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Impact of Intrinsic and Extrinsic Motivation on Employee’s Retention: A Case from Call Center

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Abstract
With the advent of big data analytics and digitization, virtual support systems are getting immensely popular in present era of generation Z. Likewise call centers are fully equipped with latest innovations in technology from old styled desktops to slim line laptops, and manpower that are ready to establish efficient customer services and put off any impediment for the promotion of organization’s products and services. In Pakistan, there are five major contributors for mobile telecommunication industry, out of which two has been merged together. Ufone is a renowned name in Pakistan and ranked top among cellular services providers. However, it is being confronted with serious issues of turnover. Present study empirically investigated the role of intrinsic and extrinsic motivational factors in employee retention at Ufone call center in Lahore, Pakistan. Data was collected through simple random sampling technique. Results reported that intrinsic motivation has positive association with employees’ retention whereas extrinsic motivation has no relationship with call center employees.
Keywords: Intrinsic Motivation, Extrinsic Motivation, Empowerment, Promotion, Training, Rewards, Job Security, Affective Organizational Commitment and Retention.

Introduction

Current century marks an era of innovation around the globe along with the extent in the level of competition. Organizations have started to work on differential strategy while using the basic concept of resource based view (RBV) and use it as their competitive edge. Moreover, enterprises explore the core competences that would help them to compete with the rival firms. These strategies improve organizational performance, productivity and financial position of the industry and achieve the organizational success. Likewise, McKinsey group recognizes the employees as irreplaceable assets and devise the term “War for Talent” (Scullion & Collings, 2011). In addition, in a study Heinen and O’Neill (2004) discussed that if an organization fails to utilize the human capital then the business will face decline in its performance and productivity.

The increasing importance of skilled workforce makes its retention a challenge for many organizations. This study builds a theoretical model with the help of self-determination and two factor theory and empirically investigates the factors that play important role in employees’ retention. This research was conducted in Ufone call center, Lahore Pakistan. Research suggested that motivation was an essential perspective of an organization’s management policy for retaining employees within an organization (Hewitt & Larson, 2007). Herzberg et al. (2011) identified several motivational factors that created a feeling of happiness in employees for their jobs. There are different forces which give confidence to an individual to achieve a certain task is known as motivation (Fletcher, 1999). Smith (2001) termed motivation as an attribute that compel people to do something or restrain from it. Furthermore, intrinsic and extrinsic motivations are two types of motivation. These two types of motivation have great influence on both developmental and educational practices, and are being studied in both domains.

Intrinsic motivation represents an individual urge to learn and work. Whereas extrinsic motivation reflects external control, true self-counseling or control (Ryan & Deci, 2000). This definition has the background of self-determination theory, which gives significant importance to individual personal liking. Generally, intrinsic motivation is defined as an individual willingness to pursue an activity for self-satisfaction (Deci, Koestner, & Ryan, 1999). On the other hand, extrinsic motivation determines a behavior that is the result of the external factors e.g. rewards. The study elucidates that employee work behavior and work performance is highly influenced by motivational factors (Khan, 2017). There are number of ways to engage employees, but organization needs to design its strategy according to the culture, organizational structure to avoid employee’s dissatisfaction. In previous studies, motivation has been used to retain the employees (Anis, Nasir, & Safwan, 2011; Cao, Chen, & Song, 2013). Two factor theories discussed that hygiene factor (pay) just keep an employee from dissatisfaction but promotion and recognition motivates employee to work better (Farooq & Hanif, 2013).
However, in Pakistan many researchers have studied motivation and its impact on retention in different sectors like banks (Barrs, 2005), educational sector and private industrial sector (Warsi, Fatima, & Sahibzada, 2009) but the issue of turnover in the call centers of Pakistan was not focused and still the issue exists. Moreover, call center employees of Pakistan are not satisfied from the jobs and the intention to leave the organization can be observed. Therefore, there is a dearth of research on the call center sector of Pakistan to provide the solution to avoid the turnover. The study (Malhotra, Budhwar, & Prowse, 2007) conducted a survey among four call centers of the retail banking UK and investigated the link between the employee’s perception (intrinsic and extrinsic) with three components (affective, normative and continuance) of organizational commitment. The study reveals that there exists a significant relationship between intrinsic and extrinsic motivation with all three types of organizational commitment. However, the current study focuses on the call centers of Lahore (Pakistan), having unique identity, different from western call centers. Thus, the current study intends to examine the impact of intrinsic and extrinsic motivational factors on employees’ retention in call center of cellular company Ufone. The current study contributes while practically analyzing the key factors which may assist the organization to retain the employees in the long run which will also facilitate the organization in less cost of new hiring.

**Literature Review**

The study by Guthrie (2001) emphasizes on the greater use of work involvement practices in organizations. These practices are directly associated with the rate of employees’ turnover and retention in organizations. Organizations’ productivity is also influenced by employee’s job switching. The study by Nawaz, Jahanian, & Tehreem (2012) elucidates that employees always look for better career opportunities which make it difficult for employer to retain talent. Whereas, retentions rate of any company is one of the factors which contribute in any organization financial success. Therefore, it is suggested that organizations look for different ways to motivate and engage its employees.

**Self Determination Theory**

Individuals are more determined and committed to tasks assigned where they have pertinence and relatedness. Central theme of SDT highlighted that knowledge gaining activities that promote innovative styles of self learning results in practically augmented perks and advancements for the organization. Employee’s intrinsic motivation increase manifold when relevance of gaining knowledge is exactly according to job description (Vansteenkiste, Aelterman, Muynck, Haerens, Patall, & Reeve, 2018). Self-determination theory is a multidimensional concept of motivation and associated with the individuals and contextual history. It differentiates various types of motivation derived from relevant regulations and leads to action (Deci et al., 1999; Deci & Ryan, 1985; Ryan & Deci, 2000).

Self-determination theory, as evident from its description, is self-directed form of motivation and resulted from the fulfillment of psychological needs where autonomy is the most basic need (Ryan, & Deci, 2000). Moreover, association exists between self-determination and psychological functioning, as self-directed motivation cause positive
outcomes. After the analysis of several researches, it is established that intrinsic motivation generates consistent performance and satisfaction in various domains like education, behavioral health, organizational than the extrinsic motivation (Baard, Deci, & Ryan, 2004; Black, &Deci, 2000). However, self-determination theory emphasizes that intrinsic motivation is dependent on three basic psychological needs, which are autonomy, competence.

**Herzberg’s Two-Factor Theory**

Herzberg’s theory emphasizes that employees are motivated, depending upon the work itself (motivators) and work environment (hygiene factors). Hygiene factors are not sufficient alone to keep the individual motivated but their absence can generate dissatisfaction, therefore, motivators should be developed for keeping the individuals motivated (Farooq & Hanif, 2013). The factors of dissatisfaction (hygiene factors) are mainly non-related to job like organizational management, supervisory control system, and workplace relationship and incentive systems (Kumar, 2007). Further, employees need support for their initiatives, flexible time and the elimination of the restricted payment system for their motivation (Bjørn & Bukh, 1995). Human resources practices like empowerment, employee’s ownership and reward system are the critical success factors as they keep the employees motivated (Pfeffer, 1994).

Herzberg (Lo, Lin, & Hsu, 2016) emphasized that the challenging nature of the task and door of opportunities (recognition and reinforcement) lead to the work motivation. Herzberg (Lo et al., 2016) depicted that employees are more motivated through the internal values rather than external ones. The internal factors may be achievement, recognition and tasks which are named as motivators. Thus, job characteristics itself should be according to the interest of the employees as it creates excitement, satisfaction and challenging.

**Intrinsic Motivation**

A study (Farooq & Hanif, 2013) indicated that intrinsic and extrinsic motivational factors play utmost important role in building a long-term relation with employee. According to McClelland’s need theory, intrinsic factors proved to be more influential than the extrinsic ones like salary, reward, compensations etc. Another study (Dysvik & Kuvaas, 2010) suggested that there is a significant relationship between employee’s intentions to leave the work if his or her personal goal achievements are faced with obstructions or restrictions.

Employee empowerment depends upon employee’s thinking regarding level of self-efficacy, work culture and power to pursue the goals at work place (Hayes, 1994). The study (Loke, 2001) highlighted empowerment as a way an employee feels motivated when the management furnishes them power to align the work to protract and achieve it in the right direction. Further, it is defined as a process in which an employee has discretion about performing his task and managing work in the organization (Anis et al., 2011). Gul et al. (2012) investigated that the role of employee’s empowerment, promotion and opportunity of development and promotion, on employee’s retention, revealed that capacity development and empowerment has positive and significant relationship whereas
promotion has negative but insignificant relationship with retention. Another study suggested that empowerment and intrinsic motivational factors have a strong influence on employee retention in any organization (Galletta, Portoghese, & Battistelli, 2011). To reveal the effect of empowerment on the turnover rate and commitment of employees, the study (Anis et al., 2011) investigated a sample of 691 employees of Khyber Pakhtun Khwa’s banks and results revealed that empowering employee had significant effect on both turnover and commitment to job. Its findings also presented that they were exactly in contradiction to relationship between the intention to leave organization and employees’ commitment towards the organization.

However, job security affects the employee’s behavior at workplace and employee’s affiliation with the organization (Sverke, Hellgren, & Näswall, 2002). If employees are not satisfied with job, the level of retention will decline at workplace (Trevor, 2001). In addition, skilled employees usually have abundant opportunities which increase the rate of job switch that ultimately results in creating vacancy for skilled employee consequently, increasing cost of recruitment process in the organization. Further, intrinsic aspects affect an individual’s intention to stay or leave. In another study it was highlighted that job motivation, prospects for creativity and job security impacts human capital retention (Samuel & Chipunza, 2009). Organizations should work on practices which keep employees engaged and helped them excel in their workplace. Organizations should work on their organization culture which promotes healthy relationship between employer and employees. The employees should be valued and provided with job security and facilitate them to perform challenging and creative tasks. Similarly, another study (Olusegun, 2012) argued about employee turnover and suggested same parameters.

Meyer and Allen (1991) defined affective organizational commitment as the employees’ emotional affection to the organization and their urge to stay in that firm. Employees’ commitment can be increased manifold if those organizations build emotional attachment with its employees, thus reducing turnover and instigating employee’s sense of fulfillment and enhancing organizational performance. A research (Anis et al., 2011) conducted in pharmaceutical industry discussed importance of employee organizational commitment by revealing that monetary benefits and supervisory support lend an individual’s organizational commitment. It also minimizes turnover rate that automatically improves retention. Additionally, it was observed that there was a strong connection between employee commitment and turnover, as former help in reducing later (Cohen, 1993). The study (Spence Laschinger, Leiter, Day & Gilin, 2009) have done the data collected from staff nurses to analyze the impact of turnover rate, job satisfaction and commitment of employees. The findings of the study clearly depicted that all three variables were significantly related to retention. Thus after reviewing literature following hypothesis is designed.

**Hypothesis 1:** There exists a significant positive relationship between intrinsic motivation and retention

**Extrinsic Motivation**

Reference (Agarwal, 1998) determined that rewards can comprise of anything which was offered to the employees for putting their efforts or displaying phenomenal
performance. Acknowledgement of employees’ work through rewarding them contributed in building long term relations with organization (Perrin, 2003; Mercer, 2003). To cope up this large turnover, companies’ offer different compensation plans like rewards, bonuses, commissions and work-life balance (Mercer, 2003). Turnover cost of individuals might not be very high for new employees, but it has huge cost if the experienced and skilled employees leave the organization. Further, the study (Samuel & Chipunza, 2009) emphasized that rewards help the organizations to retain its manpower. Moncarz, Zhao, & Kay (2009) study showed that employees’ turnover can be reduced with the help of recognition and rewards. As skilled and executive employees are the real assets of any organization, thus retaining them prove to be enhanced organizational productivity and financial performance. In the same manner, another study (Scott, McMullen & Royal, 2012) noted that in future it would be very difficult for firms to retain its workforce. However, there are many factors which play a key role to retain the employees like person-organization fit, organizational culture, compensation, rewards, recognition, work environment and organizational justice (Irshad & Afridi, 2007).

Additionally, promotion of the employee should be a formal and structured process in organizations. Its aim is to achieve a balance between the ability of the employees and opportunity in a company (Lynn, Zinkhan, & Harris, 1993). As companies need capable employees to achieve competitive advantage, workers need promotion to grow and develop their career [40]. Promotion keeps the equilibrium between the company and employees’ needs (Irshad & Afridi, 2007). Thus, it is important for the organizations to acknowledge promotions for the sake of reducing turnover for a successful organization. The study (Frazis, Gittleman, & Joyce, 2000) investigated employees’ retention in US lodging properties. Suggested that factors like recruitment, training, promotions and work environment significantly affected employees’ retention.

**Figure 1: Conceptual Framework**

However, organizations which focused on training and development of employees, reinforced their learning and erudition, thus amplified their acceptance and strengthen
their retention in the organization (Frazis et al., 2000). It was studied as in (Gold, 2001) that training was useful in the development of new skills and exalted work performance by creating new capabilities in employees that would assist companies for targeting their goals. Another study (Cao et al., 2013) revealed that HR practices of employee career planning, building good employee relations and providing better opportunities to balance work and home impact on employee’s commitment and performance at workplace. This approach decreased turnover rate in understudy organization. Farooq and Hanif (2013) noted that Pakistani extrinsic factors like career development and training to reduce employee turnover. It was observed that multinational companies were inclined towards developing policy that was more employees oriented in its approach and action to reduce employee turnover. It revealed that training and development of employee has significant relationship with organization growth and employee’s retention (Anis et al., 2011; Hassan, Razi, Qamar, Jaffir, & Suhail, 2013). Based on above literature, following hypothesis is designed.

**Hypothesis 2:** There exists a significant relationship between extrinsic motivation and retention.

In the light of the above literature, Figure 1 theoretical framework was designed. This model is tested in the Ufone call center of Lahore.

**Figure 2: Theoretical Framework**

**Method**

Intrinsic and extrinsic motivational factors influence retention of the employees. Objective of this study is to examine the intrinsic motivational factors (empowerment, job security and organizational commitment) and extrinsic motivational factors (promotion, training and rewards) on retention.

**Procedure, data source, study participant and research design**

This paper carried out research with employees of Ufone call center of Lahore, Pakistan. Simple random sampling technique was used to learn the behaviors of the
employees. The sampling population included male and female employees of Ufone call center. Out of 120 questionnaires, 94 deemed good to analyze. The questionnaires with missing and improper responses were discarded.

Variables and Measurement

Intrinsic Motivation was measured using constructs; empowerment (e.g., “I am allowed to be creative when I deal with problems at work”) from Hayes (1994), job security (e.g., “The organization has not experienced layoffs in the past 12 months”) from Esen (2003), affective organizational commitment (Working at my organization has a great deal of personal meaning to me”) from Rhoades et al., 2001.

Extrinsic Motivation was measured using constructs; promotion (e.g., “your establishment support promoting employees from within”, training (e.g., “cross training of employees practiced at your establishment” and reward (e.g., “managers/supervisors rewarded/recognized for their subordinates’ successes”) have been adopted from Moncarz and Zhao (2008).

All instruments were a five-point Likert scale which measured from 1=strongly disagree to 5=strongly agree. The questionnaire was divided into two sections; Section Included demographics such as gender, age group and year of service of the respondents while section B had tested variables such as independent variables (promotion, training, reward, empowerment, job security and affective organizational commitment) and dependent variable (retention). The questionnaire was carefully drafted to fulfill the objective of study.

Results

Job at Ufone call center had restricted timings and call center remained open 24 hours seven days a week. These restricted timings were comfortable for youngsters. People working at call center were from different religion and region. Ufone did not discriminate on any basis. The results reported that mostly respondents were male 64%, the call center agents were from the age group 26-45. Job experience of most of the respondents was from two to five years.

Correlation& Descriptive Analysis

The result of the mean score of all variables was above neutral point. The correlation between independent variable (intrinsic motivation) and dependent variable (retention) suggest that it has moderate positive liner relationship. Extrinsic motivation has moderate positive liner relationship with retention.
Table 1  
**Correlations Among and Descriptive Statistics for Key Study Variables**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Intrinsic Motivation</td>
<td>3.56</td>
<td>0.49</td>
<td>0.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Extrinsic Motivation</td>
<td>3.40</td>
<td>0.61</td>
<td>.52**</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>3. Retention</td>
<td>3.36</td>
<td>0.45</td>
<td>.54**</td>
<td>.40**</td>
<td>0.58</td>
</tr>
</tbody>
</table>

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

Value of alpha for intrinsic motivation is 0.89 which is greater than 0.5 so, promotion is reliable. In addition, for extrinsic motivation the value of alpha is 0.88, and for retention is 0.58 which also reliable. So, the result shows all items are reliable in the current study.

**Multiple Linear Regressions**

Table 2 represents the model summary. R Square describes the proportion of variance variability in the dependent variable that is explained by independent variables.

**Table 2**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.553a</td>
<td>.306</td>
<td>.291</td>
<td>.37947</td>
</tr>
</tbody>
</table>

Predictors: (Constant), Extrinsic Motivation, Intrinsic Motivation

It is observed that value of R Square is 0.306. It means that 30.6% variability in the employee's retention is explained by two independent variables. The remaining 69.4% suggests that some error or other factors influence which are not observable in study. There is a small difference between Adjusted R Square and R Square of 0.015, which indicates the model is good for prediction.

**Table 3**

**ANOVA Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5.772</td>
<td>2</td>
<td>2.886</td>
<td>20.044</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>13.104</td>
<td>91</td>
<td>.144</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.876</td>
<td>93</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Dependent Variable: Retention  
Predictors: (Constant), Extrinsic Motivation, Intrinsic Motivation

The results of regression reported that intrinsic motivational factors have positive relationship with employee’s retention b=0.42, t=4.42, p=0.00. On the other hand, extrinsic motivation and employee retention b=0.12, t=1.57, p=0.12 reported that it is it has insignificant effect on the employee’s retention, p-value is greater than the assumed p-value (0.05).
Discussion
This study examines the impact of motivational factors on employee retention among the call center employees of Lahore, Pakistan. The effect of two motivational factors, Intrinsic and Extrinsic on employee’s retention were analyzed, where, intrinsic motivational factor included Job security, Empowerment and Effective Organizational commitment and extrinsic factors included Promotions, Training and Rewards. After analysis using SPSS the study found that intrinsic motivational factors have significant relationship with retention where extrinsic motivational factors have insignificant relationship with employee retention. The current study results are according to the previous results which mentioned that the employees are more motivated when organizations use intrinsic motivational factors (Dysvik & Kuvaas, 2010; Samuel & Chipunza, 2009). The self-determination theory also supports our model which emphasizes that empowerment and commitment of the employees positively affect the retention. Similarly, Farooq & Hanif (2013) noted that intrinsic and extrinsic motivation has key importance for employee’s retention. However, intrinsic factors play more significant role as according to McClelland's need theory, intrinsic motivation (empowerment) proves to be more influential than extrinsic motivation. This might be due to the reason that extrinsic motivational factors like salary do not motivate the call center employees to stay with the organizations. The results suggest that intrinsic motivational factors like empowering, ensuring job security and providing a culture which enhances employees’ organizational commitment can influence employees to stay with the organization in the longer run. Therefore, these results give organizations a practical insight that what should be their approach to ensure and decrease turnover rate.

Limitations
The paper has certain limitations too. There might be some unobservable factors which become the reason of this result. The effects of many moderating and mediating factors which may affect the relationship of motivation and retention have not taken under study. This might become the cause of insignificance of impact extrinsic motivation on retention. Moreover, sample is taken from only Ufone call center employees, due to time constrains. According to the current research extrinsic motivation is insignificant for retention of Ufone call center employees. If other extrinsic motivation variable like salary has taken under study it might change the results of study.

Implication of Study
Employee’s tendency of leaving organizations increases the cost. Organizations reputations also get damage by such kind of practices. So, it is important to carry research in such area which helps the organizations to retain its key employee. It is necessary to understand the causal process which factors keep the employees and increases the rate of turnover. The organization should align its retention practices with the needs of the employees. Management will be in the better position to face the workforce challenges and encourage retention by intrinsically motivating them. Improve firm reputation and performance trigger by the employee and employer relationship which enhance
productivity. Organization should invest in cultural development by providing opportunity of training which gives employee a sense of empowerment and job security.

**Conclusion**

The current study investigates the relationship between motivational factors (Intrinsic and extrinsic) with the retention among the call center employees. The results reveal that intrinsic motivational factors have significant relationship with retention whereas extrinsic motivational factors have insignificant relationship. Thus, intrinsic motivational factors can play a vital role to decrease employee’s turnover of the call center sector. The previous literature was considering a lot of sectors like manufacturing, services and banking but the call center was less focused area of research in Pakistan. Moreover, the study which was conducted on call center has its limitation due to cultural, demographic and time factor (Johns, 2006). Thus, the current study presents the solution of higher turnover among the Pakistani call centers.

**Recommendations**

The call centers’ management should increase the focus on the intrinsic motivational factors rather than the extrinsic ones to motivate individuals. The organization policies should develop such culture which gives employees job empowerment and sense of job security along with improves their commitment. Further, the work environment improves the employee commitment towards organization. All such practices will help the company to retain its key employees. This study is equally beneficial for all the call centers and it helps the researchers to investigate other sectors like health and hospitality industry. The current study will help in achieving better performance and a holistic view of the call center.

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