogilvie, 2006), there is no significant empirical research evaluating these effects (Lin 2007). In addition, prior research has not adequately addressed the effect of employee knowledge transfer behaviors on manager satisfaction (Curry, Wakefield, Price and Mueller, 1986; Rowden and Conine, 2005).

This study contributes to the organizational design literature by considering the links among delegation, rewards, knowledge transfer, and manager's satisfaction. Specifically, we add to the scant empirical literature by evaluating the effect of delegation of decision-making abilities to specialized employees on the design of the rewards system, the effect of the selected reward system on knowledge transfer among employees, and, finally, the impact on the agency goals as proxied by managers' satisfaction. Moreover, our study contributes to the literature on the economics of organizational design by extending prior empirical studies (Baiman, Larcker and Rajan, 1995; Nagar, 2002; Abernethy, Bouwens and Van Lent, 2004; O'Connor, Deng and Luo, 2006) to include NPOs providing services to people living with disabilities.[2]

The remainder of the paper is organized as follows. First, we present the theoretical framework. Second, we introduce the sample, variables, and method of analysis. Third, we present our results, and, finally, we conclude with a discussion of the findings and the implications for managers of NPOs.

2.- HYPOTHESES

2.1. DELEGATION AND REWARDS IN NPOS FOR PEOPLE WITH DISABILITIES

Prior literature has showed that an organization's performance depends on the collocation of decision-making authority with the knowledge required to make those decisions (Hayek, 1945; Jensen and Meckling, 1992). Decision rights and knowledge can be linked by either transferring the decision rights to the person with the knowledge or by transferring the necessary knowledge to the person who holds the decision rights. Both approaches generate certain costs: The first approach generates control costs, and the second approach generates

[1] The lack of a clear definition of ownership rights is main reason that contributors lose the ability to supervise the performance of internal agents. Thus, it can be argued that contributors do not to exert any control in NPOs (Glaeser, 2003). However, this lack of definition does not mean an absolute disregard for the right to control the assignment of their contributions, to the extent that the absence of residual rights in NPOs does not mean donors assume no residual risk. Donors who assume the residual risk of the assignment of their resources are in a position to come close to the activity of the organization and to demand an active participation. In so doing, they are able to supervise the destination and use of their contributions and even decide whether they will contribute and, if so, when and how much (Andrés-Alonso, Martín-Cruz, and Romero-Merino, 2006). Taken together, the decision system of NPOs presents similar characteristics to that of for-profit firms, with a split between decision making (i.e., initiation and implementation) and the assumption of risks that should lead to the control (ratification and supervision) of decisions (Fama and Jensen 1983a, 1983b). Even more, the nondistribution constraint does not allow NPOs to disburse profits to their constituencies, but rather these benefits must be used within them.

[2] Although previous literature addresses disability at work (Colella, 2001; Stone and Colella, 1996), our interest is quite different as we focus on the organizational design of NPOs that employ specialists who ~~to~~ work to improve the quality of life for people with disabilities.

knowledge transfer costs, which includes the costs of transmitting the knowledge to the person with the decision rights, losses that arise from delays caused by this transmission process, and losses that occur because the decision maker does not understand the knowledge well enough to act on it in a timely manner (Jensen and Meckling, 1992; Christie, Joye and Watts, 2003). When knowledge transfer costs are high—due either to the specialization or the tacit nature of the knowledge—decision rights allocated to lower levels in the organization can help contain costs. By delegating authority, the organization can use the knowledge it requires effectively while avoiding the costs associated with the collection and transmission of this knowledge to the upper levels of the hierarchy (Jensen and Meckling, 1992; Bushman et al., 2000; Christie et al., 2003).

Although delegation of decision rights may reduce the cost of information gathering and transfer, it increases the demand for managerial control because employees empowered through delegation may potentially misuse the authority associated with decision rights. Rewards based on employees´ performance are a way to mitigate this moral hazard problem and to align individual employee interests more closely to those of the organization (Jensen and Meckling, 1992; Nagar, 2002; Christie et al., 2003; O'Connor et al., 2006).

Similar to the business process that occurs in for-profit firms, contributors of resources to NPOs transfer decision rights to the source of the knowledge base, provided that the transfer costs (derived from the design of rewards systems) do not exceed the benefits that arise from granting these rights (Hayek, 1945; Jensen and Meckling, 1992; Christie et al., 2003;). Thus, we posit

H1: *A higher use of delegation will be positively related to the use of rewards*.

Whereas reward systems in the for-profit sector are commonly understood in individualistic and opportunistic terms and are often framed within a distrustful relationship between managers and staff, the assumptions for NPOs are different. First, NPO managers are expect to show more restraint in their desire for profit (Young and Finch, 1977; Hansmann, 1980). Second, many who choose to work in the nonprofit sector engage in labor donations, renouncing to monetary rewards, (Hansmann, 1980; Preston, 1989; Frank, 1996;) and thus understand the limitations of traditional extrinsic rewards. Therefore, they accept and even prefer altruistic and other nonpecuniary benefits to monetary rewards (Rose-Ackerman, 1982; Preston, 1989). As a result, rewards systems in the nonprofit sector, compared with the for-profit sector, are wider in range and giving great importance to intrinsic rewards (Speckbacher, 2003). Thus, when considering NPOs, we must take into account, both extrinsic rewards—which are traditionally considered by organizational literature—and intrinsic rewards.

As noted previously, rewards for NPO employees tend to be more intrinsically based because compensation levels are below market average (Mirvis and Hackett, 1983; Preston, 1989; Weisbrod, 1983; Frank, 1996; Handy and Katz, 1998) and nonprofit employees are more likely to report that their work is more important to them than the money they earn (Mirvis and Hackett, 1983; Handy and Katz, 1998; Leete, 2000). Previous studies have pointed out that workers in NPOs accept lower wages in exchange for a host of other amenities such as flexible hours, more stable job prospects, and a slower paced work environment (Hallock, 2002). Intrinsic rewards build a mutual trust that reinforces the organizational union and the employees' identification with the organization (Young and Finch, 1977; Leete, 2000), so the employees are motivated to use their knowledge to achieve the goals of the organization. Therefore, we expect:

H1a: *A higher use of delegation will be positively related to the use of intrinsic rewards*.

Although adverse selection (i.e., the attempt to screen out uncommitted staff) has traditionally moderated moral hazard issues (Steinberg, 1990; Handy and Katz, 1998), the increasing importance of this sector in modern economies and its role as a major player in the labor market with a growing share of service-sector employment increases the probability that it will attract a growing number of less committed employees, which, in turn, increases the likelihood of moral hazard problems (Handy and Katz, 1998; Preyra and Pink, 2001). To reduce these problems by aligning the interests of these less intrinsically motivated employees with the goals of the organization, extrinsic rewards are needed to encourage them to use their knowledge and skills to the benefit of the organization. Therefore, we expect

H1b: *A higher use of delegation will be positively related to the use of extrinsic rewards*.

2.2.- REWARDS AND KNOWLEDGE TRANSFER IN NPOS FOR PEOPLE WITH DISABILITIES

Quigley et al. (2007) stress the necessity of considering both intrinsic and extrinsic rewards when addressing the issue of knowledge transfer. Although extrinsic incentives play an important role in motivating employees, knowledge transfer is a social exchange process that, in NPOs, commonly extends to include intrinsically held beliefs and ideals (Bock, Zmud, Kim, and Lee, 2005). As we previously argue, most NPO employees desire more from their jobs than simple extrinsic compensation; therefore, managers may also draw on intrinsic rewards to support self-selection and processes of attracting committed employees (Handy and Katz, 1998; Roomkin and Weisbrod, 1999). In addition, NPO employees may be intrinsically motivated to share their knowledge related to their own individual learning processes (Huysman and de Wit, 2004) or because they expect or hope for reciprocity; that is, others will share knowledge that may be useful to them (Hendriks 1999). Tampoe (1996) found that knowledge-transfer workers are more influenced by personal growth, operational autonomy, and task achievement rather than by financial rewards. These strong connections to factors beyond extrinsic rewards show the considerable influence that intrinsic rewards exert over knowledge transfer, thus improving individuals' propensity to share their knowledge with other organizational members and thereby facilitating the learning processes.

Intrinsic rewards are, therefore, a powerful tool to overcome knowledge transfer barriers. Specifically, intrinsic rewards enable the development of informal groups outside formal organizational structures, which allows rapid problem solving, the transfer of improved practices, and the development of professional abilities (Kofman and Senge, 1993). Furthermore, intrinsic rewards promote a working environment that expedites both formal and informal communication, which entails greater transfer and acquisition of knowledge as well as the development of behaviors that strengthen organizational learning (Slater and Narver, 1995). Intrinsic rewards also may increase employees' commitment to the organization because they create a desire for self-improvement as a means to support the organization, bringing about the development of "learn to learn" capabilities. Thus, intrinsic rewards perform two significant roles in the knowledge transfer process: First, they contribute to and promote employee participation in the knowledge transfer process, and, second, they are a natural by-product, generated by process itself (Lucas and Ogilvie, 2006). Therefore, we expect

H2a: *A higher use of intrinsic rewards will be positively related to higher knowledge transfer among employees*.

Extrinsic rewards also stimulate employees to perform valuable tasks for the organization (Prendergast, 1999; Bonner and Sprinkle, 2002); however, organizational literature is not in agreement on the effectiveness of extrinsic rewards on the transfer of knowledge. Although Lucas and Ogilvie (2006) found that prior research on knowledge transfer and extrinsic rewards suggests a significant and positive relation between these variables, they found no such support in their study. Bock et al. (2005) found that extrinsic rewards exert a negative effect on an individual's knowledge-sharing attitudes and that expected organizational rewards do not significantly influence employee attitudes and behavioral intentions regarding knowledge sharing. Osterloh and Frey (2000) reported that the generation and transfer of knowledge are more important for intrinsically motivated employees than for those extrinsically motivated. Conversely, in her quantitative survey, Burgess (2005) found that employees who perceive greater organizational rewards for knowledge sharing spend more hours sharing information beyond their immediate team mates.

In fact, some organizations have designed reward systems specifically aimed at encouraging their employees to share their knowledge with others (Bartol and Srivastava, 2002) because willingness to share usually depends on reciprocity. Accordingly, employees who feel adequately rewarded will develop a stronger commitment to the organization, will remain for extended periods of time, and will create and transfer knowledge among themselves, thus improving their performance. Rewards also play a role in such a knowledge-sharing mechanism in that the perceived fairness of the motivational system assists in the development of trust between an employee and the organization (Bartol and Srivastava, 2002). We anticipate a positive relation between extrinsic rewards and knowledge transfer because employees need to feel that the organization provides them with something concrete and meaningful—something that provides quality of life and not simply membership and recognition. Thus, we posit

H2b: *A higher use of extrinsic rewards will be positively related to higher knowledge transfer among employees*.

2.3.- KNOWLEDGE TRANSFER AND MANAGER'S SATISFACTION IN NPOS FOR PEOPLE WITH DISABILITIES

Finally, we consider the impact of knowledge transfer on the satisfaction of the manager. Although no empirical evidence exists, this relation is particularly important for NPOs serving people with disabilities because manager satisfaction directly impacts manager motivation, which determines, at least in part, the manager's tenure with the organization and, thus, the organization's survival (Hom and Griffeth, 1995). Beginning from the assumption that most individuals are satisfied when they acquire that they want (Lee and Antonakis, 2006), we posit that managers of NPOs serving people with disabilities will get that they want (i.e., be satisfied) when their respective organization achieves its mission (i.e., to improve the life conditions of people living with a disability). The organization's efficiency in achieving its mission is dependent on the behavior and activities of its employees. Siders, George, and Dharwadkar (2001) found that employees' behaviors influence their performance, especially, when performing is related to transfer knowledge. We thus hypothesize

H3: *Higher knowledge transfer among employees will be positively related to the satisfaction of the manager.*

3.- METHOD

3.1.- SETTING AND SAMPLE

We test our hypotheses in a two-stage study using data from 312 NPOs for people with disabilities registered in the disability services database of Junta de Castilla y León (Regional Government of Castilla and León). Castilla y León, a northwest region of Spain, is composed of nine districts. Of Spain's 17 regions, it is one of the most important in terms of both total geographical size (18.70 percent) and total population (about 6 percent). According to the data base, people living with disabilities in Castilla y León region and receiving services from an NPO account for the 6.05 percent of the total regional population and range in age from 16 to 64 years old. The percentage for the total population of Spain is slightly higher (9 percent) and even higher in Europe (14.5 percent). People with disabilities in this region account for 7.8 percent of the total disabled population in Spain. Similarly, NPOs registered to serve people with disabilities in this region total 7.8 percent of the total number of similar NPOs in Spain (4,000 NPOs).

In the first stage, a survey, addressed to the manager, was mailed to the 312 NPOs using contact information obtained from the Junta de Castilla y León. The survey asked for the name of the NPO, type and number of members and employees, and disability or disabilities served. In the second stage, we sent the second survey to the managers who responded to the first survey,[3] in which we asked for organizational variables (delegation, rewards, knowledge transfer, and satisfaction). Anonymity was guaranteed at all stages. This two-stage data collection, which was completed from April to July 2007, yielded 105 completed responses for a overall response rate of 34 percent.

The final sample (N = 105) includes associations (n = 88), foundations (n = 7), and federations (n = 10) that provide assistance to people with disabilities in Castilla y León. These figures are consistent with national figures as, according to data obtained from the Spanish Register of Associations and Foundations, associations and foundations account for 84 percent and 16 percent, respectively, of all NPOs serving people with disabilities in Spain (federations are treated as a separate category). The NPOs in our sample care for the following disabilities: physical (29 percent), intellectual (35 percent), deafness (17 percent), blindness (7 percent), and other disabilities (12 percent). They have, on average, 227 members and 20 employees and have been in existence for 18 years, which is consistent with the average for all NPOs in Spain serving people with disabilities (i.e., average membership, 290; employees, 23; founded, after 1985).

3.2.- VARIABLES

Our measures—level of delegation, rewards, manager's satisfaction, and knowledge transfer—are based on prior empirical research and, when possible, measured with multiple items adapted to NPOs. For the three first variables, we use a composite latent variable model (formative) as we measure different elements that are additive to the variable, the direction of causality is from measure to construct, and there is no reason to expect that the measures are correlated. For the fourth variable, we use a principal factor model (reflective) because the direction of causality is from the construct to the measures, which are expected to be correlated (Jarvis, Mackenzie and Podsakoff, 2003).

[3] A pretest of the second survey was completed in another NPO setting (i.e., the international cooperation sector).

First, we measure the extent of delegation (DEL) using a version of the Gordon and Narayanan (1984) and O'Connor et al. (2006) instruments adapted to NPOs for people with disabilities. We capture the authority of the employees on a range of four key decisions (identifying potential activities for users assistance and/or social insertion, implementing new assistance and/or social insertion projects, implementing new assistance and/or social insertion projects, evaluating the impact of the developed activitites and making proposals for improvement) along a Likert-type scale of 1 (*No authority, superior has all the influence*) to 5 (*Absolute authority, employee has all the influence*).

Second, we measure extrinsic rewards (EREW) using five items based on prior empirical studies: labor stability and continuity (Delaney and Huselid, 1996), training opportunitites offered by the organanization (Gomez-Mejia, Balkin and Cardy, 2004), travel reimbursements and expenses account (Collins and Yeager, 1988; Balkin and Gomez-Mejia, 1990), flexibility to establish total/partially the work schedule (Collins and Yeager, 1988), and fixed salary increases (Balkin and Gomez-Mejia, 1990; Bushman et al., 1996; Brickley and Van Horn, 2002) measured along a Likert-type scale of 1 (*incentive is not important to motivate employees*) to 5 (*incentive is very important to motivate employees*).

Third, intrinsic rewards (IREW) are measured using five items using a Likert-type scale of 1 (*incentive is not important to motivate employees*) to 5 (*incentive is very important to motivate the employees*): self-confidence and self-fulfilment (Oliver and Anderson, 1994; Challagalla and Shervani, 1996), the feeling of working in a ethical organization (Hallock, 2002), the feeling of working in an organization that favors cooperative and friendship relationships and mutual respect (Pfeffer, 1998), the feeling of working for a fair organization (Robinson 1996; Tyler 2003), and the involvement and sense of belonging (Leete, 2000).

Fourth, we measure manager satisfaction (SAT). Satisfaction has been most often assessed using ad hoc measures (Smith, Kendall and Hulin, 1969) such as asking, "Considering everything, how satisfied are you with your job?" Typically, measures of job satisfaction consist of 11 items and are scored on 5-point Likert-type scales. Other empirical studies that measure job satisfaction use scales adapted from Allen, Shore, and Griffeth (2003), Quinn and Shepard (1974) or the Job Satisfaction Survey (Spector, 1997). Based on those instruments, we employ a three-item scale (see the Appendix) to assess manager's satisfaction in the NPO serving people with disabilities, using a Likert-type scale of 1 (*do not agree at all*) to 5 (*completely agree*): "I am satisfied with the compensation, training, promotion, and so on."; "I am satisfied with my sense of belonging (i.e., you feel as a part of the organization, are involved in it, are loyal to the organization)"; and "I am satisfied with the enjoyment I receive from my participation in the organization".

Finally, with regard to knowledge transfer (KTRS), we use an adapted version of the Zárraga and Bonache (2003), Bock et al. (2005), and Ko, Kirsch, and King (2005) instruments, which include questions asking whether managers and employees (a) actively share ideas and opinions; (b) actively share knowledge and experiences; (c) keep in frequent contacts; and (d) whether managers share documents, procedures, information with the employees. For each of these items, we use a Likert-type scale from 1 (*none*) to 5 (*much*).

3.3.- METHOD OF ANALYSIS

We employ a partial least squares (PLS) approach to test the research hypotheses. In PLS, measurement and structural parameters are estimated via an iterative procedure that combines simple and multiple regression by ordinary least squares, thus avoiding any distributional assumption of the observed variables (Rodriguez Pinto,

Rodriguez Escudero, and Gutierrez Cillan, 2008). Moreover, due to the partial nature of this methodology, in which the model parameters are estimated in blocks, the sample size required in PLS is much smaller. Our model includes latent constructs measured with reflective indicators and formative variables. We estimate our model using SmartPLS 2.00 M3 (Ringle, Wende, and Will, 2005). Because traditional parametric tests are inappropriate when no assumption is made about the distribution of the observed variables, the level of statistical significance of the coefficients of both the measurement and the structural models is determined through a bootstrap resampling procedure (500 subsamples were randomly generated). Structural evaluation is conducted by examining the size and significance of the path coefficients and the R^2 values of the dependent variables.

3.4.- RESULTS

Following the two-step approach suggested by Anderson and Gerbing (1988), before testing and assessing the structural model, we analyze the reliability of the individual reflective items for the variables knowledge transfer and the corresponding construct, as well as the convergent validity and discriminant validity of our measures (Rodriguez Pinto et al., 2008). The reflective item loadings for knowledge transfer are significant and greater than 0.6. We evaluate composite reliability using the internal consistency measure (ρc) developed by Fornel and Larcker (1981) and the average variance extracted of each latent construct. All reflective constructs exceed the conditions of ρc greater than 0.7 and average variance extracted greater than 0.5.

Discriminant validity can be obtained by calculating the cross-loadings. We verify that each reflective item loads more on the construct it intends to measure than on any other construct and that each latent variables relates more to its own manifest variables than to the indicators of other constructs. For emergent constructs (i.e., delegation, intrinsic and extrinsic rewards, satisfaction), weights rather than loadings are calculated. Item weight represents the variable's relative contribution in the formation of the corresponding construct. It is neither assumed nor required that formative indicators are correlated; therefore, traditional measures of internal consistency and validity assessment are inappropriate and illogical (Rodriguez Pinto et al., 2008). Finally, we present the correlations of the latent variables in Table 1.

Table 1. Latent Variables Correlations

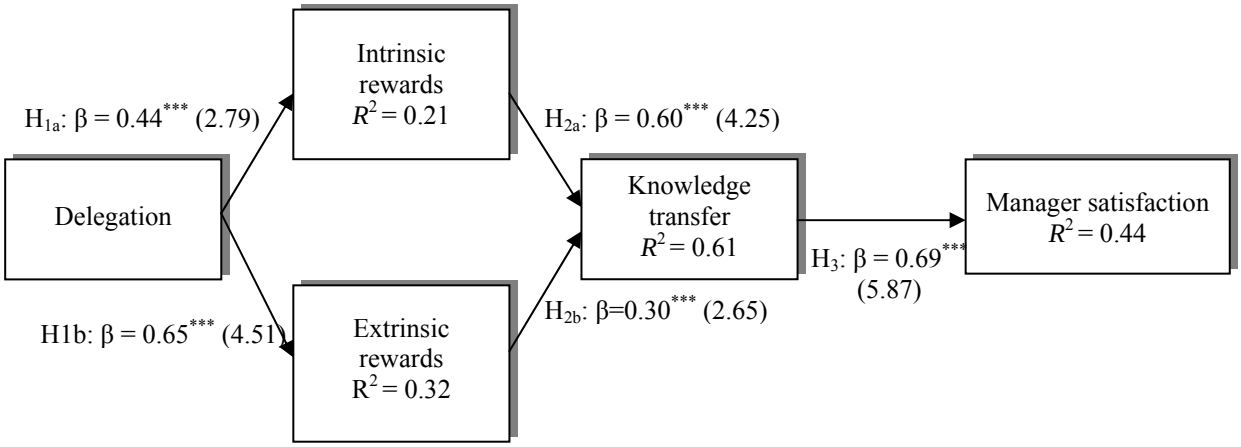
	DEL	EREW	IREW	SAT	KTRS
DEL	1.0000	0.0000	0.0000	0.0000	0.0000
EREW	0.5658	1.0000	0.0000	0.0000	0.0000
IREW	0.4622	0.4544	1.0000	0.0000	0.0000
SAT	0.4401	0.5574	0.7238	1.0000	0.0000
KTRS	0.6887	0.6029	0.7169	0.6682	1.0000

Figure 1 summarizes the results of the PLS analysis performed to test the structural model. In particular, the standardized coefficients (β), the significance level (*t* statistic), and the value of the R^2 of the dependent value are shown. The results are consistent with all our hypotheses. In fact, delegation has a significant effect both on intrinsic rewards (*H1a*: $\beta = 0.44$, $p < 0.001$) and extrinsic rewards (*H1b*: $\beta = 0.65$, $p < 0.001$). When employees are extrinsically and intrinsically motivated, they are willing to contribute their knowledge to other employees. Moreover, the more motivated (intrinsically and extrinsically) employees are, the more knowledge is transferred

between managers and employees (*H2a*: β = 0.60, $p < 0.001$; *H2b*: β = 0.32, $p < 0.001$). Finally, the results show that manager satisfaction is dependent on knowledge transfer (*H3*: β = 0.69, $p < 0.001$).

Thus, our model provides an acceptable capacity to explain how manager satisfaction is achieved by balancing rewards and knowledge transfer (see the R^2 values of these variables in Figure 1). Moreover, the indirect effect of delegation (β = 0.32, $p < 0.001$), intrinsic rewards (β = 0.42, $p < 0.001$), and extrinsic rewards (β = 0.21, $p < 0.001$) on manager's satisfaction is positive and significant.

Figure 1. Structural Model Results



Note: *t* statistics values appear in parentheses. *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$ (based on a one-tailed test).

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4.- CONCLUSIONS AND PRACTICAL IMPLICATIONS

Knowledge transfer among employees is very important in the team-based activities employed in the ongoing care of people living with disabilities. In particular, physiotherapists, psychologists, social assistants, physicians, nurses, and other technical-based staff have specialized knowledge and, therefore, need to work together and in a coordinated fashion with their clients. In addition, the disability service sector is becoming increasing significant; in the last 10 years organizations of people with disabilities have sprung up in more than 100 countries (Enns, 2008). In Spain, both the Disabled People Social Integration Law of 1982 and the Nondiscrimination, Equal Opportunities and Accessibility for Disabled People of 2003 have generated institutional endowments that has favored the creation of numerous small NPOs serving this sector. Taking into account that those organizations receive public funds, authorities have concerns about the achievement of their mission.

We argue that managers of these small organizations that care for people with disabilities need to delegate to professionals with specialized knowledge. Our analysis focuses on the internal organization of these NPOs to identify the manner in which managers facilitate knowledge transfer among employees when it is necessary to delegate decision rights by their use of both intrinsic and extrinsic reward mechanisms. We also measure

manager satisfaction, which serves as a proxy for efficiency, to evaluate the impact of internal organization on manager retention, taking into account that satisfaction is an important indicator of retention, which, in turn, is positively correlated to NPO survival (Allen et al., 2003).

Our results provide empirical support for the value of small NPOs serving people with disabilities due to their internal efficiency at improving life conditions for their clients. Moreover, we consider relevant the creation of new, similar NPOs with highly motivated people as managers and staff. However, we recommend that NPOs that lack resources should create platforms for inter-NPO exchange of knowledge, the search for funds, or other such supportive activities. Our study also suggests that even though NPOs' managers have considerable problems achieving their organizational mission, they are able to improve the quality of life of people with disabilities by successfully motivating their employees. Thus, the role of the managers of NPOs is particularly crucial in this sector because they play an important role as social entrepreneurs even though their task is often quite difficult due to the lack of resources and, consequently, a limited extrinsically based reward system. Therefore, to improve employee performance and, consequently, managers' satisfaction so that they continue to function as social entrepreneurs, we consider it vitally important to keep motivation levels high.

5.- LIMITATIONS AND FUTURE RESEARCH

The present study has its limitations. First, our sample is representative of Spanish NPOs; however, we must be cautious when drawing conclusions to other countries due to differences in NPO structure and composition, especially as it relates to institutional endowments. Second, the data were gathered a single person (i.e., the manager) at each NPO. To expand the findings, futures studies could include questions for other employees of the NPO. Finally, even though PLS is a well-suited methodology for the purposes of this study, future research could extend our empirical model by using other methodologies as the structural equations model and correlate the intrinsic and extrinsic rewards.

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