The Effectiveness of Intrinsic and Extrinsic Motivations: A Study of Malaysian Amway Company’s Direct Sales Forces

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Thiam Kah Seng⁴

Abstract
This research utilizes the survey questionnaire data collected in May/June 2010 from 200 Amway Company’s direct sales forces in Klang Valley areas (Malaysia) to analyze the effectiveness of intrinsic and extrinsic motivation in influencing job satisfaction. The research will be analyzed using the well-established correlation analysis, regression analysis, independent sample t-test, and one-way ANOVA. There are four major findings. First, there is a relationship between intrinsic and extrinsic motivations with job satisfaction. According to the correlation value, intrinsic motivation compared to extrinsic motivation tends to contribute more in job satisfaction. Second, there are significant and positive relationship between intrinsic and extrinsic motivations and job satisfaction. Both of the intrinsic and extrinsic motivation is identified as the predictor for job satisfaction. In other words, they are both significantly contribute in better job satisfaction. Third, there is no difference between gender and intrinsic and extrinsic motivations. Hence, gender is not a factor that affects both of the intrinsic and extrinsic motivations. Lastly, the result indicates that there is a difference between age and intrinsic and extrinsic motivations. Therefore, age is the factor that influences on both intrinsic and extrinsic motivations. Last but not least, the results have demonstrated the effectiveness of intrinsic and extrinsic motivations in influencing job satisfaction among the Amway Company’s direct sales forces, as well as establishing appropriate intrinsic motivations may promote higher job satisfaction.

Key words: intrinsic motivation, extrinsic motivation, job satisfaction, job flexibility

1. Introduction

Both extrinsic and intrinsic rewards motivate us to join and continue contributing to organizational promotion. One size does not fit all and also each individual has its own personal needs and preferences for rewards. This research is conducted to revisit the work of Herzberg on intrinsic and extrinsic motivation and to consider its validity and effectiveness when applied to the direct selling industrial institution. Low motivation in job will lead to low performance, decrease in job satisfaction, and increase in employee turnover and absenteeism. The excessive job dissatisfaction will affect significantly on the overall performance of the direct selling companies. High job dissatisfaction will frequently associated with higher level of complaints and work grievances, even with high employee turnover rate. According to the data collected in Hewitt’s 2007 Total Compensation Management survey, the average Malaysian employee turnover rate is 18% (Hewitt, 2009). Turnover among Generation X (year 1966 to 1976) and Y (year 1977 to 1994) employees tends to be the highest, as company loyalty among the younger generations is weak and apparently eroding (Hewitt, 2009).

Turnover is referred as an individual’s estimated probability that they will stay an employing organization (Cotton and Tuttle, 1986). Meanwhile Tett and Meyer (1993) defined turnover intentions as conscious willfulness to seek for other alternatives in other organizations. The high employee turnover rate may lead to higher employee turnover costs. Chartered Institute of Personnel and Development (2009) has introduced some major categories of turnover costs such as administration costs of the resignation, recruitment costs, selection costs, costs of vacancy, and training costs.

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Akintoye (2000) asserts that money remains the most significant motivational strategy. Although there is some school of thought that claims payment is not a direct determinant of job satisfaction, but pay does extrinsically motivate the employees from the economic perspective. However, in Amway, pay for performance systems may lead to greater productivity but lower job satisfaction (Schwab, 1974).

Additionally, working environments can also be a contributor to employee turnover (Buzzle, 2010). An appropriate environment is important in influencing the employees to contribute good performance. The employees will prefer to work in an environment which is suitable for them. Retirement of experienced employee is also a cause of the turnover (Enotes, 2010). The company may incur high turnover costs and significant loss in productivity. Furthermore, work stress experienced can also create turnover (Softworks, 2008). Work stress may causes employees become less motivated and committed, which may result in lower quality performance and productivity.

There are several motivation and retention tools that can be taken to overcome the employee turnover rate and employee job dissatisfaction. Empowerment is one of the most important motivation tools taken by all companies. Madura (2007) contended that empowerment is giving the employees more responsibility and decision-making authority to carry out their given tasks. It can intrinsically motivate the employees to contribute creative and innovative ideas for selling the company products or services. Furthermore, job flexibility is also an effective motivator to motivate the employees. Many organizations today find that flexibility in job design and reward has resulted in employees’ increased longevity with the company, increased productivity, and better morale (Reference for business, 2009).

In addition, mentoring or coaching is also a useful tool to motivate the employees in their company. Mentoring or coaching is a developmentally oriented relationship between senior and junior colleagues or peers that involves advising, role modeling, sharing contacts, and giving general support (Gomez-Mejia, Balkin, and Cardy 2007, p. 282). Moreover, the monetary incentives are also known as powerful motivators in most companies. Taylor (1911) advocated that the establishment of incentive wage systems as a means of stimulating workers to higher performance, commitment, and eventually satisfaction. The monetary incentives are an effective motivator for frontline staffs to generate higher quality, productivity, and profitability.

Furthermore, Kinicki and Williams (2008) stated that pay for performance is one of the popular monetary incentives, also known as merit pay. It pays based on the performance or results. Different salaried employees might get different pay raises and other rewards (such as promotions) depending on their overall job performance (Pfeffer 2006, p. 80). Bonuses or profit sharing also are one of the monetary incentives that can be used to motivate the employees. Bonuses are cash awards given to employees who had achieved specific performance objectives (Kinicki and Williams 2008, p. 405).

Furthermore, job enrichment is another effective tool that can be taken to overcome the employee turnover and job dissatisfaction. Job enrichment refers to the vertical expansion of jobs which increases the degree to which the worker controls the planning, execution, and evaluation of the work (Robbins and Judge 2009, p. 254). Job security is also an effective motivator for the employees in different industries. Security is includes safety and protection from physical and emotional harm (Maslow, 1954). Most of the employees are likely looking for a more secure and stable employment.

2. Literature Review

2.1 Job satisfaction

According to Brookfield (1998), individuals with high levels of job satisfaction would have healthier physical and psychological records that very likely result in higher productivity and effectiveness in their job performance and will staying longer in organization. Also, studies have consistently reported that job satisfaction is one of the factors or reasons for employee intentions to leave the organization (Price, 2001). Hence, job satisfaction can be a determinant of employee’s motivation and intention to stay or leave the organization. In addition, research suggests that job satisfaction involves two dimensions: (i) Intrinsic; and (ii) Extrinsic factors (Hancer and George, 2003; Holt, 1993). Intrinsic and extrinsic types of motivation have been widely studied and the distinction between them has played an important role on both developmental and educational practices.
Both intrinsic and extrinsic motivations are able to help increase the employee’s job satisfaction and improve their performance in the workplaces. Ryan and Deci (2000a) found that the term extrinsic motivation refers to the performance of an activity in order to attain some separable outcome and, thus, contrasts with intrinsic motivation, which refer to doing an activity for the inherent satisfaction of the activity itself. In human, intrinsic motivation is not the only form of motivation, or even of volitional activity, but it is a pervasive and important one (Ryan and Deci 2000b).

Job satisfaction among employees appear to be highly correlated with intrinsic and extrinsic job characteristics (Glick 1992, Glisson and Durick 1988, Hackman and Oldham 1975, Gerhart 1987, Lawler 1970). Further, Frederick and Ryan (1993) found that intrinsic motivation facilitated a greater amount of hours and days per week of exercise and sport participation, and greater levels of satisfaction and competency, compared to extrinsic motivation, which facilitated greater anxiety, and decreased self-esteem. Similarly, Hodgins et al. (2002) found that intrinsically motivated rowers had greater performance than extrinsically motivated rowers.

Chuang, Yin and Jenkins (2008) also conducted a research to explore intrinsic and extrinsic factors impacting the job satisfaction of casino hotel chefs, and whether chefs’ background characteristics are associated with their overall and specific facets of job satisfaction. This study builds upon prior research on hospitality employees by assessing the job satisfaction of 152 chefs from 25 casino hotels in Las Vegas, Nevada, a highly competitive gaming and tourism city. As the results indicated among extrinsic factors, they were most satisfied with "supervision" and least satisfied with “company policy” pertaining to sick leave and paid vacation (Chuang, Yin & Jenkins, 2008).

2.2 Gender

Although the gender differences often are observed, but yet they tend to be relatively small in term of the amount of variance explained (Marsh, 1989). Thus there often is substantial overlap between boys and girls and men and women in many different variables measured in studies of sex differences. Nagarathanamma and Rao (2007) designed a study to examine the difference between adolescent boys and girls and found that there is no significant difference between boys and girls with regard to the motivation level. Kaushik and Rani (2005) also confirmed the findings that there is no significant gender difference on motivation. Further, Sood (2006) and Pandey and Ahmad (2007) have also found no significant gender difference in different level of motivation. Moreover, there is also no gender differences in response to motivation statements were evident among the participants in Russian survey (Linz, 2002).

2.3 Age

Diversity is a fact of life in modern workplaces. One of the factors contributing to this diversity is the generation gap. Today’s workforce can be divided into three distinct generational groups of people. There are the Baby Boomers, X Generations (Xers) and Y Generation (Dot come generation). Baby Boomers are people who were born between the years of 1945-1960. Xers are people who were born between 1961 and 1977, and the Y Generations are people who were born after 1978. Several studies have explored possible differences in the productivity of employees of different ages (Catsouphes and Smyer, 2007). The research suggested that understanding of the generation gaps and also different rewards for each worker are crucial in overall job satisfaction and higher retention. Mouse’s (2005) research has found significant differences among the three generations in aspects of intrinsic and extrinsic reward preferences in the Taiwan manufacturing industry. Further, western research has also shown the existence of differences in workplace reward preferences between Baby Boomers and Xers (Mouse, 2005). Moreover, Gow et al. (2008) suggested that age as the demographic characteristics may influence job satisfaction. Based on individual analyses research, Wong (2008) also concludes that age is always regarded as an important factor, which affecting on motivation. Further, generational differences in response to job satisfaction statements were evident among the participants in Russian survey (Linz, 2002).

3. Methodology

The non-probability sampling will be taken to execute this research. This technique is purposive, convenience, time saving and costs efficiency but it is not representative of the total population.
Through various non-probabilities sampling methods, the haphazard sampling which also known as convenience sampling, will be adopted to obtain 200 survey questionnaires from the Amway Company’s direct sales forces. The targeted respondents are the Amway Company’s direct sales forces. Only 200 Amway Company’s direct sales forces within Klang Valley choosed because of time, costs and access constraints. However, the total population of Amway Company’s direct sales forces within Klang Valley area is unavailable to be evaluated and measured because, there are approximately 195,000 core sales forces within Malaysia.

3.1 Respondents

Given the five categories of background characteristics, a total of 200 respondents were examined. 105 respondents (52.5%) are male whereas 95 respondents (47.5%) are female. In category of personal status, both single and married consist of 115 respondents (57.5%) and 85 respondents (42.5%) each. Further, the respondents that categorized in 16 to 32 age range consist of the highest proportion which is 110 (55%). The age ranges of 33 to 49 consists of 61 (30.5%) while 50 and above are 29 (14.5%) respondents. Moreover, in category of ethnic, Chinese consists of the highest percentage which is 123 respondents (61.5%), followed by Malay which consists of 46 respondents (23%) and Indian which consists of 31 respondents (15.5%). In category of education level, there are 52 respondents (26%) hold SPM qualification, 47 respondents (23.5%) hold STPM/A-level/Diploma qualification, 83 respondents (41.5%) hold Bachelor Degree/Advanced Diploma qualification, 14 respondents (7%) hold Master Degree qualification, and 4 respondents (2%) hold PhD qualification.

3.2 Research framework

Based on Herzberg’s Motivation and Hygiene Factor theory, job satisfaction was covered by two different groups of factors which are the motivator factors (intrinsic) and hygiene factors (extrinsic). Theories are vital to research because they offer a framework for many areas of research aimed at the nature of the topic, address possible mechanisms, and suggest several specific interventions (McCullagh, 2005).

![Herzberg's Motivation and Hygiene Factor Theory](image)

**Fig. 1. Research Framework**

**The Job Satisfaction influenced by Herzberg’s Motivation and Hygiene Factor Theory**

3.3 Reliability

This study used Cronbach’s Alpha coefficient to evaluate the reliability of the instrument. The closer Cronbach’s Alpha coefficient to 1.0, the greater the internal consistency of the items in the scale. George and Mallery (2003, pp. 231) provide the following rules of thumb:
Table 1. Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Reliability Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; .9</td>
<td>Excellent</td>
</tr>
<tr>
<td>&gt; .8</td>
<td>Good</td>
</tr>
<tr>
<td>&gt; .7</td>
<td>Acceptable</td>
</tr>
<tr>
<td>&gt; .6</td>
<td>Questionable</td>
</tr>
<tr>
<td>&gt; .5</td>
<td>Poor</td>
</tr>
<tr>
<td>&lt; .5</td>
<td>Unacceptable</td>
</tr>
</tbody>
</table>

The overall motivations have obtained Cronbach’s Alpha score of 0.759, which indicate that the scale has moderately high internal consistency of reliability. Further, the sub scale, extrinsic motivations have obtained Cronbach’s Alpha score of 0.818 whereas the sub scale, intrinsic motivations have obtained Cronbach’s Alpha score of 0.892. Both Cronbach’s Alpha scores indicated that the sub scales have achieved high internal consistency of reliability. Therefore, the results suggested that the instruments are reliable.

Table 2. Reliability Test

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Motivations</td>
<td>.759</td>
</tr>
<tr>
<td>Extrinsic Motivations</td>
<td>.818</td>
</tr>
<tr>
<td>Intrinsic Motivations</td>
<td>.892</td>
</tr>
</tbody>
</table>

3.4 Validity

Validity refers to the extent to which a measurement is supposed to measure (Nunnally & Bernstein, 1994). The correlation analysis between two sub scales, intrinsic and extrinsic motivation has been used to calculate and measure its validity. The correlation has obtained validity coefficient score of 0.615, which indicated that the sub scales have positive, significant and high validity.

Table 3. Validity Test

<table>
<thead>
<tr>
<th>Sub Scale</th>
<th>Intrinsic Motivation</th>
<th>Extrinsic Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic Motivation</td>
<td>-</td>
<td>.615</td>
</tr>
<tr>
<td>Extrinsic Motivation</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

3.5 Hypothesis Development

This section discusses the hypotheses development. In line with the research’s problem statement as well as objectives of the study discussed in first chapter, the following discussion deals with the hypotheses that will be tested in this study. All hypotheses are stated in the alternative forms. For fulfilling the objectives of this research, the inferential statistics will be used to draw inferences and to test the significance of hypothesis. Based on the prescribed objective and previous studied research, the following hypotheses can be made:

H1 (1): There is a relationship between intrinsic and extrinsic motivation and job satisfaction.
H1 (2): Intrinsic or extrinsic motivations may affect the job satisfaction.
H1 (3): There is a difference between gender and intrinsic and extrinsic motivations.
H1 (4): There is a difference between age and intrinsic and extrinsic motivations.

The Pearson correlation analysis will be used to examine the first hypothesis H1 (1). Pearson correlation is used to measures the strength of the linear relationship between two variables. The value of the correlation provides information both about the nature and the strength of the relationship. The correlations range between -1.0 and 1.0. The closer value of correlation to one, the stronger the relationship between the two variables.

Further, the multiple regressions analysis will be used to examine the second hypothesis H1 (2). Multiple regression is a statistical test for measuring the relationship between a single dependent variable (DV) and one or more independent variables (IV). It allows researcher to build an equation for predicting the value of the DV from the values of two or more IVs. Variance ($R^2$) is the statistic that can be used to measure how well the dependent variable can be predicted by independent variables.
Moreover, the third hypothesis H1 (3) will be examined by using independent sample T-test. Independent-samples t-test is also called as a between-subjects t-test, it being used when researcher wants to determine if the mean value on a given target variable for one group differs from the mean value on the target variable for a different group. A significant t-test indicates that the two groups have different means.

Lastly, the fourth hypothesis H1 (4) will be examined by using one-way analysis of variance (ANOVA), which also called as one-way analysis of variance. A one-way ANOVA allows researcher to test if there is a relationship between a categorical independent variable (IV) and a continuous dependent variable (DV), and whether the means of all tested groups are the same. If there are any differences among the means, the researcher will identified that the value of the DV are depends on the value of the IV.

4. Empirical Findings

Table 4 shows that there is a significant and positive relationship between intrinsic and extrinsic motivation and job satisfaction (r = .757, p < .05). Further, another significant, positive and moderately strong relationship was also reported between extrinsic motivation and job satisfaction (r = .571, p < .05). Therefore, the hypothesis alternative (1) is accepted and supported.

Overall, the result also indicated that the relationship between intrinsic motivation and job satisfaction is stronger than the relationship between extrinsic motivation and job satisfaction as intrinsic motivation’s correlation value is closer to one. In other words, intrinsic motivation is tend to contribute higher job satisfaction compared with extrinsic motivation.

### Table 4. Correlation Result

<table>
<thead>
<tr>
<th></th>
<th>Intrinsic</th>
<th></th>
<th>Extrinsic</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>r</td>
<td>Sig.</td>
<td>r</td>
<td>Sig.</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.757*</td>
<td>.000</td>
<td>.571*</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note: * Sig. p < .05

As reported in Table 5, intrinsic motivation is significant and positively related to job satisfaction (Beta = 0.629, t = 12.305, p < .05). Further, another significant and positive relationship is also reported between extrinsic motivation and job satisfaction (Beta = 0.251, t = 4.911, p < .05). Therefore, both of the intrinsic and extrinsic motivations are identified as the predictor for job satisfaction.

Overall, both of the intrinsic and extrinsic motivation is significant and positive with variance $R^2 = 0.619$, $F_{(2,199)} = 160.135$, $p < .05$. The result indicated that the intrinsic and extrinsic motivations both were able to explain the variation in job satisfaction up to 61%. Further, the significance of overall result indicated that both of the intrinsic and extrinsic motivations will lead to better job satisfaction.

### Table 5. Regression Result

<table>
<thead>
<tr>
<th></th>
<th>Job Satisfaction (DV)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta</td>
<td>T</td>
</tr>
<tr>
<td>Intrinsic</td>
<td>.629</td>
<td>12.305*</td>
</tr>
<tr>
<td>Extrinsic</td>
<td>.251</td>
<td>4.911*</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.619</td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>160.135</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

DV = Dependent variable, IV = Independent variable, Note: * Sig. p < .05

Table 6 indicates that there is no difference between gender and intrinsic motivations (t = -.375, p > .05). Further, there is also no difference between gender and extrinsic motivations (t = 1.380, p > .05). A non-significant t-test indicated that the two groups have no different means.
Table 6. Independent Sample T-Test Result

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>df</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic</td>
<td>Male</td>
<td>105</td>
<td>15.295</td>
<td>4.305</td>
<td>198</td>
<td>-.375</td>
<td>.708</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>95</td>
<td>15.516</td>
<td>3.976</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extrinsic</td>
<td>Male</td>
<td>105</td>
<td>17.171</td>
<td>3.842</td>
<td>198</td>
<td>1.380</td>
<td>.169</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>95</td>
<td>16.442</td>
<td>3.605</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The age of direct sales forces has been divided in three categories which are 16-32 years old, 33-49 years old and 50 years old and above. As reported in Table 7, the result indicated that there is a difference between age and intrinsic and extrinsic motivations ($F_{(2, 197)} = 5.465$, $p < .05$). The significant value indicated that the three groups have difference means.

Table 7. One-way ANOVA Result

<table>
<thead>
<tr>
<th>Dependant Variable</th>
<th>Variance Factor</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction</td>
<td>Between Group</td>
<td>491.024</td>
<td>2</td>
<td>245.512</td>
<td>5.465*</td>
<td>.005</td>
</tr>
<tr>
<td></td>
<td>Within Group</td>
<td>8849.851</td>
<td>197</td>
<td>44.923</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>9340.875</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * Sig. p < .05

5. Conclusion

As a conclusion, the aim of the study is to revisit the work of Herzberg on intrinsic and extrinsic motivation in order to consider its validity and effectiveness when applied to the direct selling industrial institution. The major purpose of the study was to investigate the effectiveness of intrinsic and extrinsic motivation factors, which influenced the job satisfaction in Amway Company’s direct sales forces. Most importantly, these data highlight the fact that both intrinsic and extrinsic motivation was significantly needed by Amway Company’s direct sales forces. Under such conditions, both intrinsic and extrinsic motivations are essential in improving the job satisfaction. The research findings that reflects the result of four alternative hypotheses are summarized; (i) Job satisfaction can be influenced by intrinsic and extrinsic motivations among the Amway Company’s direct sales forces. Intrinsic motivation leads to higher job satisfaction than extrinsic motivation. (ii) The intrinsic and extrinsic motivations both are identified as the predictor for job satisfaction. They were significantly contributing in job satisfaction among the Amway Company’s direct sales forces. (iii) There is no difference between gender and intrinsic and extrinsic motivations. Gender is not the factor that affects both of the intrinsic and extrinsic motivations. (iv) There is a difference between age and intrinsic and extrinsic motivations. Age is the factor that influences both of the intrinsic and extrinsic motivations. By identifying these factors, the research is able to pinpoint areas of intervention that can help keeping the direct sales forces deeply engaged with their performance well.

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