

Development and Practical Application of Incentive Theory

Ruiqiang Liu

Chang'an University, 710000, China

ABSTRACT. *Incentive theory has always attracted the attention of management scientists, and it is also a difficult point in management. This article starts with the development of incentive theory, predicts the development trend of modern management theory, and enters into the application of incentive theory.*

KEYWORDS: *Motivation theory; Development process; Practical application*

1. Mature incentive theory

1.1 Incentive Theory from the Perspective of Economics

Since the 20th century scholars have conducted relevant academic research based on scientific management theory to improve people's enthusiasm for work, and have achieved certain achievements that called a systematic incentive theory. The idea of "economic man hypothesis" put forward by Frederick Taylor has gradually evolved from "maximizing economic income" to "maximizing utility" and forming various incentive models such as principal-agent theory, Incentive model, etc.

1.2 Incentive Theory from the Perspective of Behaviorism

On the contrary, Elton Mayo put forward behavior management theory, based on the perspective of human behavior, conducted in-depth discussions, and formed two types of motivational theories: "content-based incentive theory" and "process-based incentive theory".

Content-based motivation theory. The content-based motivation theory finds out the factors that motivate individuals to work hard from the perspective of the object of human pursuit. Content-based motivation theories include Alder's ERG theory, Maslow's hierarchy of needs theory, McClelland's theory of learning needs, and Herzberg's motivation-care theory.

Process-based incentive theory. Process theory studies the direction or channel of behavior from the perspective of dynamics. Process-based incentive theory includes Froom's expectation theory, Skinner's reinforcement theory, Adams' fairness theory, and so on.

1.3 Incentive Theory with Mixed Angles

Some researchers have combined the content-based and process-based incentive theories and formed a "comprehensive incentive model." People generally accept their proposed multivariate (effort, personal performance, organizational reward and punishment, self-satisfaction, etc.) integration models, and on this basis, they have expanded methods and models, such as integration models, hybrid models, and aggregate models.

2. Development Trend of Modern Incentive Theory

In the past, classical motivation theory was mainly based on qualitative analysis, and individual motivation theory was relatively mature. With the introduction and application of quantitative analysis methods such as operations research and economic theory, modern incentive theory has the following trends:

2.1 Explain the Incentive Effect with Quantitative Analysis.

With the development of science and technology, more and more quantitative analysis methods are applied in management theory and practice, and the influence of incentive methods on efficiency is analyzed in depth from a mathematical perspective. For example: the analysis of game theory is used to strongly prove the existence of the “free ride” phenomenon in team work; the optimal utility research method is used to compare and analyze the advantages and disadvantages of modern agency incentives and pay systems. Under different circumstances, the corresponding incentive method is used to maximize the agent's incentive utility.

2.2 The Theory of Organizational Capital Solves the Contradiction between the Pursuit of Excellence and Harmony.

The pursuit of excellence often has a negative impact on harmony, and the organic unity of excellence and harmony is a problem facing organizations. Organizational capital theory analyzes organizational incentive and coordination mechanisms from a different perspective. Organizational capital uses different investment methods (shared, participatory, and cultural) to find efficient methods of organizational incentives and coordination.

2.3 Stock Options Play an Indispensable Role in Long-Term Incentive Plans.

The principal-agent theory holds that in the case of asymmetric information, the relationship between the owner and the manager adversely affects the interests of the enterprise. Long-term incentive plans have a significant positive impact on managers' short-term behavior and improve their initiative. The human capital theory holds that the value of the enterprise is created jointly by the person and the capital, and the labor force has the right to obtain surplus value, so people should have the right to share the profits created by the enterprise.

2.4 Another Important Factor in Motivation is Moral Ethics.

The operation and effect of incentives are significantly affected by the morality of employees. This phenomenon is increasingly valued. Under asymmetric information, the owner establishes a contractual relationship with the manager. The risk appetite it may show is aversive, thus causing losses to the interests of the company. The difficult problem that the motivation theory pays attention to is to establish a good psychological contract relationship between employees and the company, to stimulate employees' initiative, enthusiasm and creativity.

3. Application of Incentive Theory in Practice

3.1 Focus on Material Incentives for Employees

In applying incentive theory in business management, the most basic thing is to pay attention to the material incentives of employees. Masnou's demand theory believes that when an enterprise implements an incentive system for employees, it must first meet the lowest level of employees' needs—that is, material needs, and address basic living conditions and quality of life. In the implementation and application of the incentive system, first of all, the salary level and benefits of employees should be increased to address the basic living needs of enterprise employees. In addition, the competition mechanism should be combined to prevent employees from having a slack and negative working attitude, so that they have a sense of crisis and pressure, improve organizational performance, and promote organizational development.

3.2 Strengthen the Spiritual Motivation for Employees

After meeting the low-level needs of employees (material requirements), employees will generate higher-level needs (mental needs), so in addition to paying attention to the low-level needs of employees, companies should also pay attention to higher-level needs of employees. In the management process, managers should pay attention to the spiritual needs of employees. Because spiritual incentives will be transformed into a spiritual motivation, employees will maintain a full mental state in the work of the enterprise, thereby improving organizational performance. Regarding how to strengthen the spiritual encouragement of the employees of the enterprise, we mainly proceed from the following two aspects. On the one hand, the company should match the corresponding job position according to the employees' hobbies and specialties, and based on the actual situation of the employees, develop a long-term career plan for the employees. On the other hand, in the daily work, we

should give employees as much support as possible to improve their sense of belonging, so as to meet the spiritual needs of corporate employees.

3.3 Establish and Improve the Evaluation and Incentive System

In applying incentive theory in business management, a sound evaluation and incentive system should be established. The quality of the enterprise evaluation system is very important to the management practice of the enterprise, and it also determines the success or failure of the enterprise development. If an enterprise's assessment system is not perfect, it will affect the fairness and justice of the enterprise, which will affect the development of the enterprise and maximize the benefits. Establish a fair and just evaluation system, improve the quality of management and promote the rapid development of enterprises, so it is necessary to establish a sound evaluation and incentive system.

References

- [1] Lv Hua (2018). Analysis on the Application of Incentive Theory in Enterprise Management. *Economic Research Review*, no.4, pp.10-11.
- [2] Xu Jiliang (2000). An Interactive/I-A-R0 Incentive Model. *Journal of Shanghai Jiaotong University (Social Science Edition)*, no.1, pp.46-53.
- [3] Cui Chunlei (2004). Finding the Real "Incentive" Factors. *China Human Resources Development*, no.1, pp.60-61.
- [4] Huang Xuewen (2003). Nie Sincerely, talk about softness, encouragement, and encouragement. *Economic Master*, no.8, pp.178-179.
- [5] Lu Yajun (2002). On the Application of Flexible Incentives in Human Resource Management. *Jiangsu Communications*, no.12, pp.49-50.
- [6] Li Chunqi, Shi Lei (2001). A Review of Incentive Theory of Foreign Enterprises. *Economics Update*, no.6, pp.61-66.