International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 13, Issue 7, 2020

The Role of Rewards in Enhancing Employees' Creativity: A Literature Review

Maryam Hashem[a], David Gallear[b], Esra Aldhaen[c], [a]PhD Candidate, Brunel Business School, Brunel University, UK, [b]Brunel Business School, Brunel University, UK, [c]Ahlia University, Bahrain, Email: [a]Maryam.hashem@brunel.ac.uk, [b]David.Gallear@burnel.ac.uk, [c]Esaldhaen@ahlia.edu.bh

In today's challenging global business environment, employees' creativity has become a major ingredient for organisations' success. Consequently, organisations from various industries dedicate considerable efforts and budgets to introduce reward systems, which aim to enhance employees' creativity. Nevertheless, the literature shows inconsistent views concerning the relationship between rewards and employees' creativity. Some scholars argue that rewards lead to employees' creativity, while others argue that rewards do not lead to employees' creativity. This paper aims to provide a comprehensive literature review by shedding light on the dominant theories in the literature of creativity, and motivation addressing the reward-creativity relationship. It then presents the gap found in the existing literature, as well as future research avenues.

Keywords: *Creativity, Rewards, Extrinsic motivation, Intrinsic motivation.*

Introduction

The ultimate goal of organisations across different industries and worldwide is to achieve a sustainable success. However, achieving sustainability has become challenging for organisations in today's global business environment. From this vein, organisations direct their focus on fostering employees' creativity, in order to achieve a competitive advantage. Accordingly, it is of great importance for organisations to understand the methods of enhancing employees' creativity. An understanding of how to encourage employees to be more creative is fruitful not only for organisations, but also for the economic growth of a country, as emphasised by the Organization of Economic Cooperation and Development (OECD, 2010). The benefits of creativity are not only reaped on an organisational level, and a country level, but also on an individual level. The creative employees themselves benefit

from the rewards they receive for being creative, especially, that the mechanisms used by organisations to enhance creativity often include incentives, and rewards.

A considerable number of studies have shed light on the reward-creativity relationship, which aims to advance an understanding, and to aid practitioners in promoting employees' creativity (Amabile, Henessey & Grossman, 1986; Woodman, Sawyer & Griffin, 1993; George & Zhou, 2002; Baer, Oldham & Cummings, 2003). Although practitioners usually provide rewards and financial incentives to promote the creative behaviour, a group of scholars argue that the use of extrinsic rewards leads to diminishing employees' creativity (Amabile, 1996). However, another group of scholars argue that extrinsic rewards, under certain conditions, enhance employees' creativity (Eisenberger, 1992). This inconsistency in the research findings provides an opportunity to investigate the specific conditions under which the rewards have negative, positive or neutral effects upon employees' creativity (Shalley & Zhou, 2003; Anderson, Potocnik & Zhou, 2014). This will help us understand the different conditions, and assist managers in adopting a selective reward strategy in respect to creativity.

Consequently, the purpose of this paper is to provide a literature review of the relationship between rewards and employees' creativity, and to highlight the research gap. It aims at presenting the prominent theories that address the relationship, as well as the research findings of distinct groups of scholars. The paper is structured as follows. Section one introduces the topic, the objective of the research, and it highlights the key beneficiaries of the study. Section two provides the theoretical background by identifying the constructs and presenting the prominent theories in the literature. Section three presents the gap found in the existing literature and identifies future research avenues. Lastly, section four presents the conclusions.

Theoretical Background

Creativity, Intrinsic, and Extrinsic Motivation Definitions

Creativity is defined in the literature as the production of novel ideas (Amabile, 1996). Creativity can occur by employees at any level in an organisation, and at any job, not necessarily a job that requires creativity (Majdar, Oldham, & Pratt, 2002; Nonaka, 1991). Creativity is viewed as the first step for innovation, where the latter is defined in the literature as the implementation of novel ideas (Amabile 1996; Mumford & Gustafson, 1988). Accordingly, creativity is perceived to occur at an individual level.

A motivated person is a person who is moved to do a certain activity or a person who is inspired to do a certain task (Ryan & Deci, 2000). According to Porter and Lawler's proposed

model in 1968, motivation could be intrinsic or extrinsic. An intrinsic motivation is defined in the literature as the motivation to do an activity because it is interesting and yields spontaneous satisfaction, whereas extrinsic motivation is the motivation to do an activity because of a separate tangible or intangible consequence, such as rewards. An extrinsically motivated person performs a task to obtain a reward, unlike an intrinsically motivated person who performs a task because it is enjoyable and satisfying. Extrinsic motivation happens when there is a perceived instrumental connection between a behaviour and external rewards, whereas in an intrinsic motivation, there is no connection between a behaviour and an external reward (Deci & Ryan, 1985).

Prominent Theories in the Literature

Cognitive Evaluation Theory

The cognitive evaluation theory was introduced in 1971 by Deci. It suggested that some tasks were intrinsically rewarding, and that extrinsic rewards were not required to encourage performing them. According to the cognitive evaluation theory, the presence of extrinsic factors — such as rewards, deadlines, and competition — negatively affected intrinsic motivation, such that employees viewed those extrinsic factors as a signal of their incompetency, and therefore undermining their intrinsic motivation, and their creative outcomes (Deci, 1971; Deci & Cascio, 1972; Deci, Nezlek, & Sheinman, 1981). However, the cognitive researchers later discovered that not all extrinsic factors are detrimental to intrinsic motivation (Koestner, Ryan, Bernieri & Holt, 1984), which paved the way to the introduction of self-determination theory, as an extension to cognitive evaluation theory (Deci & Ryan, 1985). The self-determination theory suggested that contextual factors, such as location, task characteristics, leadership style, and stage of creative endeavour (Malik & Butt, 2017) could have an informational or controlling effect on intrinsic motivation. When the contextual factors promote the feelings of competency and autonomy, it has an informational effect on intrinsic motivation, unlike when contextual factors undermine these feelings, they have a controlling effect. When a contextual factor has an informational effect, it positively affects intrinsic motivation through the process of internalisation (Gagne & Deci, 2005), and hence, creativity.

Componential Model for Creativity and Innovation

The componential model is a prominent theory in the literature of creativity, which was introduced originally in 1988 by Amabile. It suggested that the creative process is an outcome of three components: creative skills, motivation, and knowledge. This theory sheds light on the importance of motivation in the creativity process. This theory was further enhanced by the introduction of the dynamic componential model in 2016 by Amabile and

Pratt. The latter provided a further advancement to the role of intrinsic and extrinsic motivation, such that the model acknowledged the role of extrinsic motivation in enhancing the creativity process. According to the dynamic componential model, some kinds of extrinsic motivations have harmonious effects with intrinsic motivation to stimulate creativity and "motivational synergy" (Amabile, 1993). This concept is in line with the process of internalisation (Gagne & Deci, 2005). The advancement in the model was drawn from the cognitive evaluation theory (Deci & Ryan, 1985), suggesting that informational extrinsic motivators, which are motivators that provide information that builds competency, are more supportive of intrinsic motivation than controlling extrinsic motivators, which are the motivators that make people feel controlled by an external force.

Learned Industriousness Theory

The learned industriousness theory was introduced by Eisenberger in 1992. It suggested that when individuals focus on a certain performance dimension, they tend to ignore other performance dimensions. Such that, when a person focusses on efficiency as a performance dimension, this person tends to ignore other performance dimensions, such as creativity (Eisenberger & Armeli, 1997). Therefore, according to this theory, it is necessary to communicate to employees the desired performance dimension when rewards are given. It has to be clear that the rewards are contingent to creativity for instance, and not efficiency, in order to avoid the negative effects of extrinsic rewards on creative behaviour (Eisenberger & Cameron, 1998). This theory was tested empirically through several experiments that showed the positive effects of extrinsic rewards upon individual creativity, and intrinsic motivation, when the extrinsic rewards where contingent on the creative behaviour (Eisenberger, Armeli, & Pretz 1998; Eisenberger & Aselage, 2009).

Interactionist Model of Creative Behaviour

This model was introduced by Woodman, Swayer and Griffin in 1993. According to the interactionist model, creativity results at different organisational levels from a complex interaction between the individual, and the work situation. For instance, at an individual level, creativity is caused by motivation, such as social rewards, or personality factors, such as self-esteem, and locus of control. At a team level, creativity is a function of group compositions, and group characteristics. At an organisational level, the roles of individual, and team creativity takes place, as well as contextual influences, such as reward systems, and organisational culture. According to this theory, the intervention of extrinsic motivation suppresses creativity, such that rewards could have an adverse effect on intrinsic motivation by redirecting the attention of an individual away from the heuristic aspects of a creative task, and towards the rule bound aspects of a task.

Intrinsic Motivation Theory

The intrinsic motivation theory was introduced by Amabile in 1996. It suggested that the individuals that are intrinsically motivated to perform a task, such as they find a task interesting and satisfying, are more prone towards taking risks, and are therefore more likely to experience higher creativity (Amabile, Hennessey & Tighe, 1994). The positive relationship between intrinsic motivation and creativity suggested by this theory gained a great consensus among scholars, and a consistent empirical support (Zhang & Bartol, 2010). The intrinsic motivation theory however, views extrinsic rewards as being detrimental to the intrinsic motivation, and hence, creativity.

The Gap in the Literature and Future Research Avenues

The body of research on employees' creativity and work motivation has received a considerable research attention and highlighted the importance of work motivation in fostering employees' creativity, and hence, achieving organisational success and survival (Deci & Ryan, 1985; Amabile 1996; Zhou & Shalley, 2003). However, despite the scholarly progress thus far, there is a paradox of the reward and creativity, with scholars having opposing views regarding the relationship between rewards and employees' creativity. From this position, the literature calls for further studies to consider the different moderators, and mediators of the reward-creativity relationship, and considering the role of individual differences because individuals with different orientations could respond differently to rewards (Shalley, Zhou & Oldham, 2004). The following discussion intends to further elaborate on the gap found in the literature, as well as introduce prospective future research avenues.

The Paradox of the Reward and Creativity

The literature showed that scholars had different views pertaining to the reward-creativity relationship. Some scholars argue that rewards lead to employees' creativity, while others argue that rewards do not lead to employees' creativity, and each school of thought has its arguments and supporting empirical evidence. The former group of scholars, 'social cognitive researchers', argued that the use of extrinsic rewards leads to diminishing creativity via undermining the intrinsic motivation due to a lowered self-determination, and the over-justification effect (Amabile, 1996; Hennessy & Amabile, 1988). This view is proven empirically. For instance, Amabile, Hennessey and Grossman (1986) found in a laboratory study, that when participants agree to work on a certain task in order to receive a reward (contracted for reward), there is a negative effect upon creativity. This is in addition to other empirical studies that demonstrate the negative effect of rewards on creativity (Kruglanski, Friedman & Zeevi, 1971). On the other hand, the latter group of scholars, 'behaviourally

oriented researchers', suggested that the use of extrinsic rewards enhances creative performance (Eisenberger, 1992). Behaviourally oriented researchers found that rewards can have informational value, which can be used to encourage creativity. They argue that extrinsic rewards increased perceived self-determination, and thus facilitating intrinsic motivation (Eisenberger & Selbst, 1994; Eisenberger & Armeli, 1997). This position was also supported empirically (Eisenberger, Armeli & Prets, 1998; Eisenberger & Rhoades, 2001). There are also studies that show that extrinsic rewards only have negligible effects upon creativity (Hennessey, 1989; Joussemet & Koestner, 1999). Considering the above mixed results in the literature, there is a subsequent need to investigate the specific conditions under which extrinsic, and contingent rewards have positive, negative or neutral effects on creativity (Eisenberger & Cameron, 1996).

The Use of Moderators

There are other potential and important moderators that were hardly investigated in the literature, and which require future research attention, such as personality traits (Anderson et al., 2014; Malik & Butt 2017; Malik Choi & Butt, 2019). Only a select few studies in the literature considered personality traits as moderators, such as the work of Baer, Oldham and Cummings (2003), and Malik, Butt and Choi (2015). The inconsistent findings in the literature on the reward-creativity relationship could be due to the different perceptions that individuals have on rewards and based on their personality traits. This lays the ground for future research to consider personality traits as moderators of the reward-creativity relationship, such as individuals risk propensity, goal orientations, locus of control, and core self-evaluations (Malik & Butt, 2017).

The Use of Mediators

To further understand the relationship between rewards and employees' creativity, it is necessary to understand the mechanisms through which rewards affect creativity. This understanding happens by considering the mediators in the reward-creativity relationship, which is currently an ignored area in the literature (Malik & Butt, 2017). For instance, referring to the intrinsic motivation theory, intrinsic motivation is a potential mediator of the reward-creativity relationship (Malik & Butt, 2017). Many studies were consistent with the argument that contextual factors affect creativity via their effects on individuals' intrinsic motivation (Amabile, 1996). However, few studies actually measured intrinsic motivation and tested whether it empirically mediates the context-creativity relationship (Zhou & Shalley, 2003). Moreover, according to the learned industriousness theory (Eisenberger, 1992), the clarity of the intended performance dimension has a significant role in determining the effect of extrinsic rewards upon creative performance, and therefore, it could potentially mediate the reward-creativity relationship.

Conclusion

This paper had provided a comprehensive review of the literature on creativity and work motivation. Several key theories that demonstrate the reward-creativity relationship were presented. Subsequently, the gaps in the existing literature were highlighted. Lastly, future research avenues were suggested, including proposed moderators, and mediators.

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