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Pay for Individual Performance: Aiding or Harming Sustainable Intrinsic Motivation?

Sara Cabanas ¹, Teresa Proença ¹ and Mauro Carozzo-Todaro ^{2,*}

¹ School of Economics and Management, University of Porto, 4050-290 Porto, Portugal; saara_sasc@live.com.pt (S.C.); tproenca@fep.up.pt (T.P.)

² Center of Technological Sciences, Maranhão State University (UEMA), São Luis 65055-310, Brazil

* Correspondence: mauro.carozzo@uema.br

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Abstract: This study aims to understand the effect of pay for individual performance (PFIP) on employees' intrinsic motivation. Although several studies have analyzed this relationship, until now, the role of satisfaction with variable rewards has not been considered. It was hypothesized that employees who are satisfied with variable rewards would find in PFIP a source of feedback that would contribute to the satisfaction of their basic psychological needs. An empirical study was conducted with 184 professionals working in human resource consulting firms. Data were collected using an online survey, and the PROCESS macro for SPSS was used to analyze the proposed hypotheses. The results indicate that, in this context, PFIP has a direct positive effect on intrinsic motivation. It also has an indirect positive effect, which is partially and sequentially mediated by satisfaction with variable rewards and satisfaction of basic psychological needs. Employers should emphasize the informational nature of rewards, and also seek alignment between the objectives of the compensation system and employee expectations and values. The present findings broaden our understanding of how a PFIP system influences a sustainable intrinsic motivation.

Keywords: pay for performance; intrinsic motivation; self-determination theory; satisfaction with rewards

1. Introduction

Intrinsic motivation “refers to activities for which the motivation lies in the behavior itself” [1] (p. 21). Therefore, the reward is provided by the interest in the activity itself, and studies show that intrinsically motivated individuals display self-determined behavior, high-quality performance, and wellbeing [1]. However, this type of motivation may be diminished in the presence of extrinsic rewards, such as individual performance compensation. This idea is very present in the literature on motivation at work, and since Maslow and Herzberg, pay has been categorized as a lower-order need or as a hygienic factor that only prevents dissatisfaction, but does not really promote motivation at work. In addition, according to Self-Determination Theory (SDT) [1,2], extrinsic rewards such as pay, and especially pay for individual performance (PFIP), may harm intrinsic motivation, because they may lead the individuals to lose the focus on the activity itself, providing instead the feeling of being controlled and, as a result, can diminish their self-determination, producing negative effects on intrinsic motivation.

On the other hand, PFIP may also aid intrinsic motivation instead of harming. This may happen when rewards also have an informational role that can increase intrinsic motivation due to the positive effect on individuals' perceived competence [3–5]. So, when an extrinsic reward provides meaningful and positive information about self-competence in a supportive context, and when individuals have

self-determination in choosing how and when to perform a task, the extrinsic reward may increase intrinsic motivation [6,7].

As can be seen, the effect of PFIP on intrinsic motivation is controversial (see [5,7–11]). Therefore, it is deemed appropriate to understand whether compensation has a positive or negative impact on intrinsic motivation in the workplace [12]. The factors that influence intrinsic motivation have been extensively studied because of their relevance to sustainable management [2,13], especially given its higher quality, compared with extrinsic motivation, in terms of the ability to generate positive outcomes such as creativity and wellbeing [1]. Moreover, if PFIP is aligned with promoting the satisfaction of the basic psychological need reported in SDT, the effects on intrinsic motivation will be positive. Even so, for this alignment to occur, it seems important that individuals feel satisfied with these variable rewards based on performance. Thus, the following questions arise: What are the effects of PFIP on intrinsic motivation in work contexts? Is the level of satisfaction with the variable rewards part of the process underlying the relationship between those variables? Seeking to contribute to this debate in the literature, this study aims to understand the effect of pay for individual performance on employees' intrinsic motivation. Intrinsic motivation is an important topic in the workplace, and the evidence suggests that intrinsically motivated individuals perform better and experience less burnout [1,14]. Moreover, workplaces that promote intrinsic motivation are also promoting work-engaged employees and wellbeing [1,15]. The results of this research contribute to human resource management and offer evidence that illustrates the effect of PFIP on employee motivation, as well as pointing out ways to apply and manage these compensation systems.

2. Pay for Performance, Satisfaction, and Intrinsic Motivation

Pay for performance (PFP) involves a pay scheme that relies on performance that may be measured against quantitative results (e.g., sales volume, productivity, profit), usually named as key performance indicators (KPIs) and/or qualitative results or behaviors (e.g., usually competences assessed in the performance appraisal process). A broader definition of PFP allows for the inclusion of a wider range of pay-for-performance programs, such as merit pay, merit bonus, and related programs. These programs rely on subjective employee performance assessments, which generally measure performance using something other than pre-established (formula-based) payment schedules [16]. PFP may be measured at the individual (PFIP) or aggregate (group or organizational) levels, with PFIP typically playing a key role, namely in firms that depend heavily on human capital, such as consulting firms [17].

Looking at the overall economy and across employee groups, the use of pay for individual performance (PFIP) is widespread [17,18]. A large body of evidence indicates that PFIP has a positive impact on workers' performance and productivity, as well as on companies' financial performance [19,20]. Additionally, PFIP has a positive effect on pay-raise satisfaction, pay-level satisfaction, and overall pay satisfaction [21]. However, the literature does not offer a solid answer regarding the negative or positive effects of this reward system on intrinsic motivation in the workplace [17].

From a theoretical perspective, according to SDT, when individuals are externally regulated by rewards and contingent threats, they perceive their behavior as being directly controlled by others. That external regulation can powerfully motivate specific behaviors, but usually comes with collateral damage, leading to long-term decreases in intrinsic motivation [1]. However, Ryan [6] states that if a reward is seen as significant and capable of containing positive information about the competence of the individual, in situations where they have some autonomy in their action, the reward may increase intrinsic motivation. Therefore, the perception of external rewards as controlling or, conversely, as meaningful seems to be a key factor in understanding their effect on intrinsic motivation.

Evidence also reflects this controversial effect of PFIP on intrinsic motivation in work environments. On the one hand, pay for performance was perceived as controlling, thus diminishing intrinsic motivation [8]. This evidence is consistent with the SDT by signaling that the presence of external rewards compromises the workers' sense of volition and autonomy, and consequently reduces their intrinsic motivation. On the other hand, evidence has been at least controversial. Lohmann et al. [10]

and Huffman and Bognanno [11] obtained contentious results, as some respondents reported feeling positive effects, and others reported negative ones. These results may be a consequence of the self-selection into jobs, which affects the psychological impact of PFP [11]. Individual choices for working in certain companies are based on an inherent estimate of similarity to their personal characteristics [22]. Therefore, when there is a match between the employee's personality traits and the company's reward system, external rewards may not have a controlling effect.

However, there is evidence that extrinsic rewards had a positive effect on the perception of autonomy and competence, and thus on intrinsic interest [7]. Intrinsic interest is a term closely related to intrinsic motivation because the very definition of intrinsic motivation refers to the experimentation of interest and enjoyment [1,7]. This result is supported by the Cognitive Evaluation Theory (CET), and highlights the informational role of PFIP [3–5]. Since, according to CET, when an extrinsic reward brings meaningful information about competence and the employees have autonomy to perform their tasks, the extrinsic rewards may increase intrinsic motivation. Similarly, it was found that financial incentives, when fairly distributed, were positively related to feelings of competence and autonomy, which, in turn, foster autonomous motivation [5,23]. It is important to clarify that autonomous motivation encompasses intrinsic motivation [1]. Finally, along the same line of reasoning, evidence suggests that employees' trust in the ability of managers to make good decisions increases the positive effect of PFIP on intrinsic motivation [24].

As performance evaluation has been widely used, a reward system based on individual performance may have little impact on controlling perception. Accordingly, Kanfer [25] (p. 89) argues that “the controlling features of evaluative contingencies are likely to be less salient due to widespread beliefs about the appropriateness of such evaluations in the workplace”. That is why in some work environments, PFIP is expected to have a positive effect on perceived competence and autonomy, rather than perceived control imposed by external factors [7]. These arguments are consistent with empirical evidence that points out that when employees perceive a strong link to the performance reward system, they perceive themselves to have more autonomy [7,13]. In particular, rewards that effectively recognize effort and performance may increase the sense of competence and self-efficacy, which are both directly related to intrinsic motivation [7,26]. In addition, rewards that give rise to volitional behavior, avoiding imposing performance standards and putting pressure on them to meet those expectations, may increase autonomy and, thus, intrinsic motivation [5,23]. Therefore, in accordance with these arguments, the first hypothesis is offered:

Hypothesis 1 (H1). *The pay-for-individual-performance system has a positive effect on intrinsic motivation in contexts where it is widely used.*

Companies that use pay-for-performance systems favor employees who contribute more success and value to the business and, thus, reward them through variable compensation related to the achievement of goals [27]. Setting challenging goals is also a way of helping people discover the pleasurable aspects of an activity [28] and of increasing interest in the task [29]. In addition, pay for performance enhances overall pay satisfaction [21], and is associated with pay raise happiness and pay level satisfaction [30]. Evidence suggests that the level of employee satisfaction is positively related to the perception that their performance is linked to financial rewards [31].

Moreover, consistently with the Attraction–Selection–Attrition (ASA) model [32], individuals who are not satisfied with extrinsic rewards are supposed to have enough autonomy to choose a place where these systems are not so evident, and to work in a context that is a better match with their beliefs [7,18]. That is the sorting effect of the individual performance reward system, i.e., the individual has the power to choose an employer according to the reward system that best fits their needs and vice-versa [33]. There is evidence that PFIP is associated with certain personality traits, such as extrinsic motivation orientation and internal work locus of control, which indicates that PFIP contributes to the sorting/ASA process [7]. In addition, evidence from white-collar workers in the banking sector

suggests that contingent rewards enhance the positive influence of transformational leadership on job satisfaction [34].

In this vein, employees who are satisfied with the variable rewards are expected to find this type of external reward more significant and less controlling. This is because these types of rewards provide a sense of accomplishment that can intensify the meaning and importance of the task performed, and, consequently, these individuals tend to perceive the system as more meaningful [28]. Therefore, PFIP may positively impact intrinsic motivation when individuals feel satisfied with this pay and when they feel that it compensates for the effort made.

Hypothesis 2 (H2). *The relationship between pay for individual performance and intrinsic motivation is mediated by satisfaction with variable rewards.*

When the performance goals are aligned with personal values and psychological growth, as in the case of self-integrated monetary motives, they have the potential to increase the satisfaction of psychological needs [35,36]. According to the CET, when a particular event in the individual's professional life involving some kind of reward or feedback produces a sense of competence during the action, there is a greater likelihood of increasing intrinsic motivation, as it enables the satisfaction of the basic psychological needs: Autonomy, competence [4,14], and relatedness [37]. These arguments are in line with the empirical evidence provided by Olafsen et al. [37] and by Fang and Gerhart [7]. The first specifies that managerial support impacts autonomous work motivation through a change in basic psychological need satisfaction. The second study found that PFIP increases the perception of autonomy and competence in white-collar workers. In addition, Landry et al. [5] found that pay for individual performance increases intrinsic motivation, as it has a positive influence on the perception of two basic psychological needs: Autonomy and competence. This gives rise to the following hypothesis:

Hypothesis 3 (H3). *The relationship between pay for individual performance and intrinsic motivation is mediated by the satisfaction of basic psychological needs.*

Furthermore, considering that pay for performance is associated with wage happiness and wage level satisfaction [30], as mentioned earlier, it can be argued that happy and satisfied employees with variable pay tend to experience more positive emotions. These positive emotions, according to the Broaden-and-Build Theory, expand the repertoire of actions and develop social and psychological resources [38]. Empirical evidence indicates that these types of emotions can also stimulate interpersonal ties [39] and relational resources [40,41]. In addition, social learning theory predicts that rewards based on individual performance may provide the capability for an evaluative self-reinforcement, which will allow self-motivation and self-direction [42]. Therefore, it is expected that the pay-for-performance compensation system, by promoting satisfaction with variable pay, will have a positive effect on the basic psychological need for relatedness between employees.

Moreover, satisfaction attitudes generally involve a dual perspective covering both the affective and cognitive aspects. It is therefore acceptable to expect that the affective aspect of reward satisfaction may mainly result in the satisfaction of relationship needs, whereas the cognitive aspect of satisfaction will be more related to the informational value of the rewards in terms of confirmation of the sense of competence and self-determination [31]. A sequential mediation process, including satisfaction with variable rewards and, subsequently, satisfaction of basic psychological needs, may explain the psychological process involved in the relationship between PFIP and intrinsic motivation.

Hypothesis 4 (H4). *The relationship between pay for individual performance and intrinsic motivation is sequentially mediated by satisfaction with variable rewards and, subsequently, satisfaction of basic psychological needs.*

3. Method

3.1. Sample and Procedures

The target population consists of employees working in human resources consulting firms located in Porto area, Portugal. To collect the data, an online questionnaire that guaranteed the anonymity of respondents and companies was used. The inclusion criteria adopted required human resources consultants working in human resources consulting firms that use pay-for-individual-performance systems (PFIP). The exclusion criteria adopted were not having received any payment.

Throughout the process detailed above, 460 human resources consultants were contacted, and 184 responses were collected and included in the final analysis, yielding a response rate of 40%. Most participants were female (70%). The average age of participants was 29.81 years ($SD = 6.81$). With regard to schooling, 42% of the participants possessed a bachelor's degree, followed by a master's degree (41%), postgraduate/MBA (12%), high school (5%), and PhD (5%). Tenure in their current company was less than one year for 41% of the participants, followed by 1 to 3 years (33%), 3 to 5 years (11%), more than 10 years (9%), and 5 to 10 years (6%). Although some participants had less than one year of tenure, all of them had already received pay for performance at the time of the study, since the usual format is a quarterly payout. With regards to occupation, most respondents did not hold leadership positions (86%). The majority of respondents work in the sector of human resources consulting in specialized areas (36%), followed by temporary recruitment (22%), permanent recruitment (13%), outsourcing recruitment (9%), in-house services (6%), and other (13%). Regarding firm size, 64% have more than 250 employees, 18% between 50 and 250, 14% between 10 and 50, and 4% have less than 10 workers.

3.2. Measures

As the questionnaires were originally developed in English, a forward–backward translation procedure was adopted with the support of bilingual assistants [43] in order to use the language of the participants.

Intrinsic motivation: This was measured using the corresponding three items from the Multidimensional Work Motivation Scale (MWMS) [44]. Respondents had to answer the question “Why do you or would you put effort into your current job?” [44] (p. 180) for each item, using a seven-point Likert scale that varied from 1 (not at all) to 7 (completely). A sample item was “Because what I do in my work is exciting”. In the present study, a Cronbach alpha for intrinsic motivation of 0.875 was achieved.

Pay for individual performance: This variable was measured using the Performance Emphasis dimension scale [45] designed to measure compensation strategies. Respondents were asked to use a five-point Likert scale from 1 (disagree) to 5 (strongly agree) to evaluate three items for the most prominent existence of such rewards. A sample item was “The seniority of a worker is not one of the criteria in pay decisions”. The item “There is a large pay spread between low performers and high performers in a given job” was excluded to ensure acceptable reliability [46]. After that, a Cronbach alpha of 0.708 was achieved.

Satisfaction with variable rewards: This variable was measured using the “variable rewards dimension” of the Reward Type Preferences Scale [47]. In order to adjust the scale to the reality studied, the following items were added: “The way individual prizes are determined” and “the way group prizes are determined”. Respondents were asked to use a five-point Likert scale from 1 (very unsatisfied) to 5 (very satisfied) to estimate their satisfaction with the reward practices used by their companies. Exploratory factorial analysis yielded a single factor that explained 75% of the variance, and each of the four items had a factor load greater than 0.8. The confidence level of satisfaction with variable rewards, measured by Cronbach's alpha, was 0.888.

Satisfaction of basic psychological needs: This variable aimed to determine the degree of satisfaction of the basic psychological needs of competence, autonomy, and relatedness using the “Work-Related Basic Need Satisfaction Scale” [48]. The 23 items that compose the scale were arranged

alternately in the questionnaire, and respondents were asked to use a five-point Likert scale from 1 (totally disagree) to 5 (totally agree) to estimate the degree to which items correspond to the reality of their day-to-day work. This set of items obtained a Cronbach's alpha of 0.861.

4. Results

4.1. Descriptive Analysis

Sociodemographic and professional variables, such as gender, age, schooling, tenure, leadership positions, and firm size, are often related to the variables under study [49–51] and were, therefore, controlled.

Table 1 presents descriptive statistics and correlations of the study variables. As can be seen, the main variables under study are positively correlated with each other. Specifically, pay for individual performance correlates with intrinsic motivation ($r(182) = 0.24, p < 0.01$), satisfaction with variable rewards ($r(182) = 0.46, p < 0.01$), and satisfaction of basic psychological needs ($r(182) = 0.17, p < 0.05$). In turn, satisfaction with variable rewards correlates with satisfaction of basic psychological needs ($r(182) = 0.36, p < 0.01$) and intrinsic motivation ($r(182) = 0.33, p < 0.01$). In addition, the satisfaction of basic psychological needs correlates with intrinsic motivation ($r(182) = 0.52, p < 0.01$).

Table 1. Means, standard deviations, and correlations among the study variables ^a.

		Mean	SD	1	2	3	4	5	6	7	8	9	10
1	Gender	0.70	0.46	1									
2	Age	29.81	6.81	0.09	1								
3	Schooling	3.90	1.02	0.04	−0.18 *	1							
4	Tenure	2.88	1.47	−0.01	0.53 **	−0.18 *	1						
5	Leadership position	0.14	0.34	−0.05	0.36 **	−0.18 *	0.28 **	1					
6	Firm size	3.41	0.88	0.09	0.25 **	0.07	0.13	−0.02	1				
7	PFIP	3.15	0.92	−0.09	−0.18 *	0.10	−0.28 **	0.09	−0.01	1			
8	Intrinsic motivation	5.20	1.17	0.05	0.10	−0.04	0.03	0.15 *	−0.10	0.24 **	1		
9	SVR	2.33	1.36	−0.08	−0.16 *	0.00	−0.16 *	0.14	−0.05	0.46 **	0.33 **	1	
10	SBPN	3.89	0.50	0.15 *	−0.00	0.03	0.16 *	0.02	0.04	0.17 *	0.52 **	0.36 **	1

Notes: N = 184. Gender (0 = male, 1 = female); Age (unit: Years); Schooling (1 = basic education, 6 = PhD); Tenure (1 = less than 6 years, 6 = more than 10 years); Leadership position (0 = no, 1 = yes); Firm size (1 = less than ten employees, 4 = more than 250); PFIP = pay for individual performance; SVR = satisfaction with variable rewards; SBPN = satisfaction of basic psychological needs. ^a Pearson Correlations. * $p < 0.05$, ** $p < 0.01$.

4.2. Sequential Mediation Analysis

To test whether pay for individual performance influences intrinsic motivation through satisfaction with variable rewards and the satisfaction of basic psychological needs, a three-path sequential multiple mediational model based on traditional ordinary least-squares regression was used. PROCESS macro version 3.4 (model 6) for SPSS was used to compute all regression equations [52]. This macro calculates the regression coefficients for all indirect effects and uses a bootstrapping procedure to calculate bias-corrected confidence intervals (CIs). The regression coefficients of all regression equations for this mediational model are presented in Table 2 and Figure 1. Table 3 presents the bootstrapping effects and 95% confidence intervals for all indirect effects.

Table 2. Multiple regression coefficients, standard errors (SEs), t-values, and p-values for all regression equations.

		β +	SE	T	P
Predictor	Path	Equation (1): Total effect, predicting IM $R^2 = 9\%$, $F(5,178) = 3.48$, $p < 0.005$			
Constant		3.45	0.56	6.14	0.00
PFIP	(c)	0.26	0.10	3.44	0.00
Gender		0.07	0.18	0.92	0.36
Age		0.10	0.02	1.09	0.28
Tenure		0.02	0.07	0.27	0.79
Leadership Position		0.09	0.27	1.09	0.28

Table 2. Cont.

		β †	SE	T	P
Equation (1): Predicting SVR					
$R^2 = 24\%$, $F(5, 178) = 11.08$, $p < 0.001$					
Constant		0.00	0.09	0.03	0.98
PFIP	(a ₁)	0.41	0.10	5.94	0.00
Gender		−0.02	0.20	−0.34	0.74
Age		−0.12	0.02	−1.49	0.14
Tenure		−0.03	0.07	−0.34	0.73
Leadership Position		0.15	0.29	2.11	0.04
Equation (2): Predicting SBPN					
$R^2 = 23\%$, $F(6, 177) = 9.03$, $p < 0.001$					
Constant		0.00	0.03	−0.01	0.99
PFIP	(a ₂)	0.10	0.04	1.24	0.21
SVR	(a ₃)	0.39	0.03	5.16	0.00
Gender		0.19	0.07	2.85	0.00
Age		−0.08	0.01	−0.99	0.32
Tenure		0.32	0.03	3.94	0.00
Leadership Position		−0.10	0.11	−1.33	0.19
Equation (3): Predicting IM					
$R^2 = 33\%$, $F(7, 176) = 12.57$, $p < 0.001$					
Constant		5.20	0.07	72.53	0.00
PFIP	(c')	0.10	0.09	1.32	0.19
SVR	(b ₁)	0.10	0.07	1.35	0.18
SBPN	(b ₂)	0.48	0.16	6.89	0.00
Gender		−0.02	0.16	−0.30	0.77
Age		0.17	0.01	2.22	0.03
Tenure		−0.12	0.06	−1.55	0.12
Leadership Position		0.09	0.24	1.29	0.20

Notes: PFIP = pay for individual performance; SVR = satisfaction with variable rewards; SBPN = satisfaction of basics psychological needs; IM = intrinsic motivation; (Path c) = total effect; (Path c') = direct effect; (Path a₁, a₂ a₃, b₁, b₂) = indirect effects. † All coefficients are standardized.

Confirming Hypothesis 1, pay for individual performance has a positive and statistically significant effect on intrinsic motivation (Equation (1): total effect; $\beta = 0.26$, $p < 0.001$). Hypothesis 4 was also confirmed, and the indirect effect by both mediators was significant ($a_1 a_3 b_2 = 0.08$, 95% CI [0.035, 0.136]). In other words, the indirect effect by sequential mediation pathway was significantly different from zero. Therefore, part of the effect of pay for individual performance on intrinsic motivation can be explained by the satisfaction with variable rewards and the satisfaction of basic psychological needs. As shown in Table 2, Hypotheses 2 and 3 were not confirmed given that the other two indirect effects were not significant. Therefore, by contemplating both mediators in the same model, the sequential mediation path was the only one supported by the data.

Figure 1. Standardized regression coefficients of a three-path sequential mediation model linking pay for individual performance to intrinsic motivation through satisfaction with variable rewards and satisfaction of basic psychological needs. * $p < 0.05$, ** $p < 0.01$.

Table 3. Bootstrapping effects and 95% confidence intervals (CIs) for all indirect effects with pay for individual performance as the independent variable.

	Effect	SE	Bootstrapping 95% CI	
			Lower	Upper
Total indirect effect	0.17	0.05	0.08	0.26
a ₁ b ₁	0.04	0.03	−0.02	0.12
a ₂ b ₂	0.05	0.04	−0.02	0.12
a ₁ a ₃ b ₂	0.08	0.03	0.03	0.14

Notes: N = 184. SE = standard error. The reported regression coefficients are standardized computed with 5000 bootstrap samples.

5. Discussion

This study aimed to investigate the mediating role of satisfaction with variable rewards and basic psychological needs on the relationship between PFIP and employees' intrinsic motivation. The results of this investigation indicate that, in the studied context, the system of pay for individual performance not only does not compromise intrinsic motivation, but, in fact, increases it. They also show that this system may increase the level of satisfaction with variable rewards and that it has a positive impact on the satisfaction of basic psychological needs. These two mediating variables, when considered in sequence, may explain part of the influence of PFIP on the intrinsic motivation of employees. The theoretical and practical implications of these results are discussed next.

5.1. Theoretical and Practical Implications

Firstly, it is important to highlight that the results of this investigation broaden the understanding of how the PFIP system influences intrinsic motivation. Although several studies have analyzed the relationship between pay for performance and intrinsic motivation in other contexts [5,7–11], until now, the role of satisfaction with variable rewards has not been considered.

The results obtained were similar to those of Fang and Gerhart [7] and Landry et al. [5], confirming that pay for individual performance can increase the intrinsic motivation of the individual. This result may be due to the widespread beliefs about the appropriateness of such evaluations in the workplace [25], which probably leads to the system being perceived as less controlling and more as a source of performance information. Therefore, the perception of external rewards as a source of information seems to be influenced by the prevalence and appropriateness of this system in the context under study. This evidence is in line with the CET [42]. When the pay-for-performance system provides meaningful and positive information about employee competence, in an environment that allows self-determination, extrinsic reward can increase intrinsic motivation [6,7].

It was also found that the PFIP system appears to be important to satisfaction with the variable pay, which concurs with previous studies [21,30,31]. Employees who realize that their performance leads them to obtain a valuable result, such as a salary increase, tend to be more satisfied with their earning results than those who do not make this connection [21,31]. This can also be interpreted as a result of the sorting effect [33]. Organizations with such systems are more likely to have employees who are attracted by and satisfied with these rewards. These results are consistent with the Attraction–Selection–Attrition Model [32], which argues that people are not chosen by, or randomly choose, the organization they work for. Instead, they tend to choose places with similar values and beliefs, matching personal and environmental characteristics and boosting people's sense of belonging. In addition, those who are not a good fit are more likely to quit.

The results also support the fact that the level of satisfaction with variable rewards may have a positive impact on the satisfaction of basic psychological needs. Those who are satisfied with their salary are more likely to believe that their rewards are based on performance [53]. So, employees who are satisfied with the rewards tend to feel more competent. Satisfaction with the variable rewards provides a sense of accomplishment that can intensify the meaning and importance of the

task performed [28]; consequently, these individuals perceive the system as less controlling and their self-direction is reinforced. Positive emotions, such as satisfaction and pride, may also stimulate interpersonal ties [38] and relational resources [39,40], which can increase the satisfaction of the basic need for relatedness. In addition, when rewards are a source of pride or psychological growth, as in the case of self-integrated monetary motives, they can increase the satisfaction of the psychological needs of autonomy, competence, and relatedness [35,36], and can contribute to the development of durable achievement motivation [54]. In addition, this evidence about the positive influence of basic psychological needs satisfaction on intrinsic motivation is in line with Basic Psychological Needs Theory [55].

Thus, the present study indicates that pay for individual performance may have a positive direct effect on individual intrinsic motivation in the context studied. The results also suggest that PFIP has a positive indirect effect, partially and sequentially mediated by satisfaction with variable pay and satisfaction of basic psychological needs. This corroborates the arguments of Fang and Gerhart [7] and Gerhart and Fang [18], and partly contradicts the arguments of Deci [1] about the negative effects of contingent rewards on intrinsic motivation. The evidence provided by this study indicates that, in certain contexts where there are widespread beliefs about the appropriateness of pay for performance, rewards may increase employee satisfaction with variable rewards by making them feel more competent, thus yielding positive effects on intrinsic motivation.

From an organizational and practical point of view, the present study suggests that, in certain contexts, such as human resource consulting firms, compensation systems that reward individual performance may enhance intrinsic motivation. Accordingly, alignment must be maintained between the compensation system and employees' expectations and values. Seeking this alignment is necessary; otherwise, the internalization of the objectives suggested by the SDT will be difficult to achieve. In this vein, recruitment and personnel selection are important to understand individual motivations as well as performance management to establish relevant objectives.

In addition, the main implications for management will be related with emphasizing the informational role of rewards to prevent them being interpreted solely as part of a competition or performance ranking. Rewards may assure that the organization disseminates information regarding the role of the individual goals in the performance of the unit and even of the organization. This may allow employees to understand how the goals are achieved, why they are important, and why they were (un)rewarded in order to learn and improve their performance. Not only monitoring information and feedback from management, but also the employee satisfaction with variable rewards—as this factor seems to influence the satisfaction of basic psychological needs—are deemed necessary.

5.2. Limitations and Future Research Directions

Although this research offers new perspectives on the study of pay for performance and intrinsic motivation, some limitations must be considered when interpreting its results. One of the limitations is in the sample used, which, due to its small size and activity sector, does not allow the generalization of the results. However, the sample size meets the recommendation of [46] for at least 10 to 15 subjects per manifested variable. In addition, the study is cross-sectional, so it is not possible to validate cause and effect relationships between the variables. Nevertheless, all the proposed relationships between the variables are based on the literature. Finally, the data used were self-reported, although self-reports are said to be suitable for ratings for strong subjective or non-behavioral components, such as perceived satisfaction [56]. Additionally, to prevent the risk of common method variance, the recommendations by Podsakoff et al. [57] were followed and Harman's single-factor test does not indicate the presence of common variance higher than 50%.

Future studies emerged for this field. Firstly, it would be interesting to verify whether the present findings remain in other contexts, in addition to human resources consultants, such as in the health, educational, and financial sectors. This would make it possible to understand the impact of PFIP on other environments. Secondly, it would also be important to assess personal beliefs concerning the

adequacy of PFIP or other pay-for-performance programs to verify how cognitive beliefs and values may be related to intrinsic motivation. Finally, to assess and evaluate employees' personality traits and attributions, such as attribution for acknowledgment or attribution for control, seems to be another possibility, since these variables could change—maybe through a moderating role—the relationship between PFIP and the satisfaction of basic psychological needs.

6. Conclusions

In a complex and multifaceted work environment, it is important to understand how compensation policies influence employees' intrinsic motivation, given the value of such motivation for organizations in terms of having more self-regulated employees, and for individuals, given the pleasure that people themselves derive from a professional activity that provides this motivation. The objective of this investigation was to analyze the influence of pay for individual performance on the intrinsic motivation of the individual. The results suggest that, in the context of the consulting firms analyzed, pay for individual performance can enhance the intrinsic motivation of employees. Additionally, the findings indicate that, in sectors where there are widespread beliefs about the appropriateness of PFIP, the perception of an informational role of PFIP may prevail over the perception of control. More specifically, this paper highlights the importance of employee satisfaction with variable rewards. Employees satisfied with their rewards could see the PFIP system as a source of feedback on their performance. As this recognition of performance becomes a source of pride and psychological development, it can increase the satisfaction of psychological needs, and hence a sustainable intrinsic motivation. Therefore, employers should emphasize the informational nature of rewards, and also seek alignment between the objectives of the compensation system and employee expectations and values.

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