

# The Innovative Employee: The Assessment of Reward Equity on the Predisposition to Make Creative Contributions through Literature Review

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## Abstract

There is a necessity for new-fangled formulae of innovation that take hold of unaccompanied encounters such as competitors, unskilled, uncreative, uninnovative, and ageing employees. Motivated and innovative employees are the essential procedure for survival organizations must follow. Thus, an organization must initiate an environment that allows and advocates innovation. This research emphasized the innovative employee: the assessment of reward equity on the predisposition to make creative contributions. This study used secondary data. Secondary data was collected online using different search engines, and related journals. Relevant textbooks were consulted to support the study. The findings of this study are that an employee who is motivated by equity reduces the organization's profitability to the extent that an asymmetrical and disorganized equity-driven employee has no impact on the organization's costs, balanced energy levels, or higher profits. Even though financial rewards are the best motivating factor for most employees it does not motivate certain employees as they are motivated by intrinsic rewards.

## Keywords

Creativity, Extrinsic Rewards, Innovation, Intrinsic Rewards, Employee, Equity Theory, Organization

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## 1. Introduction

In the 21<sup>st</sup> century, the survival and accomplishment of an organization depend on its ability to continuously be innovative. Such innovation is a survival tool for an organization to be viable, adapt and meet the changing customers' needs effectively.

There is a necessity for new-fangled formulae of innovation that take hold of unaccompanied encounters such as competitors, unskilled, uncreative, uninventive, and ageing employees. Motivated and innovative employees are the essential procedure for survival organizations must follow. Thus, an organization must initiate an environment that allows and advocates innovation.

The analysis of the literature review on equity theory provides mixed evidence on the effects of reward equity on the propensity for creative contributions and this topic has been narrowly researched. The intended research of this study focuses on the innovative employee: the assessment of reward equity on the predisposition to make creative contributions at a higher learning public organization.

### **Background to the Study**

Soleas (2018) emphasise that in ancient times businesspeople were not innovators but people that were innovative were poets, thinkers, artisans, and scientists. Though the current age of knowledge-based economy employees turns into the basis of organisational management and the key for such an organization to achieve competitive advantage rests in the management of human resources such as the behaviour of innovative employee (Dai, 2019: p. 696; Hu, 2021: p. 329).

From 1988 when the primary framework was presented by Amabile and the findings of employee motivation in 1968 by Porter and Lawler (1968) the amount of research on employee creativity and motivation has evolved immensely (Hashem, Gallear, & Eldabi, 2019: p. 66). Hence, Fischer, Malycha and Schafmann (2019: p. 2) posit that as labour is advancing with dynamism and information constructed, organizations are gradually dependent on employees' creative ideas and innovation predisposition.

Shafi et al. (2020: p. 1) and Botha (2020: p. 208) emphasise that modern organizations are operating in an environment that is vivacious with swift technological advancement that demands organizations to be creative and innovative in their products and services. To acclimatize to this vicious environment organization must adhere to these altering developments (Kılıç, 2022: p. 654). Failure to adapt may lead to desertion or organizational demise (Crawshaw, Budhwar, & Davis, 2017: p. 59). Therefore, organizations are becoming aware that their victory is determined by their competence to entice, improve, and preserve brilliant human resources (Sims & Bias, 2019: p. 2).

Contemporary every organization confronts certain problems that it must address (Andersen et al., 2016: p. 75; Singh et al., 2021: p. 1). These problems might be setting up processes that are unproductive, delivering products/services based on the demands of the market, generating practical solutions, increasing competition from competitors, technological change, and higher consumer expectations (Sanders et al., 2018: p. 1463). Numerous technologies like AI (Artificial Intelligence), IoT (Internet of Things), virtual reality, augmented reality and automation make these trials more complicated and compound (Singh et al., 2021: p. 1).

Nowadays, organizations' survival depends more on creative ideas and inno-

vation that come from their employees (Fischer et al., 2019: p. 2). Incongruent with Fischer et al. (2019: p. 2), Mdhlalose (2020: p. 51) argued that to provide effective service delivery, an organization depends on the knowledge, calibre, performance, and competence of its employees. Consequently, bringing creativity and realising ideas on refining how the organization conducts labour to enhance output and providing innovative products via innovation increases proceeds and revenues and support to the organization (Lussier & Hendon, 2020: p. 348; Mai et al., 2019: p. 3418).

Organizations make use of different resources for them to remain competitive (Nel et al., 2008: p. 351). Namely, these resources are material, machinery, money, methods, and manpower. Employees possess knowledge that is useful concerning customers and might have ideas on how to progress processes, customer service or the design of the product (Gibbs et al., 2014: p. 1). Nel et al. (2008: p. 351) provide a distinct argument by stating that human resources compared to other resources the more it is utilised the more it increases in quality and capacity.

Remuneration is one of the primary and imperative expenses within an organization (Botha, 2020: p. 212; Eggers, 2016; Swanepoel et al., 2014: p. 614). The employment relationship is established on procedures that are economically driven wherein inputs (employee's abilities and performance) are traded for certain outputs (rewards) that are appropriate to the employee's needs (Meyer & Kruger-Pretorius, 2018: p. 196). The rewards the employees attain for the labour they carry out have a huge impact on motivating employees (Hunter, 2016: p. 194). Equity theory suggests that employees are motivated because of the equal outcomes to inputs as compared to their counterparts (Lussier & Hendon, 2020: p. 256; Noe et al., 2015: p. 496; Stewart & Brown, 2020: p. 404).

In South Africa equivalent pay for the same work even now is a fable (Botha, 2020: p. 208). This study will provide first-hand, scientific information on how incentive fairness affects employees' creativity and innovation. It will similarly examine how equity theory drives employee innovation in the organization. This study will be supplementary present which rewards systems can be used to promote innovation in the work environment. Niguse and Getachew (2019: p. 2) argued that the main challenge administrators are encountering in the 21<sup>st</sup> century is to utilize the possible abilities of employees to augment and fast-track innovation in the organization.

## 2. Problem Statement

Present-day the symbol of a business is not only through the exchange of goods but moreover the exchange of money, persons, and information (Nadrljanski et al., 2016: p. 269). It has been proven that employees can provide innovative ideas to their organizations (Torres, 2015). Thus, this is one of the reasons why organizations are rewarding their employees financially. Contemporary worldwide organizations put more effort and create specific budgets to augment the creativity of their employees which is viewed as a competitive advantage ingredient for the success of these organizations (Hashem et al., 2019: p. 64).

Deteriorating technological costs and ascending technological innovations generate plentiful value opportunities for organizations to raise efficiency and generate novel products, services, and business representations. In this regard winners are innovators that utilise digital technology to free value in their present businesses, take new opportunities in the market and increase innovation (Accenture, 2020a: p. 3).

Research by Accenture (2020a) found that South African organizations are at risk because of disruptions, see Figure 1 for Industry Exposure to Disruption in South Africa. The research results show that 85% of organizations in South Africa are at risk of future disruptions compared to 70% worldwide. The reason is that local organizations are conservative and compete using traditional methods. In South Africa, 76% of organizations are on the negative side of disruption. These organizations are failing to transform opportunities presented by technology into value (Accenture, 2020b).

Nel et al. (2008: p. 347) state that motivation depends on what an individual perceives as motivation. Herzberg’s theory two-factor theory emphasises that extrinsic rewards do not motivate employees (Nel et al., 2008: p. 347). Thus, they only convey employees’ performance to a required standard. To say financial rewards results in innovation has resulted in a continuous argument.

Fontana et al. (2015: p. 43) emphasise that there is a lack of evidence on the effects of intrinsic and extrinsic incentives and the repercussions of intrinsic and extrinsic motivation on innovative propensity. Bao and Wu (2017: p. 1) argue that numerous organizations implement an equality-in-equity strategy. This means they provide salaries that are different transversely in all jobs however the similar equity compensation. Intrinsic motivation role tends to be foreseeable however extrinsic motivation role remains debatable on the idea creation process and innovation propensity (Fontana et al., 2015: p. 42).

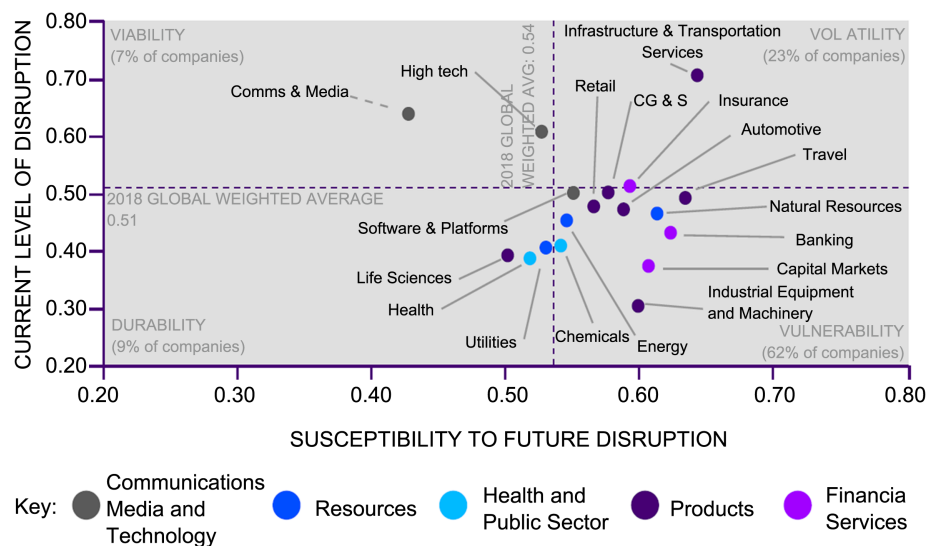


Figure 1. Industry exposure to disruption: South Africa. Source: Accenture Research Disruptability Index 2.0, South Africa, (2020a).

Within equity, inequality has a damaging unequal effect on effort while the effect of inequality in pay can be positive (Bao & Wu, 2017: p. 1). Thus, the problem identified in this study is that contemporary organizations cannot sufficiently motivate their employees to be creative and innovative using rewards equity as employees can over evaluate their contributions versus the rewards received and that rewards equity makes employees provide the same effort as output. This leads these organizations to have a challenge in having a competitive advantage over their competitors.

### 3. Aim of the Study

This study's goal was to examine how incentives fairness (*Internal equity & Individual equity*) affects employees' levels of creativity and innovation inside a business. An in-depth and rigorous analysis was done on the differences between the main findings of this study and the literature that has been given. Recommendations are given to specific firms based on the study's findings regarding whether incentives equity influences an organization's creativity and innovation.

### 4. Significance of the Study

Given the context provided in the preceding section the significance of this study is to bring new and relevant knowledge, and academics will gain more contemporary knowledge on the effects of rewards equity on employee creativity and innovation. The study will bring new empirical evidence and provide recommendations and further future related topics to be studied.

This study will assist the organization to comprehend the rewards systems that are suitable so that employees will be motivated to be creative and innovative. This study will assist the Human Resource Management (HRM) department in how to instrument rewards strategies that are suitable. This study will assist the management to contemplate the causes and benefits of rewarding employees in line with their work.

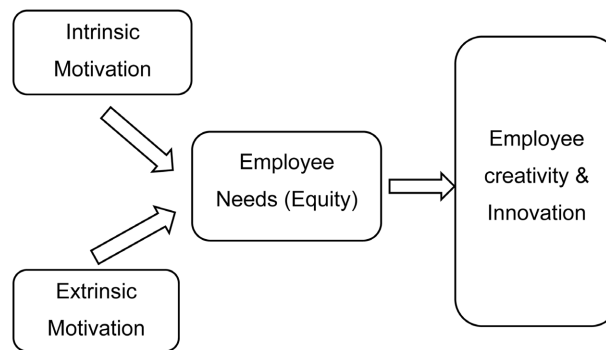
### 5. Theoretical Framework

There are a variety of theories that explains what and how employees are motivated in an organization (Nel et al., 2008: p. 337). These theories as stated by Lee and Raschke (2016: p. 164) are Motives and needs (Maslow, 1943), Expectancy (Vroom, 1964), Equity and Justice (Adams, 1965), Goal setting (Locke & Latham, 1990), Cognitive evaluation (Deci, 1971), Work design (Hackman & Oldham, 1976) and Reinforcement (Skinner, 1953). Ensley, Pearson and Sardeshmukh (2007: p. 1040) emphasise that the dispute in these theories is that cooperation is a must in the work that needs a high level of task interdependence to promote communication and the sharing of ideas.

This study adopts Adam's Equity Theory as a guiding theory because the theory explains the relations between the input provided and the outcome expected to be received from the organization (Adams, 1965). Thus, the theory connects intrinsic

and extrinsic factors with employee creativity and innovation.

**Figure 2** reveals a proposed conceptual framework that this study will be utilising to analyse the outcomes of this study. As Adams's theory delineates a direct correlation between employees' efforts and needs, organizational rewards, creativity, and innovation (Adams, 1965). The framework for this study accepts three likely circumstances of the effects of organization rewards on employees' creativity and innovation. These circumstances are as follows:



**Figure 2.** Research framework. Source: Developed by the researcher.

- Employees perceive reward equity, which in turn spawn's creativity and innovation.
- Intrinsic motivation serves as an internally motivating factor for creativity and innovation.
- Extrinsic motivation serves as an external motivating factor for creativity and innovation.

While intrinsic motivation and extrinsic motivation are the two main reward incentives equity can be derived from both financial rewards and non-financial rewards. Irshad (2016: p. 2) is of the view that for organizations to be successful employees should be motivated and the best way to motivate employees is through reward systems. There must be stability among monetary and non-monetary rewards that must be utilised by organizations to gratify the employees' varied needs and interests (Osa, 2014: p. 68). Innovation may be an important factor to attain a maintainable competitive advantage (Arzi et al., 2013: p. 128).

The competitiveness of an organization relies on its employees, organizational culture, reward systems, the encouragement of innovation, and the leadership of the business that holds up the continuing transformations (Nadrljanski et al., 2016: p. 276). For the fact that the significance of innovative behaviour is becoming important more than ever before, Sanders et al. (2018: p. 1455) emphasise that experts and academics try to provide a solution on how to advance this method of working.

## 6. Literature Review

This section is divided into two sub-sections namely: theoretical literature review and empirical review.

## 6.1. Theoretical Literature Review

Contemporary in this constantly changing competitive business world, organizations are becoming aware of the chance to enhance the return on their employee's investment through adjusting reward plans with the strategies of the organization and values advancement delivered to their employees (Smith et al., 2015: p. 41). Nel et al. (2008: p. 282) write that for rewards to stimulate the employee's behaviour the organization strongly wish for; the organization should meet the employee's demands whose behaviours they are contemplated to influence. Therefore, efficient managers in top organizations prioritise ways and instruments for better innovation and creativity in their organizations (Razavi & Attarnezhad, 2013: p. 226).

In the corporate world, the impact of rewards equity on creativity and innovation is not new, and in the modern-day, this topic is still a debate and as a result, it has attracted different scholars (Charness & Kuhn, 2006; Clark et al., 2010; Ederer & Manso, 2012; Ensley et al., 2007; Fontana et al., 2015). However, there is a continuous argument and a lack of enough evidence on whether rewards equity has a positive impact on employee creativity and innovation. Most conducted studies focus on the impact of rewards on employee attitude, engagement, satisfaction and performance, few studies focus on creativity and innovation. A study focusing on the impact of rewards equity on creativity and innovation has never been carried on a public sector organization of higher learning.

In an organizational context, motivation refers to employees that are hard workers, are initiative, administer their skills required and place in determination to reach goals (Nel et al., 2008: p. 336). The researcher has chosen Nel et al. (2008: p. 336) definition because it is in line with this study. Employee satisfaction comes from both intrinsic and extrinsic rewards (Deckers, 2010: p. 1; Nel et al., 2008: p. 345). Intrinsic rewards are intangible and include psychological variables, accomplishment, and achievement. Extrinsic rewards are tangible and encompass awards, bonuses, acceptance, and praise, see **Table 1**.

Amongst the innovation managers, there is a lack of clarity and agreement on stratagems and schedules for certifying the capability of the organization, thus a variety of theories establish the rules and practices to augment organizational

**Table 1.** Characteristics of extrinsic and intrinsic rewards.

	Extrinsic rewards	Intrinsic rewards
Definition	Under the organization's control, external to the individual and universal	From within the individual, and related to task achievement
Nature	Material, financial or not, or nonmaterial	Non-material
Advantages	Relatively simple to use, fair	No cost for the organization
Disadvantages	May be costly	Under the individual's control

Source: Whittom and Roy (2009).

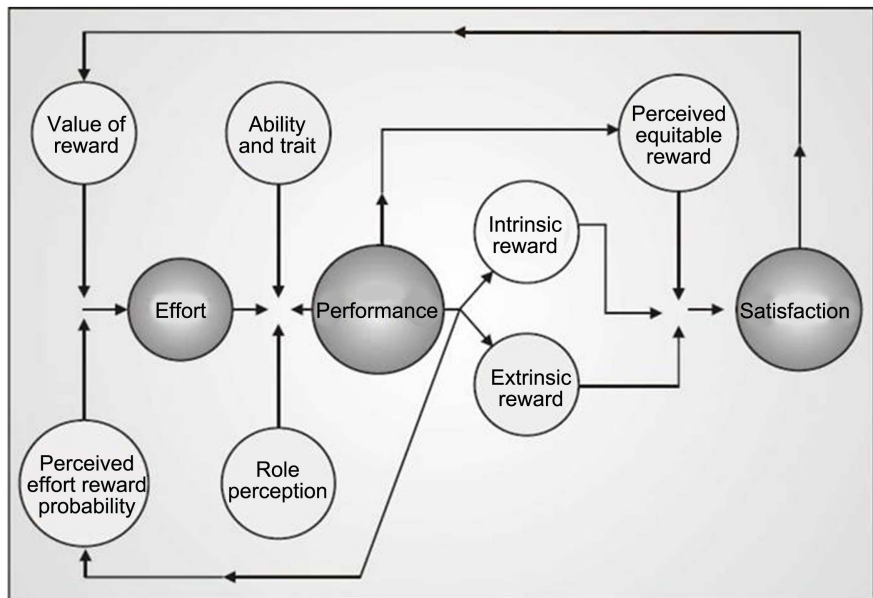
innovation (Razavi & Attarnezhad, 2013: p. 228). Normally, it is accredited that employees will perform to their best level because of motivation (Osa, 2014: p. 61). This study introduces Porter and Lawler’s expectancy theory of motivation, See **Figure 3**. This theory emphasises that people get motivated to behave in a specific manner when they trust that the anticipated outcome will be accomplished.

Porter and Lawler’s expectancy theory solicit to (Nel et al., 2008: p. 345):

- Classify the source of people’s valences and expectations.
- Connect energy with performance and job satisfaction.
- Recognise features further than the energy that affects performance.
- Highlight the significance of equitable rewards.

The Porter and Lawler expectancy model touches on one of the key variables of employee satisfaction. This variable is equitable rewards. Thus, this variable gives this study another direction to consider the equity theory of motivation. Adams (1965) equity theory emphasise that for employees to be motivated to work it is the impression of equity and inequity.

Adam’s equity theory is based on reciprocation relations where persons provide an effort and in return, they wait for something from the organization. In this regard employees provide input and expect an outcome received from the organization, see **Figure 4**.



**Figure 3.** Porter and lawler motivation model. Source: Porter and Lawler (1968: p. 195).

$$\frac{Outcome A}{Input A} = \frac{Outcome B}{Input B} \quad Equity$$

$$\frac{Outcome A}{Input A} \neq \frac{Outcome B}{Input B} \quad Inequity$$

**Figure 4.** Adams and freedman equity theory. Source: Adams and Freedman (1976).



Bunger and Tremble (2004: p. 29) state that the foundation of employee gratification can be congregated into four groupings. These groupings are as follows:

- *External equity*: is the comparison of pay in relation to other organizations.
- *Internal equity*: employees compare their pay with the organization's size and profitability.
- *Individual equity*: assess the pay of employees doing similar jobs.
- *Procedural equity*: assess the rationality of the decision-making process concerning the distribution of pay.

Nel et al. (2008: p. 345) state that employees look forward to rewards that are both equitable to their own inputs and with other employees with the same inputs received. Equity theory leads this study to another element which is innovation which is discussed under empirical review. Thus, a question raised in this study is: does equity theory drives employee innovation in the organization? The following section provides an empirical review of arguments on this raised question.

## 6.2. Empirical Review

Gibbs et al. (2014) emphasise that in the modern world innovation is an imperative determining factor of competitiveness and the growth of the economy. Thus, the creation and communication of business ideas are becoming significantly more than before. The significance of human capital in the 21<sup>st</sup> century has demanded motivated human resources (Chikukwa, 2017). Not motivating employees create division amongst the needs of the individuals and the organization. Thus, Chikukwa (2017) argued that both direct and indirect monetary rewards have a considerable impact on inducing the behaviour of humans.

A research study by Rahim et al. (2013) in the manufacturing industries in Shah Alam findings shows that rewards are key factors to the creativity or ideas of employees in administrative support personnel. However, Rahim et al. (2013) study argues that the creativity of employees does not only depend on extrinsic rewards but also intrinsic rewards. The study also found that creativity is not similar for everybody in the organization, as for that person have creativity that is different as they are hired by the organization to utilise the benefits possessed by employees to attain its business goals and objectives.

Fontana et al. (2015) research findings argued that extrinsic incentives particularly focusing on economic rewards are not as significant for innovation. However variable monetary incentive is favoured compared to fixed monetary incentive. The study argued that the most significant factor of innovation is intrinsic motivation, that is the sense of belonging to the organization, the egotism of working in the organization, accountability, independence, official and unofficial acknowledgement, and the most significant factor is the definite application of the proposed idea by the innovator. Fontana et al. (2015) research considers these factors as the furthestmost insightful inducement to a person's motivation to be creative, the key factors that completely disturb innovative propensity.

Barros and Lazzarini (2012) research study results indicate that the choices of

the organization such as instruments for signalling and rewarding merit are imperative when promoting innovation. The study revealed the dissimilar effects of performance-based pay and promotion on the capability of the organizations to turn ideas into actual revenue sources. Incongruent with the study of [Laursen and Foss \(2003\)](#) their study found that contingent pay marginally impacts innovation, nevertheless, the study further found that the effect of performance-based promotion such as the organization promoting employees that are excelling is highly substantial. Furthermore, the study emphasised that even if there are promotions based on performance-based levels, there is a verge above where the utilisation of performance-based promotion does not improve innovativeness.

[Delmas and Pekovic \(2016\)](#) study argued that pay satisfaction functions as an imperative factor of sustainable innovation by its lessening the properties of job draining. As a result, employees who are satisfied with their salary can tolerate more work that is affiliated to enable the expansion of innovation enhancement. A different study by [Bhorat \(2016\)](#) found that frontline employees' financial rewards are important in forecasting frontline employee innovation as compared to non-financial rewards. Though the relationship between financial rewards and innovation was contrary, signifying those financial rewards alone are not adequate to motivate frontline employees' innovation.

[Kuranchie-Mensah and Mponsah-Tawiah \(2015\)](#) study revealed that employees of the four large-scale mining organizations in Ghana are both motivated by intrinsic and extrinsic factors with a focus more on pay or remuneration. Decent pay was recognised to be the best motivating factor. However, in disagreement with the above findings, another research study by [Smith et al. \(2015\)](#) found that in organizations employees are more motivated by intrinsic rewards as compared to extrinsic rewards, even though their study identified thirteenth cheque and annual salary as the greatest motivating factors.

[Charness and Kuhn \(2006\)](#) study found that an employee that is equity-driven minimises the organization's profits to the degree that an unsymmetrical and orderly equity-driven employee does not have ramifications on the costs, balanced energy levels or increased profits of the organization. In the study, the researchers further argued that employees do not dissent compensation that is dissimilar to co-employees through extracting effort in a grant-exchange labour market. The greater the grant has taken from the organization the more effort every employee offer in return. However, [Ederer and Manso \(2012: p. 26\)](#) study found that it is normally employees that are paid lower their behaviour depending on their co-employee's salary.

Another study by [Clark et al. \(2010\)](#) argues that employee's study what is fair income in a group. The employee's efforts do not rely upon comparisons but on the pursuit of the standard. Employees learn gradually their organisational behaviour compared to other organizations, which clarifies the reason past wages negatively disturb present effort, the whole lot is equally. Incongruent with [Clark et al. \(2010\)](#) a study by [Ensley et al. \(2007\)](#) emphasises that pay differences have negative behavioural ramifications in family and non-family teams. The group

dynamics in family teams are more dynamics thus, pay differences have a negative behavioural dynamic that is strong.

Ederer and Manso (2012) state that cash-based performance is no longer favourable for the motivation of employees in innovation production. However, the authors emphasise that a well premeditated managerial compensation is effective in empowering entrepreneurship and motivating innovation. In the commercial framework, the anticipation is that in the long run performances that are improved will be rewarded.

Osa (2014: p. 67) is of the argument that if employees view rewards they receive from the organization as equitable they will continue to work on a similar level of output in contrast if the same employees view rewards as great eventually, they will work harder. With that said Ensley et al. (2007: p. 1046) highlight that long-term pay differences can advance specified team dynamics in non-family organizations. In concluding Razavi and Attarnezhad (2013: p. 228) argued that organizational innovation is a multipart and hazardous course and handling innovation management, management should be aware of the extent of complications that the course has.

## 7. Conclusion and Implications

This research project examined the innovative employee: the assessment of reward equity on the predisposition to make creative contributions. Considering its research findings, the paper draws the following conclusion: creativity of employees does not only depend on extrinsic rewards but also on intrinsic rewards. The most significant factor of innovation is intrinsic motivation, and the most significant factor is the definite application of the proposed idea by the innovator.

However, contingent remuneration has a minor impact on innovation. Compared to non-financial benefits, frontline employees' financial rewards are significant in predicting frontline employee creativity. Given that every employee is unique, rewards both intrinsic and extrinsic can encourage workers. The best motivator is acknowledged to be a decent salary. Compared to extrinsic benefits, employees are more motivated by intrinsic rewards.

An employee who is motivated by equity reduces the organization's profitability to the extent that an asymmetrical and disorganized equity-driven employee has no impact on the organization's costs, balanced energy levels, or higher profits. The employee's efforts are guided by the standard rather than by comparisons. Pay disparities in both family and non-family teams have a negative behavioural impact.

Performance that is compensated financially is no longer conducive to employee engagement in the creation of innovations. Employees who believe the benefits they receive from the company are fair continue to do work at the same level, however, if the same employees believe the rewards are great, they will eventually work harder. This study concludes by stating that due to the tendency

of employees to overestimate their contributions in comparison to the rewards they receive and the fact that reward equity forces employees to put in the same amount of effort regardless of the outcome, organizations cannot effectively motivate their staff to be creative and innovative unless if the employees are self-driven and motivated to be creative and innovative.

## 8. Limitations of the Study

This study was subjected to the following limitations:

- Only secondary data were used in this investigation.
- The sources related to the contemporary issues related to the study were limited.
- There is limited literature on the impact of rewards equity on employee creativity and innovation.
- The researcher had no control over the reliability of the data.

## 9. Recommendations

The theoretical and empirical research findings of this study provide the basic foundations for the following recommendations:

- Organizations should rely both on financial and non-financial rewards to motivate employees to be creative and innovative.
- Organizations must offer employees benefits that are not just fair but great so that employees can stay motivated.
- Organizations must find out from their employees what specifically motivates them individually so that financial and non-financial rewards can be aligned per need.

## 10. Suggestions for Future Research

The following future or further research studies are being proposed:

- Investigate the effects of external equity and procedural equity on employees' creativity and innovation.
- To examine the effects of monetary and non-monetary rewards on employee engagement and performance.
- To examine the effects of monetary and non-monetary rewards on employee performance.

## Conflicts of Interest

The author has declared that no competing interests exist.

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