The Impact of Awards on Intrinsic Motivation and Job Satisfaction of Multi-Level Marketing Members in Riau Islands Province, Indonesia

Robin Robin 1,*, Fendi Hidayat 1, Chablullah Wibisono 1, Indrayani Indrayani 1 and Muammar Khaddafi 1

1 Department of Human Resource Management, Faculty of Economics, Batam University, 29464 Batam, Riau Island Province, Indonesia; fendihidayat@univbatam.ac.id (F.H.), chablullah.wibisono@univbatam.ac.id (C.W.), indrayani@univbatam.ac.id (I.I.), muammar@univbatam.ac.id (M.K.)

* Correspondence: viztabatam@gmail.com (R.R.)


Academic Editor: Nik Hazimah binti Nik Mat.

Received: 18 February 2023 Accepted: 27 May 2023 Published: 30 June 2023

Abstract: Facts from the Multi-Level Marketing (MLM) industry show that people often change companies, 90% of distributors are dissatisfied and frustrated, and only last up to 3 months before quitting MLM. Reward management is the main strategy to create a motivated and committed work team. This study examines the impact of rewards on intrinsic motivation and job satisfaction in MLM members, where the incidental sample method is chosen. A total of 140 samples participated in this study. The data were analyzed using descriptive statistics and Structural Equation Modelling (SEM)–Analysis of Moment Structure (AMOS). The result indicates that intrinsic and extrinsic non-financial rewards significantly positively affect intrinsic motivation. Also, this study found that intrinsic motivation, intrinsic non-financial rewards, and extrinsic financial rewards significantly and positively affect job satisfaction. Besides that, the extrinsic non-financial reward does not affect job satisfaction. In conclusion, this study has successfully identified the factors influencing motivation and job satisfaction.

Keywords: intrinsic and extrinsic non-financial awards, extrinsic financial award, intrinsic motivation, job satisfaction.
quit their job. Good perceptions of rewards have resulted in positive human resources in terms of employee job satisfaction, work motivation, affective commitment, performance, and organizational effectiveness (Nujjoo & Meyer, 2012).

Effective recruitment is essential for the survival of most direct-selling companies, including MLM companies, because the company's survival depends on the ability to generate recruits instead of those who do not continue in this business. MLM product distributors work together in holding business introductory meetings and self-development training. Distributors in MLM companies establish friendships in developing networks (Koroth & Sarada, 2012). MLM offers attractive benefits to people at all levels willing to participate in this business. Low joining fees, high income, financial freedom, quality time with family, and working from home are some rewards that successful people in MLM feel. Although many awards are given, Many People Are not motivated to run this business. The fact of the industry is that people often change companies, 90% of distributors are dissatisfied, and frustrated, and only last up to 3 months before quitting MLM (Aggarwal & Kumar, 2014).

The literature shows that employees who are motivated and committed to their company are less likely to quit. A reward management strategy is instrumental in creating a motivated and committed workplace. Using the right type of reward can give you an edge over the competition. Three kinds of awards are used in this research: intrinsic non-financial awards, extrinsic non-financial awards, and extrinsic financial awards (Nujjoo & Meyer, 2012). Based on the description above, it can be concluded that the type of reward used affects intrinsic motivation and Job Satisfaction. Companies must strive to keep their members motivated and committed because independent distributors are human resources for MLM companies as the main driving factor for the business. Therefore, the authors conducted a study entitled "Analysis of the Impact of Rewards on Intrinsic Motivation and job satisfaction of MLM Members.

2. Literature Review
2.1. Intrinsic Motivation

Intrinsic motivation is defined as the interest or pleasure of activity for oneself (Elliot et al., 2000). Intrinsically motivated individuals will commit to their work which is considered important (Pratheepkanth 2011). A student is said to be intrinsically motivated when he is actively involved in learning out of curiosity, interest, enjoyment, or desire to achieve personal or intellectual goals (Brewster & Fager, 2000). Intrinsic motivation is defined as doing activities for satisfaction rather than for certain consequences. An intrinsically motivated person moves for pleasure or challenge rather than external pressure or reward. The phenomenon of intrinsic motivation was recognized for the first time in experimental research of animal behavior, where it was found that many organisms engage in exploring, playing, or curious behavior even without appreciation. Intrinsic motivation exists within the individual, the relationship between the individual and the activity. People are intrinsically motivated for some activities and not everyone is intrinsically motivated for certain tasks (Ryan & Deci, 2000).

Intrinsic motivation is an important motivation, but not everyone is intrinsically motivated. It is more evident after childhood as the freedom to be intrinsically motivated is increasingly limited by social demands and roles that require individuals to take responsibility for tasks that are not intrinsically interesting (Ryan & Deci, 2000). Intrinsic motivation is the desire to do something that you want to do. The experience of the behavior is already a sufficient reward for him, regardless of the other consequences that will arise because of the behavior. Intrinsic motivation usually leads to a groove, where the individual becomes immersed in challenging activities such as rock climbing or playing the piano. Intrinsic motivation differs from extrinsic motivation because the behavior arises only from rewards (Baumeister, 2007).

It took a long time before the concept of intrinsic motivation was accepted in psychology. The concept does not fit into the behavioral and drive theory models in human nature that dominated in the early to mid-20th century. The Behavioral theory says that behavior arises because it is rewarded and other consequences after the behavior is completed. The drive theory says that all behavior is ultimately motivated by necessity in the face of needs and demands such as hunger, thirst, and avoidance of pain. Neither model can explain spontaneous, playful, and adventurous behaviors unrelated to external rewards or biological drives. The 1960s saw a cognitive revolution providing a proper intrinsic motivation paradigm. From a cognitive point of view, intrinsic motivation expresses a desire to stimulate, exercise, and develop the central safeguard system. Considering the complexity of human information processing, it makes sense that humans have evolved an inherent motivation to seek challenges, develop interests, and unify knowledge from the world (Baumeister, 2007).
Research on motivation divides the basic difference between intrinsic and extrinsic motivation. Researchers generally define intrinsic motivation as something that arises from task performance. Employees feel motivated to carry out a task because it can provide an achievement, expertise, or fulfill their desires. Extrinsic motivation comes from outside the individual and is the expectation of receiving external rewards such as salary, benefits, incentives, promotions, and recognition in exchange for work performed. Compensation and benefits tools are extrinsic rewards and aim to increase extrinsic motivation and improve company performance (Fang et al., 2013). The public interest theory developed by Eisenberger et al. (1999) complements the limitations of the Cognitive Evaluation Theory. Appreciation for a performance can indicate the importance of achievement, that the individual is competent and that his job is important, all of which are to increase intrinsic motivation. Public Interest Theory states that the effects of personality and culture affect intrinsic motivation with needs and wants (Fang et al., 2013).

Early research on intrinsic motivation centered on the debilitating effects of intrinsic motivation. It is a counterintuitive discovery that makes people disinterested in doing something after people have received an award for doing it. In a typical experiment, participants will play an interesting puzzle. Some participants are asked to try it out; others are given awards such as money, food, or certificates. The rewarded participants did not play the puzzle spontaneously, as examined through a one-way mirror. It appears that the participants’ intrinsic motivation has weakened. These and other findings of intrinsic motivation sparked controversy from then until now (Baumeister, 2007).

Intrinsic motivation is important in various fields, including education, medicine, sports, work behavior, and the pursuit of personal goals. Intrinsically motivated individuals show better moods, enjoyment, and satisfaction than extrinsically motivated individuals. Individuals also perform better, such as processing information more deeply, solving problems more flexibly, and doing things more effectively and creatively. As an example of a research program, Teresa M. Amabile's first studies show that individual creativity in artistic pursuits such as drawing and writing is approved by various reviewers, often undermined by the external uncertainty of rewards, prizes such as stickers, and negative external pressures such as deadlines and threats. When does reward weaken intrinsic motivation? A comprehensive meta-analysis summarizes more than 100 experimental studies, showing that motivation is attenuated when the reward has been estimated (rather than unpredictable) and uncertain (rather than certain) the time people work on assignments, complete tasks, or positive task performance. In other words, if a person gets what they expect as a reward for starting, completing, or doing a task well, they are more likely to lose interest in the job. This meta-analysis also shows that praise and appreciation do not necessarily weaken and can even strengthen intrinsic motivation (Baumeister, 2007).

What causes the weakening effect of intrinsic motivation? Edward Deci and Richard Ryan developed a cognitive evaluation theory to explain this. In this model, humans have an innate psychological need for competence and autonomy. Individuals tend to lose intrinsic motivation for activities that thwart that need. Incompetent performance is a potential detractor of intrinsic motivation. Deci and Ryan's novel proposal states that appreciation can inhibit the need for autonomy when people view appreciation as a form of control. According to cognitive evaluation theory, even praise can weaken intrinsic motivation if the recipient feels the praise is a coercive attempt. The results of the meta-analysis described above suggest that on average. Extrinsic rewards may not necessarily weaken intrinsic motivation. Probably because intrinsic and extrinsic motivation are separate, unrelated, and complementary as many researchers and theorists claim. Employees can be motivated by intrinsic and extrinsic rewards simultaneously, and one type of motivation may be independent of the other. The management literature states that extrinsic rewards eliminate intrinsic motivation, which is so serious that it makes extrinsic incentives for performance ineffective or unproductive. This claim is becoming commonplace that many managers and employees assume is true and has been proven by decades of academic research (Fang et al., 2013).

Cognitive evaluation theory predicts that different types of rewards will have different effects. Assigned rewards based on tasks such as work relationships are predicted not to affect intrinsic motivation because they do not provide information about competence or control. Uncertain rewards are based on assignments, such as salaries awarded for completing an activity. The theory of predicting this generally has a negative effect on intrinsic motivation because the person performing the activity feels controlled. Lastly, uncertain rewards based on performance are financial incentives given for the performance of an activity, whether it meets performance standards or exceeds criteria. Rewards can negatively affect performance which normal economic theory of incentives would not predict. For example, volunteers in a foundation company work less if the volunteer receives payment for the volunteer effort. In this case, it indicates that the relationship between people and the company has been transformed into a personal choice. But it should be noted that
experience in foundation companies is not relevant to a workplace where people expect to be paid for the work that has been done (Fang et al., 2013).

2.2. Job Satisfaction

Satisfaction with the job is the emotional attitude of someone who is pleasant and loves his job and can be reflected by work morale, discipline, and work performance (Siregar et al., 2008). Judge et al. (2001), job satisfaction must be maintained to improve organizational performance. According to (Luthans & Youssef, 2007), there are several indicators to measure an employee's job satisfaction based on the JDI (Job Descriptive Index), namely:

1. Satisfaction with pay
   An employee will feel more satisfaction with a high income. Even if they feel comfortable, familiarity, and a high organizational brand, an employee will not feel satisfied if the salary does not meet expectations.
2. Satisfaction with promotion
   In addition to salary, promotions can be why an employee has job satisfaction. If an employee has experienced a promotion, the employee will feel more satisfaction than before.
3. Satisfaction with co-workers
   Employees with a conducive work atmosphere will feel more comfortable in his workplace. As a result, the employee will have high job satisfaction so that the workplace is considered a second home.
4. Satisfaction with supervisor
   An employee who has a good leader will feel more satisfaction. A good leader is a person who wants to respect others, to be treated like a friend or like a family so he will feel more comfortable. So, when the employee gets promoted as a leader in the future, he will treat them like that too.
5. Satisfaction with the job itself (Satisfaction job itself)
   All jobs certainly require a skill by the field occupied. The difficulty of each of job and the feeling of an employee that his skills are needed to do the job will increase or decrease job satisfaction.

2.3. The Effect of Reward on Intrinsic Motivation

Financial rewards are a legal obligation in employment relationships and are an important incentive to attract and retain employees. The general categories are extrinsic and intrinsic rewards. Intrinsic reward is a person's satisfaction for doing work, and extrinsic reward is a tangible benefit obtained from work. Awards are also categorized into financial or non-financial. Financial rewards refer to tangible objects such as payments and bonuses. Non-financial rewards include praise and recognition. The research model here combines extrinsic, intrinsic, financial, and non-financial rewards so that intrinsic non-financial rewards, extrinsic non-financial rewards, and extrinsic financial rewards emerge (Nujjoo & Meyer, 2012). Frey & Jegen (2000) found that rewards were negatively related to intrinsic motivation (Wiley, 1997 and Ryan et al., 1983) found that rewards were positively related to intrinsic motivation. The reward is negatively related to intrinsic motivation because personal interest shifts from wanting to do something to external attributes such as payment, thereby reducing intrinsic motivation (Pierce et al., 2003). Rewards are positively related to intrinsic motivation because employees can view financial incentives as a form of recognition and positive feedback on performance and competence (Wiley, 1997). When the award is given independently of a task, such as an employee's salary, and if the award is unpredictable, the reward has a positive relationship with intrinsic motivation. Employees feel satisfied and increasingly motivated intrinsically to provide high-quality performance (Ryan & Deci, 2000).

2.4. Rewards and Job Satisfaction

Financial rewards are a legal obligation in employment relationships and are an important incentive to attract and retain employees. The general categories are extrinsic and intrinsic rewards. Intrinsic reward is a person's satisfaction for doing work, and extrinsic reward is a tangible benefit obtained from work. Awards are also categorized into financial or non-financial. Financial rewards refer to tangible objects such as payments and bonuses. Non-financial rewards include praise and recognition. The research model here combines extrinsic, intrinsic, financial, and non-financial rewards so that intrinsic non-financial rewards, extrinsic non-financial rewards, and extrinsic financial rewards emerge (Nujjoo & Meyer, 2012). Employees enter a company expecting to be provided with the correct platform to use skills and satisfy employee needs
and wants. When companies meet employees' financial and non-financial expectations, the employee's affective commitment increases. Superiors who are more committed to their subordinates and engage in behaviors that support organizational goals so that employees feel they get something emotionally and will respond more by forming trust and following superiors' behavior to be more committed (Nujjoo & Meyer, 2012).

3. Materials and Methods

This study uses quantitative methods using explanatory research. Data in quantitative methods can be measured by using notes in the test. The clarification technique explains the placement of the variables studied and the relationship between one variable and several other variables (Muzakki et al., 2016). The statistical tool in this study uses the AMOS version 26 software. Quantitative techniques require primary and secondary data sources. Primary facts arise at once from a collection of facts that may be collected specifically and, at the same time, associated with the problem being studied. While the secondary facts come from previous studies and the consequences of observations in the field. According to Margono (2004) in Ahyar et al. (2020), the population is the whole object of research, including humans, animals, plant objects, test scores, symptoms, and events as data sources with certain characteristics in a study. Also, Purnomo (2012) in Ahyar et al. (2020) explained that the sample is part of the population taken using a sampling technique. The sample in the study must be able to describe the state of the population. In determining the sample, this study used the Slovin formula. The calculation of the number of samples used in this research is $n = \frac{140}{1+(140 \times 0.052)} = 103.73$ or 104 respondents.

4. Results

The result of data analysis using SEM - AMOS can be seen in Table 1 below:

<table>
<thead>
<tr>
<th>Unstandardized</th>
<th>Standardized</th>
<th>SE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>Estimate</td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>---</td>
<td>Non-Intrinsic Reward</td>
<td>0.267</td>
</tr>
<tr>
<td>Motivation</td>
<td>---</td>
<td>Non-Extrinsic Reward</td>
<td>0.211</td>
</tr>
<tr>
<td>Motivation</td>
<td>---</td>
<td>Financial Intrinsic Reward</td>
<td>0.553</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>---</td>
<td>Motivation</td>
<td>0.824</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>---</td>
<td>Non-Intrinsic Reward</td>
<td>0.134</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>---</td>
<td>Financial Intrinsic Reward</td>
<td>-0.135</td>
</tr>
</tbody>
</table>

Note: ***, ** refers to the significant 1% and 5% levels.

Table 1 displays that the intrinsic non-financial reward has a significant positive effect on intrinsic motivation with an estimated standard (regression weight) of 0.234 with CR (critical ratio) of 3.154 and significance at the level of 0.01. It indicates that by assuming an increase in the intrinsic non-financial reward of as much as 1 percent, intrinsic motivation will increase as big as 23.4 percent. Also, the extrinsic non-financial reward has a significant positive effect on intrinsic motivation with standard estimate (regression weight) of 0.198 with CR (critical ratio) of 2.716 and significance at the level of 0.01. It indicates that by assuming an increase in the extrinsic non-financial reward of as much as 1 percent, intrinsic Motivation will increase as big as 19.8 percent. In addition, the extrinsic financial reward has a significant positive effect on intrinsic motivation with a standard estimate (regression weight) of 0.558 CR (critical ratio) of 5.996 and significance at 0.01. It indicates that by assuming an increase in extrinsic financial reward of as much as 1 percent, intrinsic motivation will increase as much as 55.8 percent.

Also, this study found that Intrinsic motivation has a significant positive effect on job satisfaction with a standard estimate (regression weight) of 0.897 with CR (critical ratio) is 8.090 and significance at the level 0.01. It indicates that by assuming an increase in intrinsic motivation of as much as 1 percent, job satisfaction will increase as big as 89.7 percent. Further, intrinsic non-financial awards significantly positively affect job satisfaction with a standard estimate (regression weight) of 0.128, CR (critical ratio) is 2.195, and significant at 0.05. It means that by assuming an increase in the intrinsic non-financial award of as much as 1 percent, job satisfaction will increase as much as 12.8 percent. Furthermore, extrinsic financial awards positively affect job satisfaction with a standard estimate (regression weight) of 0.161, CR (critical ratio) of
2.884, and significance of 0.01. It means that by assuming an increase in extrinsic financial awards of as much as 1 percent, job satisfaction will increase as much as 16.1 percent. Besides that, the extrinsic non-financial reward does not affect job satisfaction with a standard estimate (regression weight) is -0.148, CR (critical ratio) is -1.612, and not significant at the level 5 percent.

Table 2. Squared Multiple Correlations

<table>
<thead>
<tr>
<th>Variable(s)</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>0.895</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>0.998</td>
</tr>
</tbody>
</table>

Table 2 captures that non-intrinsic, non-extrinsic, and financial intrinsic rewards explained their relationship with motivation is 89.5 percent. Besides that, intrinsic motivation, intrinsic non-financial awards, extrinsic non-financial awards, and extrinsic financial rewards explained their relationship with job satisfaction is 99.8 percent.

![Figure 1. Full Model SEM-AMOS](image)

The results of the cut of value and goodness of fit model shown in Table 3 show that only three criteria are met, there are four margins, and one that is less than the eight criteria. The criteria that are met are Chi-square well, relatively Chi-square is well, and RMSEA, which is marginal FGI, is not good, AGFI, TLI, and CFI, the probability is marginal. Because two criteria are met, and five margins of the eight criteria are required, the above model can be stated as a good model (Yuliani et al. 2012).

Table 3. Result of Goodness of Fit Index

<table>
<thead>
<tr>
<th>Fit Indexes</th>
<th>Cut-Off Value</th>
<th>Model Results</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>Expected to Be Small</td>
<td>1302.131</td>
<td>Good</td>
</tr>
<tr>
<td>Relative Chi-square (CMin/df)</td>
<td>≤ 3:00</td>
<td>4.947</td>
<td>Not Good</td>
</tr>
<tr>
<td>Probability</td>
<td>&gt; 0.05</td>
<td>0.000</td>
<td>Marginal</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.149</td>
<td>Marginal</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.632</td>
<td>No Good</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.544</td>
<td>Marginal</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.95</td>
<td>0.823</td>
<td>Marginal</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.95</td>
<td>0.845</td>
<td>Marginal</td>
</tr>
</tbody>
</table>

Table 3 shows the results of the research model's cut-of-value and goodness of fit are four marginal and four less good than the eight criteria used. Chi-square is good, Relative Chi-square is not good and RMSEA is Marginal. For the GFI value, AGFI is not good, while the CFI, TLI, and probability values are in the marginal category.
5. Conclusions

This study concludes that intrinsic and extrinsic non-financial rewards significantly and positively affect intrinsic motivation. Also, this study found that intrinsic motivation, intrinsic non-financial rewards, and extrinsic financial rewards significantly and positively affect job satisfaction. Besides that, the extrinsic non-financial reward does not affect job satisfaction. In addition, this study indicates that intrinsic non-financial awards, extrinsic non-financial awards, and extrinsic financial rewards were explained as their relationship with intrinsic motivation is 91.2 percent. Also, intrinsic motivation, intrinsic non-financial awards, and extrinsic financial rewards were explained as their relationship with Job Satisfaction is 99.8 percent.


Funding: This research received no external funding.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: Not applicable.

Acknowledgments: The authors would like to thank Batam University, Riau Island, Indonesia, for supporting this research and publication. We would also like to thank the reviewers for their constructive comments and suggestions.

Conflicts of Interest: The authors declare no conflict of interest.

References


