

GENERATION Y IN ORGANIZATIONS: INTRINSIC MOTIVATION OR EXTRINSIC MOTIVATION? A REVIEW PAPER

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Abstract: *Recent studies had reported that around thirty percent of Generation Y intended to leave their current employers to search for new opportunities. It is crucial to investigate the types of rewards that could retain Generation Y employees. Generation Y is targeted because the amount of employees of this generation has been increasing from time to time, while older generation employees are going to retire. In order to retain Generation Y employees, organizations should look into the possible types of rewards that could attract them. Hence, the past studies (2008 - 2018) that investigated the preferred types of rewards among Generation Y employees were collected for review writing. From the past studies, it was found that the preferred type of rewards among Generation Y employees is inconsistent. Due to the inconsistency of findings, it is recommended that future studies should conduct more studies about types of rewards among Generation Y employees. Future studies are also suggested to conduct their studies in different characteristics of company industry as it might influence the preferences of rewards among the Generation Y employees.*

Keywords: *Generation Y, Rewards, Intrinsic, Extrinsic, Review Paper*

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Introduction

Retention of employees has been continuously become one of the major challenges for Human Resource practitioners or organizations (Othman *et al.*, 2017). Specifically, as compared between generations, issue of retention commonly happened among Generation Y (Gen Y) employees, where the rate of turnover is higher than other generations, such as Generation X (Khalid, Nor, Ismail, & Mohd Razali., 2013). According to generational cohort theory, generation is described as a group of people who are born in the same period and undergoing the similar development process (Kupperschmidt, 2000). Gen Y is known as a group of people who born to families that with stable financial condition, a society with different cultures, as well as technology-based. In Malaysia, the retention issue among Gen Y employees has

become more challenging due to the shortage of talented and skilled workers (Downe, Loke, Ho, & Taiwo, 2012). As cited by Othman *et al.* (2017), Malaysia is known as one of the top three countries that experienced high turnover rate in South East Asia, especially in manufacturing sector. The Human Resource professionals or supervisors have to seek for the approaches to assist Gen Y employees in showing commitment in job, which in turn improving the organizational performance (Guest, Michie, Conway, & Sheehan, 2003). Besides the issue of high turnover, the reason of focusing Gen Y employees in this review paper is, Gen Y's representation in the labour market has been increasing from year to another, and there is upcoming retirement of older generation. Therefore, in order to reduce the negative phenomenon, it is crucial to investigate and understand the preferred type of reward among Gen Y employees that could influence their organizational behaviours (Queiri, Wan Yusoff, & Dwaikat, 2015). Hence, this review paper intends to review the previous studies to summarize the preferred type of rewards that influence or alter Gen Y employees' behaviours in organizations. Two types of rewards are included in this review process, namely intrinsic reward and extrinsic reward. In keeping with best practice, we used significant databases to look for articles that are related to Gen Y, intrinsic reward, and extrinsic reward. Specific methodology is mentioned in another section in this paper.

Literature Review

Generation Y

Generation Y (Gen Y) has been named interchangeably as Millennials, Generation Next, or GenMe (Lamm & Meeks, 2009). It is also known as Echo Boomers, iGeneration, as well as The Net Generation (Schlitzkus & Schenarts & Schenarts 2009). From the past literature, there is no consent about when Gen Y is started and ended, however, there is a claim mentioned that a generation's time span is twenty years (Queiri *et al.*, 2015). Although there is no consent about the time span, the researchers commonly ranged Gen Y between the years of 1980 to 2000 (Queiri *et al.*, 2015; Acar, 2014). Gen Y tends to be related to term of technology or internet because this generation's people grown up in the circumstances that are technology-based (Wong, 2008). Due to the rapid change in their generation, they tend to feel comfortable to the changes and do not see job security as one of the important elements in their workplace (Hart, 2006). Besides, Gen Y is more adventurous than the older generation, hence Gen Y employees like to accept and challenge new opportunity in organizations (Wong, 2008).

Furthermore, Gen Y employees are always seen as a group of people who are optimistic (Huntley, 2006). Gen Y employees always enjoy themselves in group work and like to socialize with the colleagues in organizations (Smola & Sutton, 2002; Tulgan & Martin, 2001). In addition, Gen Y employees value and appreciate every responsibility that is given to them and they like to provide input during decision-making process in organizations (McCrinkle & Hooper, 2006).

Intrinsic Rewards

Intrinsic reward is defined as the reward that is inherent from an activity itself or a task (Bhadoriya & Chauhan, 2013). Previously, scholars found that intrinsic rewards could influence employees' behaviour, such as turnover intention, and improving retention rate (Galletta, 2011). According to Deci and Ryan (2000), an employee could be intrinsically motivated when he or she is given interesting job, responsibilities, challenging tasks, sees obvious outcomes of what they have done, and brings crucial impact to others. While, Twenge Campbell, Hoffman, and Lance (2010) mentioned that intrinsic rewards could be provided when the authority empowers the employee in completing a task, given autonomy, and involving in decision making process. As claimed by Bosco (2014), recognition and compliment are known as the significant intrinsic reward that improve employees' behaviour. Intrinsic reward is also described as the reward that directly satisfies employees' psychologically (Stoner & Freeman, 1992).

Extrinsic Rewards

Extrinsic rewards are usually relatable with pay rewards and money (Othman *et al.*, 2017). It was claimed that at most of the organizations, extrinsic rewards are the most effective way to motivate employees (Acar, 2014). According to Baruah (2013), promotion opportunity, compensation, and job security are known as significant extrinsic rewards that could improve employees' behaviour. Due to employees are prone to recognize extrinsic rewards, it is claimed that when employees perceived insufficient extrinsic rewards, they might have turnover intention (Yusoff, Queiri, Zakaria, & Hisham, 2013). Khan, Waqas, and Muneer (2017) mentioned that, extrinsic rewards are the rewards that satisfy employees' hygiene factors which reducing their turnover intention. Hafiza, Shah, Jamsheed, and Zaman (2011) suggested that, in order to retain employees, especially high performers, it is crucial to provide extrinsic

rewards, such as bonuses to the employees. Khan *et al.* (2017) described that, extrinsic rewards are the rewards that can be quantified, while intrinsic rewards cannot be quantified.

Methodology

The variables of intrinsic rewards and extrinsic rewards were searched comprehensively through journal databases. Since we focused on the articles between the years of 2008 to 2018, we had targeted to look for the previous studies in the past decade. We had looked for several journal databases such as Scopus and Emerald. We have focused on five exclusions when we conducted the searching of previous studies. Firstly, we excluded those studies which are non-empirical. We included only empirical studies. Next, we excluded the studies which were not conducted among the samples of company employees due to this paper focused only on the connection between the variables among company employees. We did not include students sample because the result from students sample is significantly different from the samples of company employees. Besides, we excluded the variables that are irrelevant to our review. Moreover, we excluded those studies that their respondents were Generation X and other generations' employees. This paper is intended to review among Generation Y employees. Lastly, we excluded those studies which did not inform the result of validity and reliability of their instruments because failing to inform might affect the validity of the results of studies.

Results

For the purpose to understand the preferred type of rewards among Gen Y employees, literature was constructive for this paper. The past studies had assisted to indicate the findings on the preferred type of rewards among targeted respondents. In order to improve or alter negative behaviors among employees, it is crucial for employers to know the type of reward that is preferred by employees. By providing the right rewards, it can motivate employees to act positively in organizations, hence improving the organizational performance. Gen Y employees should be targeted because the amount of Gen Y employees has been increasing from years to another, while older generation's employees are retiring soon. The reviewed articles are dated from 2008 to 2018. According to Chen and Choi (2008), their study found that Gen Y employees preferred extrinsic reward to motivate them. The extrinsic reward in Chen and Choi (2008) study is referred to economic return, which indicated that the Gen Y employees preferred to have higher salary or better benefit to change their behavior. Similar to the study of Brown *et al.* (2009), their respondents preferred extrinsic rewards to alter their

behavior in organizations. Both studies were conducted in United States, it was claimed that United States has been increasing the cost of education and households, hence, extrinsic rewards especially economic return is crucial for the employees to survive in United States (Twenge *et al.*, 2010).

Followed by Twenge *et al.* (2010) study, their study yielded the similar result where it was revealed that Gen Y employees are easily attracted by extrinsic rewards, as compared to intrinsic rewards. The scholars mentioned that the Gen Y employees preferred financial demands in order to motivate themselves. Similar with previous studies, Twenge *et al.* (2010) study was conducted in United States, hence it is common that Gen Y employees prefer extrinsic rewards to live their life in the country. Contradictorily, Dent *et al.* (2011) yielded different result from previous studies. The scholars revealed that the Gen Y respondents preferred intrinsic rewards, such as career development, and good relationship at workplace. As explained by Wong (2008), Gen Y employees might prefer intrinsic rewards such as good relationship with colleagues because Gen Y employees are in the phase that searching for social network, hence they tend to maintain good relationship at workplace.

On the other hand, Tan and Wan Yusoff (2012) found that Gen Y employees preferred extrinsic motivation, such as employees' benefits and pay. Their study was conducted among Malaysian employees in Johor manufacturing company. Similar with another study that was conducted by Tan, Wan Yusoff, and Rajah (2013), their Gen Y respondents preferred extrinsic reward as well. Both studies were conducted in similar background of organizations. Tan *et al.* (2013) mentioned that, the result of preferred motivation might be different when organizational practices are different. Hence, it could be seen that the result can be similar when the background of companies is similar.

Furthermore, another study was conducted among Malaysian employees as well. Queiri *et al.* (2015) revealed the similar finding, where Malaysian Gen Y employees preferred extrinsic rewards more than intrinsic rewards. According to Queiri *et al.* (2015), Malaysian Gen Y employees tend to be motivated by extrinsic rewards due to the increasing living costs, as well as to fulfil other monetary obligations. Besides, Queiri *et al.* (2015) claimed that Gen Y employees tend to have realistic mind set and do not show aggressiveness to intrinsic rewards such as recognition and compliments. Contradict to the study of Kultalahti and Viitala (2014),

the scholars found that Gen Y employees in Finland preferred intrinsic motivation such as flexible schedules and balanced work life. The findings between two countries could be different due to different cultures (Tan *et al.*, 2013). Due to Finland is the top-three countries that with highest happiness index, it is convincible that Finland Gen Y employees preferred intrinsic motivation because they would prefer work-life balanced rather than monetary rewards.

Besides Finland Gen Y employees, another research that was conducted by Rani and Samuel (2016) revealed that Gen Y employees in Indian organizations preferred intrinsic rewards. According to Queiri *et al.* (2015), the employees who prefer intrinsic motivation tend to look for meaningful and challenging work in organizations. Therefore, it is believed that the respondents in Rani and Samuel (2016) study prefer meaningful tasks instead of monetary rewards. Similar to the study of Othman *et al.* (2017), the scholars found that intrinsic reward is the major factor that influenced Gen Y employees' behaviour. The study of Othman *et al.* (2017) was conducted in manufacturing sector, where the sector is commonly known as a sector with high workload. Hence, it is possible that the Gen Y employees prefer intrinsic reward such as work-life balanced due to the extra hours of work in manufacturing sector.

Gen Y employees are commonly known as 'income mover' as they always concern on the level of income (Chen, Chu, & Wu, 2000). This statement is matched with the study of Gertsson, Broberg, Friberg, and Sylvander (2018) where they revealed that the Gen Y respondents preferred extrinsic motivation, such as high salary. When the Gen Y employees perceived low increment in salary, they might have turnover intention. Interestingly, another study that was conducted by Acar (2014) disclosed that, the Gen Y employees in Turkey bank equally preferred both types of motivation. The Gen Y employees wish to have both high pay and work-life balanced. However, Twenge *et al.* (2010) criticized that, due to most of the Gen Y employees have narcissistic personality, they tend to have this unrealistic thinking. In other words, it is unrealistic to have both rewards at the same time.

To summarize, the preferred type of motivation by Gen Y employees remained uncertain in the previous studies. It revealed that some of the researchers claimed that intrinsic reward is preferred, while some researchers claimed that extrinsic reward is preferred by Gen Y

employees. Furthermore, it is suggested that more studies are required in future to verify the findings.

Conclusion

This review paper provides an interesting insight in summarizing the preferred type of rewards among Generation Y employees. Generally, it was revealed that most of the studies claimed that Generation Y employees prefer extrinsic motivation in organizations. However, the findings are not consistent throughout the years. Although several authors revealed that intrinsic reward is preferred by Generation Y employees, there are scholars who found that the employees preferred extrinsic rewards. While, some studies mentioned that Generation Y employees have equal preferences towards both types of rewards. Since high turnover is known as one of the negative characteristics among Generation Y employees, it is important for Human Resource practitioners to understand which reward drivers can retain Generation Y employees. It is recommended that organizations should focus on the approaches that can help to improve retention among Generation Y employees. Through this review paper, it might be beneficial for organizations to understand preferred types of reward in order to assist them in planning company policies to retain the employees. Meanwhile, due to the inconsistency of findings among previous studies, future researchers should conduct more investigations in order to provide more concrete and consistent results.

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