

Discussion on Incentive Theory and Its Application

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Abstract: With the development of globalization and informatization, enterprises are facing more and more fierce market competition. How to stimulate the enthusiasm and creativity of employees and improve organizational performance has become an important issue for enterprise managers. This paper introduces the incentive theory and its three categories: behavior basic theory, process incentive theory and behavior reinforcement theory. The three categories are briefly theoretical and introduced, and how the incentive theory is applied to the social practice is discussed, and the practical application experience of the incentive theory is summarized.

Keywords: Incentive theory; Behavior foundation theory; Process incentive theory; Behavior reinforcement theory.

1. Introduction

Incentive theory is a summary of the guiding ideology, principle and method of incentive. Incentive theory can usually be divided into behavior foundation theory, process incentive theory and behavior reinforcement theory. This paper analyzes and studies the incentive theory, and discusses how the incentive theory is applied to the social practice.

The emergence of incentive theory is the process of organizing the organization (enterprise), taking corresponding measures such as reward, fully mobilizing the enthusiasm and creativity of employees, so as to maximize the process of employees' commitment to the organization and work, and promote the development of the organization (enterprise). As a high threshold, high technology, high intensity Huawei enterprise is a good example, Huawei attracts tens of thousands of national outstanding graduates every year. Its superior salary incentive system has undoubtedly played a great role in promoting the attraction of employees, and Huawei is also growing in the competition due to the advantages of abundant talents. Similarly, Tsingtao Brewery, a well-known domestic beer brand in China, has also adopted the corresponding equity incentive policy and equity incentive plan, combining the interests of shareholders with the interests of employees, and fully mobilizing the enthusiasm of employees.

Incentive theory can usually be divided into three categories: behavior basic theory, process incentive theory and behavior reinforcement theory.

2. The Behavior Basic Theory

The behavior basic theory will be analyzed by the Maslow's hierarchy of needs theory and the two-factor theory.

2.1. The Maslow's hierarchy of needs theory

The Maslow's hierarchy of needs theory was proposed by American psychologist Maslow, which divides human needs into physiological needs, safety needs, social needs, respect needs and self-realization needs from top to bottom. The first three are low-level needs, but more basic and important, while the latter two belong to high-level needs, which are more difficult to achieve and can be achieved by fewer people. For example, between a university professor and a migrant worker,

the income of the migrant workers is volatile and unstable, so the migrant workers have no energy to think about the needs of a higher level, just to meet the basic family support first, while the university professors can pursue the higher-level needs when the basic needs have been realized.

On the basis of the long-term stability of the first three layers of the need hierarchy theory, after years of efforts, some people finally have the opportunity to achieve the needs of the last two layers. After the realization of each layer, it is associated with the needs of the previous layer. When Olympic champions stand on the podium, this behavior is the expression of personal ambition and fame after years of efforts, and meets the need of self-realization; at the same time, the Olympic champion has also won the recognition of the country and society, and is widely praised and become the embodiment of the positive energy of society.

2.2. The two-factor theory

The two-factor theory refers to the incentive effect caused by the joint formation of Hygiene factors (unsatisfactory factors) and motivational factors (satisfactory factors). The unsatisfactory factors are often work environment or external factors; the work itself or work content are often motivational factors. The theory is that the Hygiene factors can only eliminate dissatisfaction, and the motivational factors are the key to promote people to feel satisfied and fully mobilize their enthusiasm. Back to the original example, outstanding college graduates choose to join Huawei despite the high work pressure, not only the material satisfaction brought by salary, but also the sense of responsibility, honor and achievement they will get in the cultivation of Huawei corporate culture. This also shows the important role of meeting Hygiene factors and motivational factors in stimulating employees.

From this, we can draw the following experience:

(1) Workers should strive to improve their quality and professional skills, adapt to the corresponding national policies, and ensure that the first three needs are met, so as to seek a higher level of needs.

(2) In today's rich material data, people cannot lack "calcium" spiritually. Work is not divided into high or low levels, and people should always encourage themselves with their sense of achievement, not just in terms of money.

(3) Managers should pay attention to diversified management methods, give employees material rewards, but

also pay attention to spiritual encouragement.

3. The Process Incentive Theory

The process incentive theory will be analyzed by the equity theory and the expectancy theory.

3.1. The Equity theory.

Equity theory mainly studies the rationality of the remuneration distribution and the influence of fairness on people's work enthusiasm. The main study is the relative remuneration, i. e., the relative remuneration = O / I (Outcome / Input). The comparison of relative remuneration is reflected in the horizontal comparison, namely, the comparison of relative remuneration with others and the vertical comparison, that is, the comparison of their current relative remuneration and past relative remuneration. However, this index is simply a personal subjective evaluation and cannot guarantee the accuracy. Employees or take passive ways to change their relationship between input and output. So in some cases whether take the proportion of transverse compared with others, or longitudinal comparison is compared with their own development, will not have a positive impact. In comparison, individuals will always experience excessive complacency, disappointment, and even the phenomenon of "slacking off", especially for novice workers who are new to the workplace, which cannot be delved too deeply. However, the equity theory provides a method for organizational managers to analyze and deal with problems to treat every employee fairly, which has great enlightenment significance for organizational management.

3.2. The expectancy theory

The main content of expectancy theory is that people are motivated to do certain things to achieve the goals set by the organization when they expect their actions to bring predetermined results that are attractive to them. That is, it can be considered that model $M = V * E$ (M represents the motivation, V represents the valence, is the degree that people value or preference for an expected result, E represents the expectancy, is the probability that people think that the behavioral activity can achieve the expected result or goal). The valence and the expectancy can be divided into high and low. Thus, it forms a matrix of $2 * 2$ as shown in the figure below:

Figure 1. Matrix

V \ M E	High	Low
High	High	Low
Low	Low	Low

The expectancy theory can be regarded as a double-edged sword. When an individual subjectively believes that the probability of achieving the expected goals through their own efforts is high, confidence will be generated; otherwise, confidence may be lost; Similarly, people may receive self-perceived reasonable rewards after achieving performance, and become more proactive. When they are dissatisfied with expected performance rewards, they may become passive. At the same time, it should be noted that due to differences in people's own conditions and needs, the degree of needs that can be satisfied by using the same reward method varies, resulting in different levels of work motivation that can be

stimulated.

From this, we can draw the following experience:

(1) Do not consider too much the ratio change of outcome and input, and pay attention to the efficiency of work and the degree of refinement of work.

(2) Managers should determine the correct goals, which should not only be challenging and possible, so as to successfully stimulate the potential of employees.

(3) Enhance the correlation between work performance and remuneration. After the work is completed, the remuneration will be paid in time, and monthly incentives can be set up.

4. The Behavior Reinforcement Theory

The behavior reinforcement theory refers to that people take certain behaviors out of a certain motivation to act on the environment. When the result of the behavior is beneficial to people, this behavior will appear repeatedly, and when it is unfavorable to people, the behavior will disappear or decrease. Take an animal example: circus dolphins can drill iron ring, this is because in the training trainer applied behavior reinforcement theory, when the dolphin drill through a circle, reward a small fish, drill through two circles, reward more than two small fish, and so on, under the influence of the strengthening of the reward, the dolphin gradually understand the relationship between the drill circle and reward, in training behavior strengthening.

Under the case thinking, we should also understand the importance of the timeliness of reinforcement behavior. After each behavior, participants should be rewarded quickly, so that participants can realize the correlation between the obtained reward and the resulting behavior.

Similarly, behavioral reinforcement theory can explain some of the misconduct. The result of "boiling frogs in warm water" is well known, but it is often ignored. In daily life, cheating in large-scale exams can occur even if strictly prohibited, and it is fundamental that some people have a lucky psychology, think that they will not be caught or cheating in the quiz was not found to profit from it, the above is also the embodiment of the behavioral reinforcement theory. People did not set up the correct test preparation psychology, and eventually went astray. On the contrary, illegal tax evasion, drug use, and other criminal activities still exist. Unsatisfied needs will generate motivation, and all of the above are cross-border ideas that arise when the needs are not fully met. Countries around the world need to improve their systems and regulations while also playing a role in social supervision, attach importance to legal construction, and create a fair, harmonious, and just atmosphere.

5. Summary

Although the external incentive theory is important, but for individuals, everyone can also motivate themselves. Appropriate rewards will not only meet their own needs, but also bring new motivation to their next activities.

At present, related enterprises also adopt and successfully apply the incentive theory. Some listed companies implement equity incentive policies, offering stock purchases to their employees at prices lower than the market price, transforming their "employees" into "shareholders" of the company, and bundling the interests of the company with those of the employees themselves. In this situation, "agency problems" will be reduced, and the long-term goal of employees will be to help the company develop better. In this situation, it can not

only improve the operational status of the enterprise, but also increase the enthusiasm and satisfaction of employees, forming a positive cycle.

Incentive theory plays a crucial role in the organization and individual management. By learning the incentive theory, setting up the appropriate incentives while understanding the needs of the employees can enhance the cohesion of the team and optimize the performance of the organization. At the same time, various subjects should also combine the traditional incentive theory with their own characteristics, explore their own suitable routes, and constantly enrich and develop the incentive theory.

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