

# Application of Incentive Theory in Compensation Management of Enterprises

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***Abstract.** Compensation management is an important part of enterprise development. To a certain extent, it can enhance the enthusiasm of employees, so as to better promote the enthusiasm of employees. The application of incentive theory in enterprise salary management can make every employee play their greatest value on the basis of understanding the working status of employees. This paper first elaborates the application status of incentive theory in enterprise development and the significance of incentive theory in enterprise salary management. Then it analyses the specific application of incentive theory in salary management in order to better promote the healthy development of enterprises.*

***KEYWORDS:** Enterprise salary; Incentive theory*

## **0. Introduction**

At present, incentive theory is used in the development of enterprises to enhance the enthusiasm of employees, so as to better promote the development of enterprises. However, many enterprises can not realize the role of incentive principle in the development of employees, which makes the management of enterprises still adopt a more traditional way, and enterprises can not achieve sustainable and healthy development. Through the enterprise salary management can not only affect the enthusiasm of employees, but also promote the healthy development of employees. Therefore, in the development of enterprises, we should be aware of the importance of incentive principle to salary management. Through the study of incentive theory and the application of incentive theory in salary management, we can better mobilize the enthusiasm of employees and enhance their active participation in the

work of enterprises. Therefore, how to apply incentive theory in the development of enterprises and make enterprises realize the role of incentive theory in the development of enterprises has become an urgent problem to be solved.

## **1. Application of Incentive Theory in Enterprise Development**

### ***1.1 Lack of training for employees***

If there is no incentive theory in the development of enterprises, the most important problem in the development of enterprises is not to pay attention to the training of employees. Incentive theory plays an important role in the development of enterprises, but many enterprises are not well aware of the significance of its application in the development, nor can they apply incentive theory in the development, nor can they realize the importance of employee training. They believe that employee training is an indispensable thing and will not promote the healthy development of enterprises. In this way, the quality of employees has always been at a level, and will not be improved accordingly. This will not only affect the development of employees, but also affect the healthy and sustainable development of enterprises. In the long run, enterprises will become more and more unsuitable to the cruel market competition and eventually face elimination, and employees will resign<sup>[1]</sup>.

### ***1.2 Competition Incentive System Needs to be Perfected***

If enterprises lack incentive theory in their development, they will not only pay attention to the training of employees, but also lack the corresponding incentive system. In the current enterprise development, there is a situation of eating big pot rice. Every employee almost pays equal attention to the treatment, which hinders the development of employees to a certain extent, and makes employees unable to work freely, which greatly reduces the enthusiasm of employees. For some excellent employees, there will be emotional dissatisfaction, which is not conducive to the healthy development of enterprises. In the development of enterprises, if everyone is in the mindset of eating big pots and rice, enterprises will maintain a level in the state of dormancy, not only will not get the corresponding development, but will

retreat in this trend. Therefore, in the development of enterprises, we should be able to realize the importance of incentive system. For some excellent employees, we should pay attention to timely rewards, not only in material but also in spirit to meet the needs of employees, so as to better promote the healthy development of enterprises<sup>[2]</sup>.

## **2. Application Significance of Incentive Theory in Compensation Management of Enterprises**

Incentive theory itself contains many contents, including Maslow's hierarchy of needs theory and Adams'equity theory. Among them, the two-factor theory mainly studies the factors of employee satisfaction, and studies the relationship between these elements and employee work enthusiasm. Through the two-factor theory research, it is proved that the incentive of salary can improve the enthusiasm of employees to a certain extent, so that employees can get a certain sense of satisfaction in the development of enterprises. Through salary incentive is the affirmation of employees in their work, so that employees can better understand their own development value. Fairness theory mainly studies the relationship between salary and employee's work motivation. Through the research, it is found that employees not only pay attention to their own work remuneration, but also pay attention to the comparison with other employees. If employees find that their salaries are no different from those of other employees, they will work more actively. But if you find that your salary is lower than that of your employees at the same level, you will reduce their motivation. Therefore, in the development of enterprises, we should be aware of the role of salary incentives for employees, so as to better play the value of employees and promote the healthy development of enterprises<sup>[3]</sup>.

## **3. Concrete application of incentive theory in salary management**

### ***3.1 Establishing Reasonable Goal Motivation***

Enterprises should be able to set reasonable work objectives for employees, so as to stimulate their enthusiasm for work more pertinently. The process of employee's work itself is the process of achieving the goal. Employees will be more active in

their work if they think that their goals are easier to achieve. On the contrary, if employees think it is difficult for them to achieve their work goals, they will lose confidence and enthusiasm. In the development of enterprises, by setting reasonable incentive goals, employees can be more passionate in their work, and they can work hard to get more salaries, so as to promote the healthy development of enterprises<sup>[4]</sup>.

### ***3.2 Application of Competition Award***

There will be a variety of competition in the development of enterprises. Appropriate competition can improve the enthusiasm of employees to a certain extent. Therefore, in the development of enterprises, competition mechanism should be applied in salary management. Enterprises can set salaries including basic wages, year-end bonuses, attendance awards, etc. For the same level of employees set the same salary, for the more technical positions can be appropriate salary increases, through this way can well reflect the importance of enterprises to technical staff. In the process of development, enterprises should also be able to set salaries according to their own efforts. In this way, every employee will realize the importance of work enthusiasm. Employees will actively strengthen their learning, pay attention to the upgrading of their skills, and actively participate in all kinds of work in order to better play their own value. In the development of enterprises, they should also be able to create a relatively fair competitive environment for employees, and improve their positions and salaries through the principle of selecting the best. In this way, employees can maintain a certain degree of enthusiasm and participate more actively in the work of enterprises. Enterprises can also apply the proportion of employees to improve the position of some employees, salary is also improved, in order to better enhance the enthusiasm of employees. In addition, in the development of enterprises, rewards and punishments are also a way to enhance the enthusiasm of employees. Through the corresponding incentives to affirm the work of employees, so that employees can become an example for other employees to learn, so that employees can keep a positive working status in the future. The incentives for employees can be job promotion or punishment for incorrect behavior, so that employees can learn certain lessons, so as to ensure that similar mistakes will not occur in future work. Enterprises record employees' work behavior in order to better enhance their enthusiasm for work. In order to make the reward and punishment mechanism play a

greater role in the development of enterprises, enterprises should make clear the measures of reward and punishment in material and spiritual aspects. Material reward and punishment is mainly realized by means of bonus, and spiritual reward and punishment is through the change of employees'positions. Rewards and punishments for employees should be able to take into account their own behavior, but also to take into account the impact on employees, in order to better promote employee development<sup>[5-7]</sup>.

### ***3.3 Application of Examination and Incentive Method***

Enterprises pay employees a certain amount of salary through the evaluation criteria, and the performance of employees can be reflected through the evaluation system, which is also the performance of employees'efforts. In the development of enterprises, if the assessment criteria can not be set reasonably, it will have a certain impact on the salary level of employees, and it will not be able to improve the enthusiasm of employees to participate in the work. Therefore, in the development of enterprises, we should attach importance to the construction of a sound assessment system, further clarify the position, clarify the content and function of the post, and be able to clarify the relationship between the system and evaluation criteria, so as to make the performance appraisal of employees more scientific. Enterprises can consider employees'positions from different perspectives in their development, which can involve employees' attitudes, efforts, work efficiency and so on. These contents can be incorporated into the performance appraisal of employees. Through this way, not only can enterprises have a more comprehensive understanding of employees, but also can help employees get more suitable positions and salaries, meet the needs of employees and promote the healthy development of enterprises<sup>[8]</sup>.

## **4. Concluding remarks**

Through the incentive of salary, the enthusiasm of employees can be improved to a certain extent, so that employees can get a certain sense of satisfaction in the development of enterprises. Through salary incentive is the affirmation of employees in their work, so that employees can better understand their own

development value. Enterprises should be able to set reasonable work objectives for employees, so as to stimulate their enthusiasm for work more pertinently. The process of employee's work itself is the process of achieving the goal. In the process of development, enterprises should also be able to set salaries according to their own efforts. In this way, every employee will realize the importance of work enthusiasm. Employees will actively strengthen their learning, pay attention to the upgrading of their skills, and actively participate in all kinds of work in order to better play their own value. In the development of enterprises, we should attach importance to the construction of a sound assessment system, further clarify the position, clarify the content and function of the post, and clarify the relationship between the system and evaluation criteria, so as to make the performance assessment of employees more scientific. Through the corresponding incentive measures to affirm the work of employees, so that employees become the model for other employees to learn, so that employees can keep a positive working status in the future. In order to better promote the healthy development of enterprises, we should constantly explore the application of incentive theory in enterprise salary management.

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