Intrinsic, Extrinsic Rewards and Job Satisfaction: Role of Job Performance and Creative Performance

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Abstract
Despite the importance of motivation and job satisfaction, scholars have yet to identify how different types of motivation relate to job satisfaction. Building on self-determination theory, this study explores the relationship between intrinsic and extrinsic rewards, job performance, creative performance, and job satisfaction. This study proposes job performance and creative performance as potential mediators through which intrinsic and extrinsic rewards relate to job satisfaction. Data collected from 166 employees in India were used to test the hypothesis. To accomplish this objective, a questionnaire was distributed, and these relationships were tested through Structured Equation Modeling using SPSS software. This study revealed that intrinsic and extrinsic rewards positively influence job performance. In contrast, only intrinsic rewards positively influence creative performance, and extrinsic rewards do not have a significant influence on creative performance. The relationship between job performance and job satisfaction is statistically significant, and the relationship between creative performance and job satisfaction is statistically significant. This paper expands the external validity of previous research results of Western samples by finding the positive influence of intrinsic, extrinsic rewards indirect effects on job satisfaction.

Keywords
Intrinsic rewards, Extrinsic rewards, Job performance, Creative performance, Job satisfaction

1. Introduction
The 20th annual U.S. “Employee Benefit Trends Study” by Metlife finds that job satisfaction among U.S. workers has reached a 20-year low (Mseka 2022). The satisfaction of employees determines how businesses perform. Christen, Iyer, and Soberman (2006) state that the following factors, i.e., job performance, job-related factors, role perceptions, and firm performance, determine job satisfaction. When employees are committed to their organization and satisfied with their jobs, it may reduce the cost of absenteeism, employee turnover, and low productivity (Cherif 2020; Mizanur et al. 2012).

Employees with higher wages, job security, and better working conditions experience greater job satisfaction. Satisfied employees are less likely to leave an organization, resulting in low turnover. Hence, job satisfaction is a significant concept in the workplace because it affects employee turnover (Javed 2014). Job satisfaction is positively correlated with the loyalty of employees toward their company (Martensen and Gronholdt 2001). When employees are rewarded, it leads to motivation and job satisfaction, which, eventually, positively affects overall performance (Bayat 2013). Personal characteristics such as age, gender, income, education, and experience predicted the job satisfaction of IT managers (Okpara 2004).
The happy-productive worker hypothesis states that happier workers are found to be more productive (Zelenski et al. 2008). A meta-analysis conducted by Faragher et al. (2005) discovered that job satisfaction plays an important role in affecting workers’ health. A study by Bowling et al. (2011) revealed that job satisfaction has a positive effect on different aspects of subjective well-being, such as happiness, life satisfaction, and positive affect. Job satisfaction has a positive correlation with job performance. Employees with higher levels of job satisfaction tend to perform better than their counterparts with comparatively lower levels of job satisfaction (Judge et al. 2001).

When employees are dissatisfied with their jobs, it may lead to lower profits, higher costs, and, in due course, customers who are not happy with the organization (Zeffane 2008). Taking into consideration the other negative after-effects of job dissatisfaction such as more stress (Fairbrother & Warn 2003), increased absenteeism (Böckerman & Ilmakunnas 2008), and higher turnover rates (Rue & Byars 2005), it is evident that job satisfaction is crucial for employees as well as organizations.

Given the significance of job satisfaction, the study of the antecedents of job satisfaction such as rewards and job performance may provide important insights. Extrinsic rewards such as pay affect job satisfaction (Lydon & Chevalier, 2002). In a study on research and development employees and their supervisors in Fortune 500 companies, it was found that intrinsic motivation can be more strongly predicted by non-monetary rewards (Markova & Ford 2011). On the contrary, many studies have shown that when monetary rewards are offered to employees, they experience a higher level of motivation to perform (Manolopoulos 2008). Extrinsic rewards such as non-monetary rewards hint at employees being controlled. Non-monetary rewards like recognition indicate appreciation (James 2005). Rewards given for novel performance increase creativity and intrinsic motivation (Eisenberger & Shanock 2003). Previous research has provided evidence that performance-contingent rewards weaken intrinsic motivation (Selart et al. 2008).

A study on employees working in real estate agencies in Portugal revealed that satisfaction with extrinsic rewards has a stronger effect on job satisfaction as compared to satisfaction with intrinsic rewards (Mosquera et al. 2020). Intrinsic motivation is positively related to the job and pay satisfactions, and extrinsic motivation is not related to pay satisfaction and is negatively related to job satisfaction (Stringer et al. 2011). Intrinsic and extrinsic motivation have been studied extensively (Ryan and Deci 2000). Intrinsic motivation and extrinsic rewards are used in the workplace to enhance job performance (Cerasoli et al. 2014). Various empirical studies have been conducted to investigate the relationship between intrinsic and extrinsic motivation and job satisfaction (Standage et al. 2005; Omar et al. 2021).

These studies have consistently discovered that intrinsic and extrinsic rewards exhibit a positive correlation with job performance (Cerasoli et al. 2014; Aselage & Eisenberger 2009). Despite this, the effect of intrinsic and extrinsic rewards on job satisfaction with the mediating effect of job performance and creative performance has yet to be researched. Although the relationship between rewards, job performance, and satisfaction has been studied in detail, insufficient attention has been paid to the effect of creative performance on job satisfaction. The impact of creative performance needs to be explored further. This study sets out to investigate the influence of intrinsic and extrinsic rewards on job satisfaction and the mediating role of job performance and creative performance in this relationship.

2. Theoretical development

Self Determination Theory is a socio-psychological theory that has contributed significantly to motivational research. SDT has posited that individuals have three basic psychological needs, i.e., autonomy, relatedness, and competence. The desire for autonomy relates to having a say in one’s actions and feeling in control. Relatedness concerns creating a sense of affinity and mutual connection. Competence involves accomplishing the desired outcomes and attaining proficiency (Deci & Ryan 2000).

According to the theory of self-determination, an individual experiences the feeling of self-determination when he/she acts autonomously, performs effectively, and feels connected to other individuals. SDT interprets motivation as varying between low motivation and intrinsic motivation, with higher motivation being linked with more self-determination. It provides a diverse set of recommendations that can be used to better understand how external rewards such as compensation systems and internal rewards such as recognition affect performance and satisfaction. SDT is a broad theory that includes four mini-theories: Organismic Integration Theory, Cognitive Evaluation Theory, Basic Needs Theory, and Causality Orientations Theory. Out of these, we will use CET and Basic Needs Theory to explain the hypothesized relationships.
The Cognitive Evaluation Theory posits that when rewards are perceived as controlling or diminishing autonomy, they may harm intrinsic motivation, but when rewards are perceived as offering information and thereby fulfilling the want for competence, they may positively influence intrinsic motivation (Ryan and Deci 2000; Sheldon et al. 2003). Using this viewpoint, the concept of intrinsic motivation can be understood through the individual’s cognitive evaluation of rewards. The impact of the reward depends on how the individual experiences it and whether it satisfies the psychological needs. Individuals who possess an internal locus of control do not view extrinsic rewards as controlling and accept them as an opportunity to showcase their competence. This is as per CET (Gagne & Deci 2005).

When employees with an internal locus of control perform effectively, they give credit for their success to their efforts and skills. Employees who exhibit creativity in their work will feel happy and satisfied after rendering their performance. The link between job and creative performance and job satisfaction can be understood through the Basic Needs Theory since employees’ basic psychological need for competence is fulfilled (Malik et al. 2014; Sheldon et al. 2003) (Figure 1).

2.1 Literature Review

Intrinsic rewards and job performance

Cerasoli et al. (2014) conducted a meta-analysis and found that performance was positively influenced by intrinsic motivation. According to Gagne’ and Deci (2005), a conducive work environment fulfills the essential psychological needs such as competence, relatedness, and autonomy hypothesized by Self Determination Theory (Deci & Ryan 1985). Such a supportive work climate has an impact on the intrinsic motivation of employees. According to studies, autonomy-supportive styles of interaction improve intrinsic motivation (Tremblay et al. 2009).

This relationship can be explained through Self Determination Theory (Deci & Ryan 1985; Ryan & Deci 2000). According to Self Determination Theory, individual differences and social contexts affect the satisfaction of intrinsic needs in people and hence, their motivation and performance (Baard et al. 2004). The model proposed by Baard et al. (2004) postulates that job performance is influenced by the satisfaction of employees’ intrinsic needs for autonomy, competence, and relatedness. It was found that intrinsic motivation is associated with a positive influence on performance (Kuvaas et al. 2017; Manzoor et al. 2021). Hence,  

H1: Intrinsic rewards positively affect job performance

Intrinsic rewards and creative performance
A study by Yoon et al. (2015) revealed that the positive effect of intrinsic rewards on the creative performance of employees is quite significant. Intrinsic rewards satisfy self-determination theory’s concept of fundamental psychological needs (Vansteenkiste et al. 2006). Hence, intrinsic rewards have a long-term effect on the motivation of employees, leading to constant task-related efforts (Aletraris 2010). Intrinsic rewards foster persistence and information processing. Hence, employees are motivated to work hard and deliver superior performance when they receive intrinsic rewards (Yoon et al. 2015; Vansteenkiste et al. 2006).

The study by Eisenberger (2003) has also supported the effect of rewards on employees’ creative performance. Intrinsic rewards show a stable positive impact on creative performance, according to a study conducted by Malik et al. (2018). According to Self Determination Theory (Ryan & Deci 2000), the individuals are driven to be involved in a task when they have faith that their hard work will result in constructive environmental changes and will improve performance (Muzafary & Mdletshe 2019). Hence,

**H2: Intrinsic rewards positively affect creative performance**

Extrinsic rewards and job performance

Weirsma (1992) discovered that there is a positive influence of extrinsic rewards on performance (Gerhart & Fang 2015). Extrinsic factors such as promotion and pay play a central role in employee performance (Locke & Latham 1990). Incentives are offered based on the assumption that when promised incentives, individuals will engage in more effort to perform desirable behaviors (Greene 2011).

In the workplace, incentive plans are used to promote improved performance (Aselage & Eisenberger 2009; Bartol & Durham 2000). Studies found that such stimuli have a positive influence on performance (Fay & Thompson 2001). Two studies have discovered that higher levels of performance and provision of financial incentives are significantly related (Condly et al. 2003; Cerasoli et al. 2014). Extrinsic rewards received by workers in an organization have a substantial impact on their performance (Ajila & Abiola 2004). This can be explained through equity theory which suggests that workers can perform better when remuneration is fair (Adams 1965). Hence,

**H3: Extrinsic rewards positively affect job performance**

Extrinsic rewards and creative performance

The construct relating to when an activity is accomplished to attain an outcome apart from the activity itself is known as extrinsic motivation (Deci & Ryan, 2000). Extrinsic rewards are the rewards that generate extrinsic motivation in individuals. They consist of financial incentives, for example, bonus, incentive pay, and non-financial incentives, for example, appreciation, respect, improved career outlook, and promotion opportunities. According to the expectancy theory (Vroom,1964), certain factors lead to high motivation to execute a task, i.e., Expectancy or the conviction that increased effort results in improved performance and Valence or the worth allocated by individuals to certain rewards. The expectancy theory also states that when individuals are confident that their endeavors will enhance performance, they become inspired to participate in accomplishing a task. Hence, in the presence of extrinsic rewards that are contingent on creativity, these individuals are extremely driven to perform creatively and are self-assured about the outcomes of their actions (Malik et al. 2014). Extrinsic rewards may have a positive influence on creativity (Hennessey & Amabile 2010; Zhou & However 2014). Hence,

**H4: Extrinsic rewards positively affect creative performance**

Job Performance and Job Satisfaction

According to the meta-analysis conducted by Judge et al. (2001), there is a positive correlation between job performance and job satisfaction because performance at the workplace has an impact on self-esteem, which determines job satisfaction. A positive, medium and significant relationship exists between job performance and job satisfaction (Katebi et al. 2022). Individual performance is relevant for individuals as well as organizations. High levels of performance lead to increased feelings of self-efficacy and satisfaction (Sonnettag et al. 2008). There exists a positive correlation between job performance and job satisfaction (Pugno and Depedri 2010; Kwak et al. 2019).

According to the psychological success model proposed by Hall (1976), higher levels of performance lead to feelings of psychological success which result in work satisfaction. When employees perform efficiently, they feel enthused and experience positive sentiments associated with achievement. This leads to employees feeling gratified with their jobs. Hence,
H5: Job performance positively affects job satisfaction

Creative Performance and Job Satisfaction

Few studies have examined the relationship between creative performance and job satisfaction. According to a study by Demirkan and Yekanialibeiglou (2018), there is a positive and moderate association between employees' creative performance and job satisfaction. Studies have shown that creative performance has a significant and positive impact on job satisfaction (Tongchaiprasita and Ariyabuddhiphongs 2016). Employees' job satisfaction increases when their job permits creative performance. This is based on the job enrichment model and the intrinsic motivation theory. The intrinsic motivation theory suggests that people must be effective and competent so that they can feel good. According to job enrichment models, workers are more likely to feel inspired and fulfilled by professions that need a diverse set of abilities (Wang and Netemeyer 2014).

Employees who have demonstrated creativity in their work will be happy and satisfied after performing. According to Self Determination Theory (Ryan and Deci 2002), the need for competence causes people to try to attain mastery in their work so that they can experience positive outcomes in terms of well-being and satisfaction. Studies that have examined the reciprocal relationship revealed that job satisfaction also influences creative performance (Spanjol et al. 2015). Hence,

H6: Creative performance positively affects job satisfaction

3. Methods

Data were collected from 166 employees in India to test the hypothesis. A questionnaire was distributed, and the hypothesized relationships were tested through Structured Equation Modeling using SPSS Amos software.

Measures

All measures are taken from existing literature.

Intrinsic rewards. Items were scored on a five-point Likert-type scale ranging from 1 (Not at all important) to 5 (Most important) using a scale from Twenge et al. (2010).

Extrinsic rewards. Items were scored on a five-point Likert-type scale ranging from 1 (Not at all important) to 5 (Extremely important) using a scale from Twenge et al. (2010).

Job performance and Creative performance. Items were scored on a five-point Likert-type scale ranging from 1 (Highly dissatisfied) to 5 (Highly satisfied) using a scale from Welbourne et al. (1998).

Job satisfaction. Items were scored on a five-point Likert-type scale ranging from 1 (Strongly disagree) to 5 (Strongly agree).

4. Results and data analysis

Descriptive statistics and correlations were calculated with IBM SPSS Statistic 20. In order to test the mediating effect of job performance and creative performance in the relationship between rewards and job satisfaction, we used structural equation modelling (SEM) with AMOS.

4.1 Descriptive statistics

Table 1 presents the descriptive statistics for the measured constructs and the correlation table. The construct of intrinsic rewards shows positive correlations with job performance and creative performance. The construct of extrinsic rewards shows positive correlations with job performance (Table 1).
Table 1. Means, standard deviations and correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>3.876</td>
<td>0.766</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job performance</td>
<td>3.893</td>
<td>0.742</td>
<td>.379**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creative performance</td>
<td>3.834</td>
<td>0.798</td>
<td>.366**</td>
<td>.623**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrinsic rewards</td>
<td>3.769</td>
<td>0.849</td>
<td>.243**</td>
<td>.566**</td>
<td>.465**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extrinsic rewards</td>
<td>3.509</td>
<td>0.923</td>
<td>.197*</td>
<td>.493**</td>
<td>.337**</td>
<td>.565**</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 2 summarizes all the model fit indexes. The table confirms that the model fit indexes of measurement model (CMIN/DF=1.877, p ≤ 0.001; CFI=0.906, GFI = 0.812, SRMR = 0.0722, RMSEA = 0.073) justify that further examination of structural model is needed (Figure 2).

Table 2. Summary of model fit indexes

<table>
<thead>
<tr>
<th>Model test</th>
<th>CMIN</th>
<th>Df</th>
<th>CMIN/ Df</th>
<th>SRMR</th>
<th>CFI</th>
<th>GFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement model</td>
<td>489.940</td>
<td>261</td>
<td>1.877</td>
<td>0.0722</td>
<td>0.906</td>
<td>0.812</td>
<td>0.073</td>
</tr>
<tr>
<td>Hypothesized model</td>
<td>530.531</td>
<td>264</td>
<td>2.009</td>
<td>0.0779</td>
<td>0.891</td>
<td>0.800</td>
<td>0.078</td>
</tr>
</tbody>
</table>

Structural model

[Diagram: Fig.2 SEM model with results]
Hypothesis testing results

The results show that intrinsic rewards have a positive effect on job performance ($\beta=0.504$, $p<0.001$) and there is a significant relationship between intrinsic rewards and creative performance ($\beta=0.497$, $p<0.01$). Hence, hypothesis 1 and hypothesis 2 are supported. Additionally, extrinsic rewards have a positive effect on job performance ($\beta=0.270$, $p<0.01$) and extrinsic rewards are not significantly related to creative performance ($\beta=0.081$). Thus, hypothesis 3 is supported and hypothesis 4 is not supported. Finally, there is a significant relationship between job performance and job satisfaction ($\beta=0.312$, $p<0.01$), and creative performance is significantly related to job satisfaction ($\beta=0.235$, $p<0.05$). Hence, hypothesis 5 is supported and hypothesis 6 is supported.

5. Conclusion

Our results suggest that both intrinsic and extrinsic rewards increase job performance. This idea is supported by the results of various studies (Cerasoli et al. 2014; Eisenberger & Aselage 2009), which showed a positive relationship between intrinsic and extrinsic rewards and job performance. Most previous studies have examined the effect of intrinsic rewards (Manzoor et al. 2021) and extrinsic rewards (Bartol & Durham 2000) separately. This study examines the joint effect of intrinsic and extrinsic rewards on job satisfaction via job performance and creative performance.

The findings of this study also show that intrinsic rewards positively influence creative performance whereas extrinsic rewards do not have any influence on creative performance. The reason extrinsic rewards do not affect creative performance may be that the effect of extrinsic rewards may be dependent on personal qualities such as learning orientation and perceived value of rewards, and organizational factors like innovative climate. When employees are offered extrinsic rewards for creative performance when the task itself is not intrinsically rewarding, it may not result in creative performance (Choi et al. 2015).

Lastly, the results show that job performance and creative performance have a positive influence on job satisfaction. This paper contributes to the research on the effect of rewards on job satisfaction by examining the combined effect of intrinsic and extrinsic rewards on job satisfaction through the mediating effect of job performance and creative performance.

References


Biographies
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