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QUALIFICATION WORK

Education Degree - Master

**on: Improving the management of efficiency of
employees of the organization**

Completed: student of
073 «Management» (EP «Administrative Management»)
Yao Liwei

Supervisor ***Svitlana Vovchok***
D. of S. , Associate Professor

Reviewer ***Habib Usman Abraham***
Master of Administrative management

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Department Public management and administration
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 Head of Department
 «_____» _____ 20

TASK

on qualification work for student

Yao Liwei

1. Theme of Qualification work: **Improving the management of efficiency of employees of the organization**

Supervisor Svitlana Vovchok, D.Ec.Sc., Associate Professor

approved by the university from _____

2. Deadline for student completed project (work)

March, 08 2024

3. Background to the project (work):

educational methodical manuals, monographs, textbooks on the subject of research, scientific publications, economic and financial statements for the period of 2022-2023

4. Contents of settlement and explanatory notes (the list of issues to develop):

Learn the concept of "Incentive", "Incentive Mechanisms", "Strengthening Theory" consider the classifications of motivation theory, analyze methods for optimizing incentive mechanisms, investigate the activities of Private Company, analyze the external and internal environment of the enterprise, analyze the work efficiency of enterprise employees, develop ways to improve the strategy, forecasting the success of the proposed measures

5. Date of assignment:

December 22, 2022

CALENDAR PLAN

№	Title the stages of the degree project (work)	Date of performance project stages	Note
1	Definition and approval of the thesis, preparation of the plan - schedule of work	<i>December 2022</i>	done
2	Selection and analysis of literary sources, the preparation of the first theoretical chapter	<i>December 2023</i>	done
3	Preparation and presentation of draft of the first chapter of the thesis	<i>January 2024</i>	done
4	Collection and processing of factual material, synthesis analysis of application issues in the enterprise	<i>February 2024</i>	done
5	Making the theoretical part of the thesis, summarizing the analytical part	<i>February 2024</i>	done
6	Design options improve the research problem	<i>March 2024</i>	done
7	Completion of the project part of the thesis, design chapters	<i>March 2024</i>	done
8	Previous work and its defense review	<i>March 2024</i>	done
9	Checking the authenticity of the thesis	<i>March 2024</i>	done
10	Deadline for student completed the thesis	<i>March 2024</i>	done
11	Defense of the thesis	<i>March ,22 2024</i>	done

Yao Li Wei

Yao Liwei

Student

(signature)

Supervisor of science work

(signature)

Svitlana Vovchok

Authentication performed

(signature)

Nadiia Baranik

Checking the authenticity conducted.

Thesis allowed to defense

(signature)

Marharyta Lyshenko

SUMMARY

Yao Liwei. Improving the management of efficiency of employees of the organization.

Master's thesis in the specialty 073 «Management», EP «Administrative Management» SNAU, Sumy-2024 - Manuscript.

The paper examines the theoretical and methodological foundations of improving the company's personnel management system. On the basis of the use of system analysis to study the theoretical foundations of personnel management, the essence and meaning of the personnel management system was determined, the selection and justification of the indicator system for evaluating the level of personnel management efficiency was analyzed, and the need to manage interrelated processes as a single material flow was substantiated.

Under the rapid development of private enterprises, the issue of improving their competitiveness first involves the development of the competition management system for enterprise managers. Starting from the incentive mechanism of enterprises, this article examines "incentives", "incentive mechanisms", "employee work efficiency", and so on. Introduced the current situation and existing problems of incentive mechanisms in private enterprises, and proposed the main factors that lead to poor effectiveness of incentive mechanisms. Using the theory of reinforcement incentives, propose suggestions for optimizing the incentive mechanism of enterprises.

Keywords: personnel, personnel management system, efficiency, staff motivation, staff training, career

АНОТАЦІЯ

Яо Лівей. Удосконалення управління ефективності роботи співробітників організації.

Кваліфікаційна робота зі спеціальності 073 «Менеджмент», ОП «Адміністративний менеджмент» СНАУ, Суми-2024 р. – Рукопис.

У роботі досліджено теоретико-методологічні основи вдосконалення системи управління персоналом підприємства. На основі використання системного аналізу для дослідження теоретичних основ управління персоналом визначено сутність і значення системи управління персоналом, проаналізовано вибір та обґрунтування системи показників оцінки рівня ефективності управління персоналом, а також обґрунтовано необхідність управління взаємопов'язаними процесами як єдиним матеріальним потоком.

В умовах стрімкого розвитку приватних підприємств питання підвищення їх конкурентоспроможності передусім передбачає розробку системи управління конкуренцією для керівників підприємства. Починаючи з механізму стимулювання діяльності підприємств, у даній статті розглядаються «стимули», «механізми стимулювання», «ефективність праці працівників» тощо. Ознайомлено із поточним станом та існуючими проблемами механізмів стимулювання на приватних підприємствах, а також запропоновано основні чинники, що призводять до низької ефективності механізмів стимулювання. Використовуючи теорію посилення стимулів, запропонуйте пропозиції щодо оптимізації механізму стимулювання діяльності підприємств.

Ключові слова: персонал, система управління персоналом, ефективність, мотивація персоналу, навчання персоналу, кар'єра

CONTENT

INTRODUCTION.....	7
CHAPTER 1 THEORETICAL AND METHODOLOGICAL PRINCIPLES OF MANAGEMENT OF EFFICIENCY OF EMPLOYEES OF THE ORGANIZATION	10
CHAPTER 2 ANALYSIS OF CURRENT SITUATION OF EMPLOYEE INCENTIVE MECHANISMS IN PRIVATE ENTERPRISES	20
2.1 The negative impact of inadequate incentive mechanisms in private enterprises	20
2.2 Existing problems	27
2.3 Factors affecting incentive mechanisms	29
CHAPTER 3 SUGGESTIONS FOR OPTIMIZING THE INCENTIVE MECHANISM OF PRIVATE ENTERPRISES	36
3.1 Basic principles for establishing effective incentive mechanisms	36
3.2 The importance of implementing incentive mechanisms in enterprises	43
3.3 Suggestions for formulating a scientific and reasonable incentive mechanism	45
CONCLUSIONS.....	52
REFERENCES	54

INTRODUCTION

The relevance of the theme: Research background : The continuous progress of technology in the new century has intensified the pressure of market competition for enterprises. How to improve the competitiveness of enterprises and keep them invincible is an important issue worth considering for enterprises. One way to solve this problem is to establish an efficient and reasonable incentive mechanism. Incentive mechanism is one of the important management methods in human resource management, and the theoretical basis of incentive mechanism is incentive theory. Incentive theory points out that enterprises can improve the work enthusiasm and efficiency of employees, enhance their loyalty and satisfaction through scientific and reasonable incentive methods. In today's fiercely competitive market environment, enterprises need to continuously improve employee performance and creativity to maintain a competitive advantage. Therefore, exploring incentive theory and optimizing incentive mechanisms is crucial.

From the perspective of strengthening motivation theory, this article takes the current work situation of employees in private enterprises as the starting point, and takes the incentive mechanism of enterprises as the specific research object. Through literature analysis, survey methods, and other methods, it conducts in-depth analysis to identify the problems existing in the existing incentive mechanism. Combining with the actual situation of the enterprise, practical optimization and improvement suggestions are proposed, in order to achieve the beautiful goals of raising employees' respect for their profession, enhancing their belonging to the organization, and improving the quality and efficiency of work, and to achieve the beautiful vision of sustainable development of the enterprise.

In the research process of human resource management issues, the study of incentive theory and incentive mechanisms has a long history. By comparison, most research focuses on the dual factor motivation theory and the comprehensive motivation theory, and there are not many experts and scholars who have conducted in-depth and detailed research on employees, especially those in private enterprises, from the perspective of strengthening motivation theory. Therefore, this article starts

from the perspective of incentive mechanisms in private enterprises and takes strengthening incentive theory as the research theory, hoping to provide guidance and certain reference for future research on related issues.

The ownership economic structure of China's top 500 enterprises is developing towards stability. The number of private enterprises shortlisted for the Top 500 Chinese Enterprises has increased from 143 in 2005 to 235 in 2020, accounting for 47% of the total number of enterprises and significantly enhancing their position in the national economy. However, there are generally employees in private enterprises in our country who lack work initiative and lifelong learning, which seriously affects the overall efficiency improvement and future development of enterprises. Moreover, most private enterprises in our country also lack certain scientific management methods, which is an obstacle to the sustained and stable growth of our economy. The main purpose of motivation is to ensure that personnel can be more proactive in carrying out their work. Combining with the theory of strengthening motivation, private enterprise employees are taken as specific visual research objects, and the current incentive mechanism of private enterprises is comprehensively and deeply investigated and analyzed. Based on the actual situation, optimization suggestions are proposed for the incentive mechanism to ensure that the talent team of the enterprise can meet the actual needs of development and improve personnel cohesion, Promoting the long-term stability of the talent pool ultimately leads to a significant improvement in the quality of enterprise management and the level of employee work, contributing to the early realization of sustained economic growth.

The relationship with academic projects, plans, and themes. The master's thesis was completed according to the research program of Sumi National Agricultural University.

The purpose of this work is to a study of theoretical-methodological and practical principles of personnel management of the organization and economic justification of the mechanism of its improvement.

Achieving the set goal involves solving the following tasks:

- describe the essence, tasks and main principles of personnel management;
- reveal the personnel management system and methods;

- to study the foreign experience of personnel management for its application at Ukrainian enterprises;
- introduce a mechanism for ensuring the efficiency of personnel management of enterprises;
- to analyze the quantitative and qualitative characteristics of the personnel enterprises;
- investigate the current personnel management mechanism at the enterprise and evaluate its effectiveness;
- to develop directions for improving the efficiency of personnel management.

The object of research is the personnel management process at the enterprise.

The subject of the research is theoretical and methodological approaches and practical recommendations for increasing the efficiency of personnel management at the enterprise.

Research methods. To solve the set tasks and achieve the goal, a complex of general scientific and special research methods was used, in particular, namely, methods of analysis and synthesis, comparison, statistical analysis, logical and empirical knowledge, a systematic approach was applied when presenting the material, which made it possible to solve the set task.

Practical significance of the obtained results. The practical significance of the thesis is that the developed recommendations for improving the efficiency of the personnel management mechanism at the enterprise can be implemented in the activities of Ukrainian enterprises.

Structure and scope of work. The thesis consists of an introduction, three chapters, conclusions to each chapter, general conclusions, a list of used literature and appendices.

CHAPTER 1

THEORETICAL AND METHODOLOGICAL PRINCIPLES OF MANAGEMENT OF EFFICIENCY OF EMPLOYEES OF THE ORGANIZATION

Foreign experts and scholars have conducted research on incentive mechanisms for a long time, mostly from the perspectives of organizational behavior and psychology. It can be broadly classified into four types: content-based motivation theory, behavior modification motivation theory, process motivation theory, and comprehensive motivation theory.

➤ content-based motivation theory

The content based motivation theory aims to achieve its set management outcomes by studying and analyzing the behavior and motivation of incentive recipients, identifying their true needs and satisfying them, thereby enhancing their enthusiasm and tapping into their potential motivation. In the development process of content based motivation theory, some experts and scholars have put forward their unique views and theories, gradually forming many famous motivation theories, such as ERG theory (Alderfer), two factor theory (Herzberg), achievement needs theory, and Maslow's hierarchy of needs theory. Arnold (2002) [1] combined the ERG theory with empirical research to a certain extent in his in-depth research, and verified the different connections between some related variables such as personal performance, work, satisfaction, personal needs, and personality traits. Bermard et al. (2005) [1] conducted extensive research on the hierarchy of needs theory and conducted in-depth optimization and improvement. In the process of optimizing and improving the hierarchy of needs theory, they combined existing competitive perspectives from the perspective of human motivation psychology with it to a certain extent, and thus derived some new perspectives from the comprehensive theory. These new perspectives to some extent have an impact on cognitive motivation The hierarchy of needs theory at the behavioral level has been further deepened and supplemented.

Table 1.1 - Hygiene Factors & Incentive Factors

Hygiene Factors	Incentive Factors
work environment	Sense of work achievement
pay	Career development prospects
supervisor-subordinate relation	promotion

Source: constructed by the author based on [4]

➤ Process based motivation theory

The ultimate goal of process based motivation theory is to predict or manipulate the behavior of the incentive object to a certain extent. This theory mainly focuses on studying some factors that can play a crucial role in motivating the behavior of the target audience. Researchers want to understand the interrelationships between these factors and predict and manipulate the behavior of the target audience by adjusting these factors. In the development of process based motivation theory, many famous theories have emerged, such as expectancy theory, goal theory, and **reinforcement** theory. The famous psychologist Fromm once stated in his work 《Work and Motivation》 that if one wants to effectively motivate people, they should consider and study both the value or attractiveness of their desired goals and the possibility of achieving them. In other words, the factors that determine behavioral motivation are expectations and valence, which gave rise to the expectancy theory. Professor Locke proposed in 1968 that a particularly important aspect of motivational motivation is the ability to set goals reasonably. The difficulty and clarity of goals determine the effectiveness of human performance, which is the core essence of goal theory. Professor Skinner from Harvard University pointed out in his book "The Behavior of Organisms" that reinforcement theory emphasizes the influence of the environment on behavior. Human behavior is actually a series of related reactions and actions that humans make to the stimuli given by the external environment, which can be regulated and manipulated by changing the external environment. Strengthening the stimuli to human behavior can have a reinforcing effect on human behavior.

Table 1.2 - Four types of reinforcement

	Positive and enjoyable events	Unpleasant and unwanted events
Event occurrence	Positive reinforcement (Behavior is more likely to occur)	Punishment (Behavior is even less likely to occur)
Termination and cancellation of the event	Fading (Behavior should not occur)	Negative reinforcement (Behavior is more likely to occur)

Source: constructed by the author based on [4]

➤ Comprehensive Incentive Theory

This theory aims to attempt to integrate various incentive theories to form a systematic theory, avoiding the one-sidedness and limitations of a single theory. It aims to understand and elaborate on the process of motivating people's behavior from a complete and systematic perspective, and proposes incentive methods that can stimulate people's subjective initiative. In the 1860s, renowned American motivational scholars Edward Lawler and Lehmann Porter first explicitly proposed a new motivational theory in their book "Management Attitudes and Achievements.".〔1〕

In their new motivation theory, there are four main influencing factors. These four influencing factors are external stimuli, individual internal psychological factors, behavioral expression, and other psychological activities. These four influencing factors influence each other, and incentive activities are the process of these four factors influencing each other. For different incentive objects, different types of incentives will have a series of different impacts and incentive effects on them. This is the main content of the comprehensive motivation theory. This incentive management model not only fully demonstrates the various main factors that affect the incentive effect in the company's employee incentive management model, but also closely combines internal and external incentives, and proposes an intermediate variable called "fair compensation" that affects employee compensation and satisfaction. This

intermediate variable explains why company employees still cannot obtain satisfaction after receiving salary and compensation.

➤ The incentive principle of reinforcement theory of foreign Studies

Skinner believes that the essence of motivation is to establish appropriate reinforcement external and internal dependencies between the behavior of the managed and the reinforcement. Compared to traditional content-based motivation theories, behaviorists focus on the "S (stimulus) - R (response)" model. But if the model is carried out in a single way, treating stimuli and behavior as a mechanical causal relationship, once the stimuli are weakened or lost, the expected behavior of the manager will not be repeated; At the same time, even if an individual receives stimuli, the manager cannot constrain and ensure that the motivated individual's behavior can achieve the established goals. Simply put, without money, one cannot do anything, but having money is not omnipotent. This is the dilemma of traditional content based motivation theory in practice.〔2〕

Skinner's historical achievement in reinforcement theory lies in the expansion of the research perspective of motivation theory. Compared to traditional content-based motivation theory, Skinner believes that complete motivational behavior includes not only the "s (stimulus) R (response)" model, but also the "R (response) S (stimulus)" model. In short, the content-based motivation theory focuses on stimuli that trigger behavior, while the process based motivation theory represented by reinforcement theory is not limited to pre behavioral stimuli, but also takes into account post behavioral stimuli. It believes that after an individual's behavior occurs, external forces are used to further guide and observe their behavior, and the implementation of reinforcement gradually establishes internal and external interdependence, effectively regulating the intensity and frequency of the behavior of the managed. Apply positive reinforcement to behaviors that meet the expectations of managers to increase their probability of occurrence; apply negative reinforcement to behaviors that violate the expectations of managers to reduce their probability of occurrence; apply natural regression to behaviors that simultaneously bring benefits, retain reasonable components of their behavior with flexibility, and correct and eliminate components that violate the expectations of managers.

➤ Theoretical research on incentive mechanisms of foreign Studies

◆ Expectancy theory

proposed by the renowned North American psychologist and behavioral scientist Victor Fromm in his book "Work and Motivation"〔3〕 The most important concept in expectancy theory is motivation, which includes two parts: valence and expectation rate. The concept of valence is the individual's value in pursuing a goal, and the expected value represents the individual's probability of success in pursuing it. The higher the target value, the closer the expected value is to 1. In reality, most companies have a phenomenon where expectations for employees are either too high or too low. This will lead to lower employee motivation and a tendency towards negativity and resistance, in which case the development of the enterprise cannot be reflected. So the motivational elements of the implemented system or measures need to meet the matching degree of employee expectations and effectively improve the feasibility of the measures, which can also ensure that employees are full of confidence and ultimately enhance their work enthusiasm.

◆ Equity Theory

proposed by American behavioral scientist Stacy Adams in works such as "The Relationship between Workers' Inner Conflict over Wage Inequality and Their Productivity," "The Impact of Wage Inequality on Work," and "Inequality in Social Exchange.". This theory focuses on studying the rationality and fairness of wage and compensation distribution, as well as its impact on employee productivity.〔4〕

In the theory of fairness, there is always someone who compares the labor they put in and the rewards they receive to someone who is similar in condition. Only when they meet the wishes of both can a sense of fairness gradually emerge in the minds of employees. However, if there is inequality between the two, it will result in a significant decrease in efficiency, and even lead to a decrease in employee interest and enthusiasm for work. This indicates that for employees, compensation not only needs to meet their absolute value, but also needs to be an appropriate relative value.

The core function of incentive systems is to enhance the work enthusiasm of employees. If the incentive system is unreasonable or the implementation effect is poor,

it will largely lead to a decrease in employee enthusiasm and the efficiency of the enterprise will also be greatly affected. Employees only strive with a positive attitude when they feel fairness. When employees feel that they have gained more benefits than others, they will work harder to complete tasks; On the contrary, he will reduce the time, energy, and financial resources spent on work. Employees who discover that they have suffered unfair treatment in compensation distribution may eliminate their sense of imbalance through actions, such as seeking to increase their own salary, seeking to reduce the salary of others, seeking to reduce their own payment, seeking to make others pay more, etc. These behaviors have a negative impact on enterprise management and work efficiency.

◆ Goal setting theory

Locke and Hughes, professors of management and psychology at the University of Maryland in the United States, found in their research that external stimuli affect motivation through goals, thus proposing the Goal Setting Theory.〔5〕

Edwin Locke, a professor of management and psychology in the United States, proposed that setting clear goals to stimulate employee motivation and guide their behavior can effectively motivate employees to work and enable them to achieve personal needs and corporate goals. The ultimate goal of behavior is largely determined by the goal. Usually, behavior without a goal has no results, and only with a goal can a behavior have significant results. Goal setting should be reasonable. If the set goals are high and difficult to achieve, employees may feel that the goals are out of reach, which can lead to negative thoughts and a decrease in work enthusiasm. On the contrary, goals that lack challenge are easy to achieve, making employees feel easily accessible and their motivation weakened. So managers need to pay attention to being comprehensive and step-by-step, and focus on implementing strategic planning for long-term development. After employees improve their ability to achieve their goals, managers should consider providing an environment and conditions to achieve higher goals, giving employees opportunities for growth and development, and guiding them to reach a higher level.

In summary, the application of incentive mechanisms in enterprise human resource management has multiple theoretical foundations, and it is necessary to

consider theories such as employee demand hierarchy, expected certainty equivalence, and self-determination in order to design and implement effective incentive mechanisms, improve employee motivation and performance, and enhance the productivity and competitiveness of the enterprise.

- Research on Incentive Theory of domestic research review

Our country has been relatively late in applying incentive mechanisms, and more of them are applied in enterprises. Therefore, our country's research results mainly focus on the application of incentive mechanisms in enterprises.

Li Gui [6] proposed that incentive mechanisms can greatly stimulate the work enthusiasm of enterprise employees, strengthen work motivation, and significantly improve the economic benefits of the enterprise. And in-depth research has been conducted on how to formulate differentiated goal decisions through incentive mechanisms and how to achieve the important effects of incentives. Li Mingyi [7] believes that incentive mechanisms can be applied in the process of human resource development in enterprises. He believes that using incentive mechanisms like this can not only improve the work motivation of enterprise employees, reduce the turnover rate of excellent employees, but also effectively improve the work efficiency of enterprise employees, bringing greater benefits and good social effects to the enterprise.

Song Fangyan [8] believes that incentive theory originated in enterprise management. In early enterprise management, due to the separation of powers, some serious agency problems gradually emerged. How should the owners of the enterprise motivate the management and ordinary employees in the enterprise to work together towards the interests and goals of the enterprise, so that their interests and goals are consistent with the overall interests and goals of the enterprise. In later development, it was found that besides effective supervision, establishing a rigorous and reasonable incentive system was also an effective method. Based on this, incentive theory gradually developed. And with the increasing depth of enterprise management practice, it continues to develop.

Zhang Qiuxiang [9] believes that in the current market economy model, enterprises have also increased their emphasis on human resource management, and integrating incentive theory into enterprise management has significant significance.

However, at present, there are still some influencing factors in the experimental process of incentive theory in enterprises, such as imperfect mechanisms and unreasonable policies. Therefore, it is necessary to use improvement and innovation incentive thinking models to further play the significant role of incentive theory in enterprise human resource management, and provide favorable conditions for the future development of enterprises. Wang Lina [10] analyzed the motivation theory and introduced its role and importance. In response to the current situation of talent loss faced by many enterprises, she briefly explored the methods of using incentives to retain fresh blood for enterprises, in order to provide reference for relevant personnel in enterprise incentive management.

- Research on Incentive Mechanism Theory of domestic research review

Although domestic scholars have conducted relatively late research on incentive theory and practice compared to foreign scholars, they have conducted a large amount of empirical research based on the actual development of Chinese enterprises, learning and drawing on the research results of foreign scholars. They have summarized experience and provided theory for the construction of incentive mechanisms in Chinese enterprises. The following is an analysis of the research of domestic scholars:

Scholars Zhang Wangjun and Peng Jianfeng [11] explored the four aspects of organizational and cultural incentives for knowledge-based employees in the knowledge economy era, which can help enterprises establish a scientific incentive mechanism for knowledge-based employees. Xiang Qiuhua [12] conducted a comprehensive analysis of incentive mechanism design, believing that the purpose of incentive mechanism design is to mobilize the enthusiasm of employees, the starting point is to meet the needs of employees, and the core is the distribution system and regulatory effect is to achieve the expected goals. Zheng Chao and Huang Youli (2001) [13] conducted an empirical study on the motivational factors of knowledge-based employees through two methods: material incentives and non-material incentives. Wan Fengfeng (2007) [14] believes that the problem with incentives for small and medium-sized enterprises in China is that the low quality of managers affects the establishment and improvement of incentive systems. Ran Huafeng (2008) [15] believes that the problem with incentives for small and medium-sized enterprises is that the salary

system is not sound, there is a lack of a good corporate culture, and there is a lack of a comprehensive on-the-job training system. The incentive mechanism cannot meet the requirements of modern enterprise development. Wang Zhouhuo (2008) [16] In depth research was conducted on the incentive mechanisms for employees in small and medium-sized private enterprises. In response to the existing problems, the concept of "people-oriented management" was proposed, and a composite incentive mechanism was established, combining material and spiritual incentives, internal and external incentives, institutional and cultural incentives, and positive and negative incentives.

Qi Shibo (2010) [17] believes that private enterprises should establish a "people-oriented" concept, develop a scientific welfare system, and motivate employees to work hard and complete work tasks through equity incentive target incentives, target incentives, spiritual incentives, and other means. Zhang Ling (2012) [18] conducted a research and analysis on the incentive mechanism of the post-80s generation, believing that they have strong personalities and hobbies, and are also in a dominant position in enterprises. Therefore, it is necessary to develop a set of incentive mechanisms suitable for this group, establish a market-oriented and profit centered incentive mechanism. Gong Shaofeng (2013) [19] It is believed that enterprises must pay attention to talent cultivation in their development, pay attention to the needs of employees, give them a broad development space and opportunities to showcase themselves, provide various benefits and assistance, enhance employee goodwill towards the enterprise, and establish loyalty to the enterprise. Shi Guanfeng (2014) [20] believes that talent is the key to enterprise development and also a valuable resource for enterprises. The level of creativity and professional skills of enterprise employees is the standard for measuring whether a company has achieved sustainable development. Therefore, it is advocated that enterprises establish a scientific incentive mechanism and use various incentive factors to motivate employees to constantly innovate, in order to improve the performance of the enterprise.

Zhang Yanxue [21] proposed that Adams' equity theory tells us to pay attention to fairness in the incentive process, and establishing a systematic and fair evaluation system is the guarantee of effective motivation.

Shi Yajie [22] believes that a reasonable mobilization, salary promotion system is the most direct and effective measure to stabilize the workforce and motivate employees to work actively.

Li Ling [23] proposed starting from three incentive targets: core employees, ordinary employees, and teams, and proposed that corresponding incentive strategies should be adopted for different incentive targets.

Through the exploration of incentive mechanisms in Chinese enterprises by scholars, scientific conclusions have been made for the establishment of scientific incentive mechanisms in enterprises, providing theoretical basis for the establishment of employee incentive systems in private enterprises, achieving the goal of solving practical problems in theory, and contributing to the sustainable development of private enterprises in China.

CHAPTER 2

ANALYSIS OF CURRENT SITUATION OF EMPLOYEE INCENTIVE MECHANISMS IN PRIVATE ENTERPRISES

2.1 The negative impact of inadequate incentive mechanisms in private enterprises

Since the reform and opening up, private enterprises in China have experienced rapid development, playing a crucial role in the national economy. However, factors such as a large absolute proportion of family businesses, centralized management, outdated management models, and inadequate incentive mechanisms that neglect investment in talent have become fatal bottlenecks that constrain the development of small and medium-sized enterprises. The focus of enterprise management in the 21st century will shift from material resource management to human resource management. How to maximize the potential of employees, improve organizational efficiency, stimulate enterprise vitality, and build effective incentive mechanisms is an important issue facing small and medium-sized enterprises.

There are many research results on incentive mechanisms in the employment mechanism of enterprises internationally, but most of them are aimed at large enterprises and there is no mature incentive mechanism suitable for small and medium-sized enterprises. Especially in China, small and medium-sized private enterprises, due to their relatively late development and low overall quality, have not conducted much research. Currently, employee incentive mechanisms are still in their early stages, only stimulating employees with a single salary system, while ignoring other aspects. With China's accession to the WTO, the competition between domestic and foreign enterprises in terms of talent is becoming increasingly fierce. In the future, human capital will become the key to determining the outcome of competition. However, in most Chinese enterprises, especially private small and medium-sized enterprises, the disregard for human capital seems to be a common phenomenon. Attempting to bridge the talent gap through high salary recruitment is essentially treating talent as a cost

rather than a resource that generates benefits, treating employees as the cost of the enterprise, and ignoring incentives for employees. It is urgent to establish and improve incentive mechanisms for private small and medium-sized enterprises.

Currently, private enterprises have occupied a very important position in the entire national economy. However, many small and medium-sized private enterprises have encountered many problems while relying on their flexible mechanisms to continuously achieve benefits. Among them, employee motivation is a problem that often makes the leadership of enterprises feel tricky, but it is also related to the development and growth of the enterprise, and sometimes even to the survival of the enterprise.

Accompanying the success of the market came a series of troubles in the internal management of small and medium-sized companies. Although the working conditions and remuneration of employees are already quite good compared to other companies, management personnel, technical personnel, and even skilled workers are constantly losing their jobs; Most employees on duty also lack work enthusiasm. This poses a great threat to the development and even survival of the company. The old incentive mechanism is not suitable for the development of enterprises.

Why does such a problem arise? The following specific examples may reveal the problems in employee motivation in the company:

Chinese private enterprises emerged and developed during the process of market economy development and economic model transformation. Due to the external market environment and deep-rooted cultural influence, the initial incentive mechanism of private enterprises is arbitrary. The initial incentive mechanism for private enterprises is arbitrary due to the influence of environment and deeply rooted culture. For private enterprises that can survive and grow to a certain scale, there is a challenge to establish a reasonable incentive mechanism as soon as possible.

The responsibilities of employees are unclear and unclear. Private enterprises nowadays have realized the role of talent. However, there have been misconceptions among private entrepreneurs regarding their love for talent. While companies are willing to spend costs on recruiting talent, they are not entirely satisfied with how to use it. The functional structure of the company is very simple, and the factory director's

office is divided into a production department, a technical department, and a comprehensive department. The head of the production department also serves as the director of the main production workshop and is in charge of supply; Finance, statistics, secretaries, etc. are all compressed in the comprehensive department; The market is directly managed by the deputy general manager. Therefore, members of functional departments often hold multiple positions, such as accountants who may also serve as secretaries and receptionists. This originally reflected the flexibility and efficiency of the employment mechanism. However, this kind of "one person multiple roles" is unstable, and who is responsible for completing a task.

- Causing loss of intangible assets

Intangible assets refer to identifiable non monetary assets owned or controlled by an enterprise without physical form. Because they do not have a physical entity, but rather manifest as some legal right or technology. The loss of talent in enterprises may lead to a significant loss of intangible assets. Due to the inability of enterprise talents to realize their own value, the loss of technical personnel takes away core technologies, the loss of sales personnel takes away customers, and the loss of management personnel brings management difficulties to the enterprise, all of which cause problems for the enterprise

A huge loss. The cost investment of enterprises in talent includes explicit costs such as recruitment fees, training fees, internship fees, as well as implicit costs such as growth assistance and care for talents, which will also sink.

- Causing employees to be passive and negligent

Famous scholar Hua Liwei pointed out that "the causes of ineffective incentives are: viewing all employees from an economic perspective, equating flexibility with arbitrariness. The human resource management of small and medium-sized enterprises is disorderly, lacking communication, and not providing timely feedback." Due to unclear property rights, inconsistent responsibilities and rights of employees, unreasonable performance evaluation processes and results, and a focus on material incentives while neglecting non-material incentives, all of these can lead to the loss of excellent talents, resulting in low product quality, increased production accidents, and increased laziness among employees.

- Shortening the lifespan of enterprises

In the past two years, the number of small and medium-sized enterprises in China has decreased by about 2 million. Among the 2 million small and medium-sized enterprises that disappeared, only a small portion were eliminated due to the government's efforts to rectify, shut down, and transform small enterprises with poor product quality, waste resources, pollute the environment, outdated technology, and lack of safety production conditions. The reason for the disappearance of most enterprises is the lack of sound incentive mechanisms. The development system of China's overall market economy is constantly improving and enriching, forming a dynamic and well-defined market economy. The original planned economy no longer exists, and enterprise development needs to accept competition and testing in the market economy. Market competition always exists for enterprises, and the competition for capital and technology is relatively weakened. The important foundation for enterprises to gain advantages in competition is human resources. Through scientific allocation of human resources, as well as the construction of internal employee compensation and welfare systems and incentive mechanisms, we promote the efficient utilization of human resources in enterprises and gain a good advantage in competition. This year, the Zhejiang Provincial Enterprise Survey Team conducted a sampling survey on 288 small and medium-sized enterprises in four cities including Jinhua, Taizhou, Lishui, and Quzhou. The survey results indicate that the main factor hindering the development of enterprises is talent shortage, with an identification rate of 55.8%. According to a survey, the average lifespan of small and medium-sized enterprises is 2.9 years, and the root cause of failure lies in the obvious shortcomings in how to effectively motivate employees.

Specific applications :

Incentive mechanisms are a crucial component of enterprise management, aimed at stimulating employee enthusiasm and initiative, improving work quality and efficiency, enhancing employee loyalty and satisfaction, and ultimately achieving the goal of improving enterprise performance. Incentive mechanisms are widely used, which can motivate employees to be proactive and creative through reward mechanisms, such as salary, benefits, promotions, and stocks. In addition, enterprises

also widely adopt training mechanisms to stimulate employees' initiative and learning enthusiasm, such as providing professional skills training and management skills training. Its application is specifically reflected in the following aspects.

➤ Compensation

Enterprises usually motivate employees through salary levels, year-end bonuses, stock options, and other means to encourage them to perform better and be creative. Some companies will also make differentiated salary adjustments based on employee performance, in order to motivate employees to continuously improve their performance level. In enterprise human resource management, salary incentives are an important means of motivating employees. Common salary incentive methods include: basic salary: basic salary is the most basic compensation provided by enterprises to employees, usually determined based on the position and job content of employees; performance-based salary: performance-based salary is calculated based on the work performance and achievements of employees, usually directly related to their work performance; Bonus is a reward given by enterprises to employees for completing certain tasks or achieving certain goals. The reward amount is usually determined based on the difficulty of the tasks and the degree of contribution of the employees. Equity incentive: Equity incentive is a way provided by enterprises to motivate employees to participate in the development of the enterprise. By distributing enterprise stocks or equity to employees, employees are motivated to create greater value for the enterprise; Option incentive: Option incentive is a way to provide employees with the right to purchase company stocks, allowing them to receive greater returns when the company stock price rises.

➤ Job promotion incentives

Enterprises provide promotion opportunities for employees to motivate them to work and learn harder, and strive for better career development. Enterprises can also encourage employees to actively explore their potential by formulating promotion rules and providing training plans. In human resource management, job promotion incentives are an important means of motivating employees to further improve their career development. Common job promotion incentive methods in enterprises include career planning, which provides employees with career planning to help them

understand job responsibilities, promotion paths, and promotion conditions, Enhance employee awareness and willingness for career advancement; Job rotation: Through job rotation, employees are exposed to different work areas, improving their work skills and overall quality, thus preparing them for promotion; Job training: Provide professional and systematic training for employees, enabling them to master more skills and knowledge, improve their work ability and competitiveness. Competency assessment: Through competency assessment, objectively evaluate employee performance and potential, and provide opportunities for promotion. Job promotion: Through adjusting employee job content and requirements, To elevate the position of employees and enhance their career development space: Internal competition: Through internal competition, employees have the opportunity to strive for higher positions, improve their work motivation and competitiveness. In summary, there are various types of job promotion incentives in enterprise human resource management, which are suitable for different employee groups and situations. Based on the actual situation and development needs of employees, different incentive methods can be flexibly applied to achieve the best incentive effect.

➤ Performance evaluation incentives

Enterprises often motivate employees to work hard to improve their performance by evaluating their performance. Performance bonuses and other methods are used to recognize and motivate employees to improve their performance and work performance, which is an important means of motivating employees to improve their performance. Common performance evaluation and incentive methods include: year-end bonus: at the end or beginning of the year, by evaluating employees' work performance, bonuses are distributed as incentives, while also recognizing and rewarding employees for their hard work; Stock options: Company stock options refer to the issuance of stock options by the company to incentivize employees. Employees can purchase company stocks at an agreed price, and when the stock price rises, employees can receive higher returns; Promotion and salary increase: Based on the work performance and performance evaluation results of employees, improve their position and salary level, provide better career development and income growth space for employees: Training opportunities: provide professional and systematic training for

employees, so that they can master more skills and knowledge, improve their work ability and competitiveness, and thus improve their performance and work performance; Work commendation: Commending employees for outstanding performance in their work, such as outstanding employees and the best team, to make them feel the company's attention and recognition, thereby motivating them to work harder. In summary, the performance evaluation and incentive methods in enterprise human resource management are diverse, and different incentive methods are applicable to different employee groups and situations. When formulating performance evaluation incentive plans, enterprises should flexibly use different incentive methods based on the actual situation and development needs of employees to achieve the best incentive effect. At the same time, enterprises should pay attention to the fairness and transparency of incentive measures, and avoid affecting employee motivation and work performance due to unfair incentives.

➤ Employee welfare incentives

Enterprises usually provide diversified employee benefits to improve their quality of life and job satisfaction, thereby better motivating employees. For example, health insurance provides employees with health protection, including medical insurance, accident insurance, occupational disease insurance, etc; Leisure and entertainment: providing employees with leisure and entertainment facilities, such as internal gyms, swimming pools, football fields, basketball courts, etc., as well as organizing employee tours, team activities, etc; Learning and training: learning and training opportunities provided by enterprises to employees, such as internal training, external training, attending meetings, forums, etc. Work flexibility: for example, flexible working hours, remote work, adjusting positions, etc., can help employees better balance work and life, improve work efficiency and job satisfaction; Other benefits: Enterprises can also provide employees with other benefits, such as free lunch, anniversary celebration, annual health check ups, free coffee, etc

2.2 Existing problems

The performance evaluation of private enterprises in our country is still only at the stage of superficial imitation, and it is just a formality. In the minds of managers,

having performance evaluation is equivalent to completing the corresponding system construction, and the results of evaluation have not been truly implemented in actual management work.

1) The incentive mechanism is conservative, lacks reasonable planning, and lacks motivation

The incentive mechanism of enterprises is too utilitarian, focusing on the pursuit of short-term benefits and neglecting the self realization and value pursuit of employees. In order to facilitate management, simple and rough assessment methods may be adopted, such as based on the number of tasks completed, sales revenue, performance indicators, etc., rather than truly focusing on the quality of work, career development, and job satisfaction of employees, which can also affect their work enthusiasm and creativity. This phenomenon can easily lead to employees neglecting the long-term development and values of the enterprise in pursuit of bonuses and promotions, affecting the career development of employees and the long-term stable development of the enterprise.

2) Poor working environment and lack of a good cultural atmosphere

According to a survey, the work intensity and pressure in private enterprises are high. Some enterprises are divided into three working hours: morning, middle, and evening, with a total working time of more than 12 hours. Moreover, for some technical and management positions, overtime is a common occurrence, but they can only receive symbolic overtime pay or no overtime pay at all. If an employee works hard but does not meet the expectations of the company or even receive punishment from the company, the employee will try to minimize and avoid hard work behavior; If an employee's hard work behavior is not recognized, rewarded, or punished, then such behavior will gradually disappear in future work. In such a situation, enterprises must attach importance to the timeliness of reinforcement in incentive mechanisms, create a highly cohesive cultural atmosphere, and make employees feel that being able to work in the enterprise and grow and progress together with the enterprise is a realization of their life goals. Only in this way can the potential of employees be fully mobilized to create profits for the enterprise. However, in fact, many private enterprises in China lack a good cultural atmosphere. Some enterprise owners, of course, also enterprise

managers, believe that the enterprise is their own, and that employees' pay and retention are their own the final say, without any cultural atmosphere. Ultimately, it leads to employees not having a consistent set of values with the company, competing for power and benefits with each other, not being able to work together, and being more likely to dig into the company's corners or even choose other places.

3) Internal communication within the company is not smooth, and there is a single channel for employee demands

Communication refers to the transmission and exchange of information between different topics. Through communication, people can narrow their cognitive and emotional distance, deepen their understanding of each other, and bring their relationships closer together. However, with the continuous development of modern technology, more and more private enterprises have achieved paperless office work, and major and minor matters are handled through email and local area networks. Face to face communication between people is becoming less and less, resulting in increasingly complex interpersonal relationships. The information and work status of employees, as well as the adjustment and management spirit of the enterprise, cannot be effectively conveyed and fed back, and internal conflicts within the enterprise cannot be detected in a timely manner, let alone effectively coordinated and resolved in a short period of time, resulting in escalating conflicts and poor interpersonal relationships, seriously affecting the working atmosphere of the enterprise.

2.3 Factors affecting incentive mechanisms

The goal of incentive mechanisms is to attract, maintain, and motivate managers to focus on creating corporate value, and to balance the conflict between long-term and short-term interests between shareholders and managers through incentive combinations. The most common combination of incentives is material incentives and spiritual incentives.

1) Material incentive methods

Starting from meeting people's material needs, material incentives are regulated through material interest relationships to stimulate people's upward motivation and

control their behavior. This is the main mode of incentives, and typical material incentive methods include annual salary incentives and equity incentives.

Annual salary incentive

A corporate enterprise is an economic organization established in accordance with the law, with the legal person property system as its core and a scientific and standardized legal person governance structure as its foundation, engaged in large-scale production and operation activities. It usually includes three different stakeholders: workers, asset owners, and business managers, who have different interests. In order to reduce the efficiency losses caused by the different interests of operators and owners, the implementation of annual salary incentives is very necessary. By gradually improving the function of the annual salary system, establishing a profit centered incentive and constraint mechanism for operators, closely linking the behavior and responsibilities of operators with their benefits, and enabling operators to achieve the goals of maximizing personal utility and asset appreciation expected by asset owners. Therefore, the strength of the incentive and constraint functions of the annual salary system directly affects the value of the enterprise.

Equity incentive

Currently, equity incentives are receiving increasing attention in China. Equity incentive, as a long-term incentive system arrangement for operators, is to allow operators to hold stocks or stock options, making them shareholders of the enterprise, linking the personal interests of operators with the interests of the enterprise, in order to stimulate operators to increase their wealth by promoting the growth of enterprise value. The implementation of equity incentives determines the level of effort of operators, which can link the long-term interests of operators with the long-term development of the enterprise, promote consistency between the interests of operators and shareholders, and continuously and effectively promote the improvement of the value and performance of listed companies by developing and maximizing the use of human capital for value transfer and value creation, thereby effectively driving up the stock price of listed companies, Give investors strong confidence and huge investment opportunities.

2) Spiritual motivation methods

Implementing spiritual incentives can help enterprises reduce management costs, improve their management level, and achieve harmonious and sustainable development among individuals, enterprises, and society.

Reputation incentives

Reputation, which refers to reputation and honor, is the recognition and noble evaluation of the value of business operators by society and the country. It is an important means to meet the self-esteem and self realization needs of business operators, stimulate their continuous progress, and in fact, it is also a recognition of their work and performance. The reputation incentive for business operators is to award various honorary titles to outstanding personnel in various sectors of society and government departments, in order to enhance their social reputation and provide them with spiritual satisfaction. For business operators, reputation incentives are an important and indispensable incentive method, mainly determined by the social attributes of individuals, the marketability of professional managers, and the spiritual needs of individuals. The core of reputation is trust, and only by establishing a good reputation and creating trust from all parties involved in the enterprise can operators successfully continue to play the role of entrepreneurs. A good reputation can help stakeholders form a mindset towards the operator, establish sustained trust and confidence in them, and support them in constantly overcoming difficulties, solving problems, and overcoming temporary difficulties for the enterprise.

Power incentives

Power is the carrier and tool for operators to implement business management work. Without corresponding power, managers are unable to showcase their talents and initiatives, and the development of enterprises will inevitably be fatally affected. The power of the operator mainly refers to the autonomy of business management and the control of the enterprise. Power incentive refers to granting operators corresponding autonomy, control, and a certain right to claim residual value of the enterprise, making them fully responsible for the business activities, motivating them to work creatively, manage risks, achieve benefits, align their personal behavioral goals with the enterprise goals, and achieve incentive compatibility.

Work motivation

Work motivation refers to providing managers with challenging work based on their personal abilities, in order to better stimulate their work enthusiasm and satisfy them in their work. Implementing work incentives can reflect the personal wishes and values of business owners, create a good working environment for them, continuously expand their work scope, enrich their work content, enable them to fully realize their self-worth in their work, maximize their enthusiasm and creativity, and achieve benefits for the enterprise.

Training and Continuing Education Incentives

With the advent of the knowledge economy, the speed of knowledge updating is constantly accelerating, and the phenomenon of unreasonable knowledge structure and knowledge aging among operators is becoming increasingly prominent. Training can enrich the knowledge of operators, cultivate their abilities, provide them with opportunities for further development, and meet their needs for self realization. Only in this way can operators strive to serve the enterprise and enhance its value.

By using the above spiritual motivation methods, the potential of operators can be developed. The ultimate goal of spiritual motivation is to make the traditional sense of being managed and the manager become the masters of managing themselves, cultivate autonomy, and with the help of the enterprise, achieve self-management and self-improvement, ultimately achieving the unity of enterprise goals and personal goals.

Analyze the reasons :

✧ Weak awareness of motivation among managers

The quality of managers themselves affects the establishment, development, and improvement of incentive mechanisms. The characteristics of the development process of small and medium-sized enterprises determine that the management of most enterprises is more based on family and emotional foundations, lacking scientific institutional norms and a weak awareness of effective motivation for employees. Managers only reward and punish employees based on their personal likes and dislikes, as well as their ethical and moral values, which stifles the enthusiasm, initiative, and creativity of many employees, leading to a decline in the competitiveness and short survival time of small and medium-sized enterprises. In addition, some small and medium-sized enterprises, although aware of the importance of motivation, do not start

from the actual situation of the enterprise, but simply copy the mechanisms of large companies, resulting in a result that does not conform to the actual situation of the enterprise. The reason is that many managers of small and medium-sized enterprises rarely have their own ideas.

✧ Inaccurate understanding of employee motivation factors

Many small and medium-sized enterprises mistakenly regard salary as the only effective incentive factor for all employees without considering the premise of incentive effects and the differences among employees, and simply equate the design of incentive mechanisms with the design of compensation systems. In fact, employees are no less concerned about job stability and assurance than they are about salary. For knowledge-based employees, their

The satisfaction of personal needs has reached a high level, which makes them not only pursue monetary and material rewards, but also spiritual satisfaction, such as personal growth, career achievements, and a good corporate culture atmosphere.

✧ Imbalance between material and spiritual incentives

Valuing material incentives, neglecting spiritual incentives, and neglecting the organic combination of material and spiritual incentives have resulted in many small and medium-sized enterprises spending a lot of money but failing to achieve their expected goals. In terms of incentive methods, only material incentives are emphasized, emphasizing the importance of bonuses and bonuses, without paying attention to non-material incentives for employees. Social insurance and work-related injury insurance are not purchased, and employees lack a sense of security; Only value financial incentives, while neglecting the care for employees, only regard employees as "employees" of the enterprise in terms of concept, rather than treating employees as "members" of the enterprise, truly caring for and caring for them. "Emotional motivation requires leaders to trust and respect their subordinates, be able to communicate with employees in a timely and effective manner, acknowledge their work and achievements, and make them feel the improvement of their abilities. At the same time, they should be willing to take on more important and difficult work, and maximize their own abilities."

✧ Employee Work Motivation Enhancement Model

According to the analysis of reinforcement motivation theory, reinforcement refers to the possibility that a certain outcome that occurs after a person's behavior will increase the likelihood of such behavior occurring in the future. That is to say, those behaviors that can generate positive or enjoyable behavior will be frequently repeated in the future, that is, reinforced; On the contrary, behaviors that produce negative or unpleasant outcomes are less likely to reappear, meaning they have not been reinforced. It can be concluded that there is a certain functional relationship between the level of work effort of employees and the rewards they receive from their hard work results. That is to say, if an employee works hard and meets the expectations of the company and receives recognition and rewards from the company, the employee will continue to maintain or even strengthen their hard work; On the contrary, if an employee works hard and does not meet the expectations of the company or even receive punishment from the company, the employee will try to minimize and avoid hard work behavior; If an employee's hard work behavior is not recognized, rewarded, or punished, then such behavior will gradually disappear in future work. As shown in the following figure.

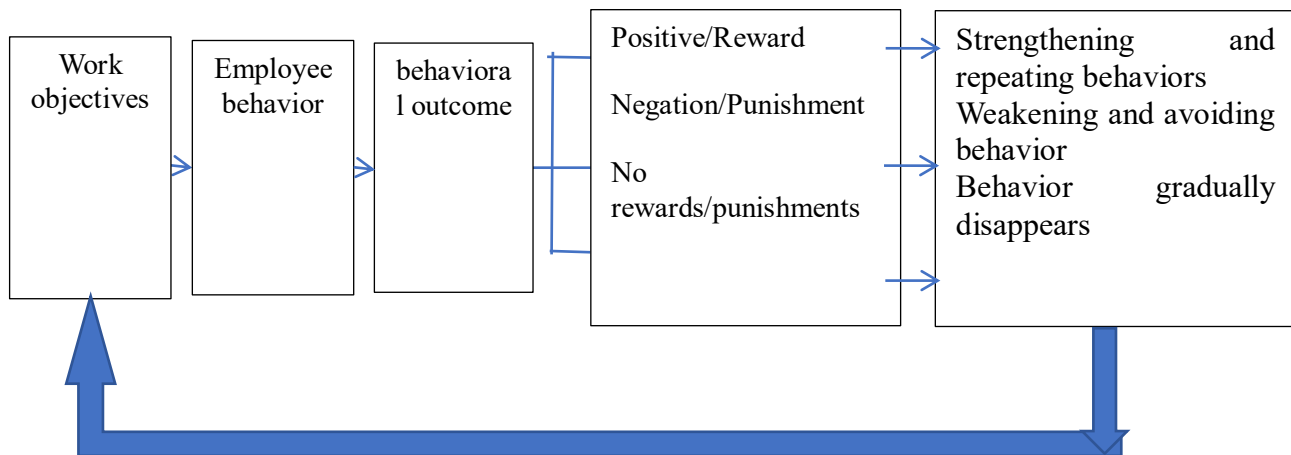


Table 2.1 - Employee Work Motivation Enhancement Model Diagram

Source: constructed by the author

Specifically in enterprise management, employee behavior often manifests in the following forms:

One is that employees will continue to engage in such behavior after receiving rewards for their behavior results, which means that the rewards they receive will strengthen their likelihood of engaging in such behavior again in similar situations.

Secondly, after their behavior results are punished, they will try to avoid such behavior as much as possible, which means that punishment reduces the possibility of employees repeating such behavior in similar situations.

The third point is that after the result of their behavior is no reward or punishment, they will eventually terminate this behavior, which means that the behavior that is neither rewarded nor punished will eventually disappear.

✧ Enhanced timeliness

Due to the natural regression phenomenon during the reinforcement process, whether reasonable and effective reinforcement measures can be implemented before the behavior subsides will directly affect the reinforcement results when employees experience or exhibit certain behaviors. In terms of the incentive effect of enterprise salary design, reinforcement can be divided into fixed time reinforcement and non fixed time reinforcement. Firstly, fixed time reinforcement. Each implementation the interval time for reinforcement is roughly the same. For example, companies pay fixed salaries to employees at fixed times every month, and issue year-end rewards to employees at the end of each year. Due to employees having certain expectations for reinforcement before implementing fixed time frame reinforcement in the enterprise, it is highly likely that employees will exhibit good behavior in the short term before or after the implementation of reinforcement exhibiting poor behavior at a distance from implementing reinforcement behavior.

Secondly, non fixed time hardening. The interval between each implementation of reinforcement is not fixed. For example, companies provide special rewards for employees' patented inventions in their work, and separate rewards for employees' courageous behavior. Due to the inability of employees to accurately predict the specific time of reinforcement, they will try to maintain their current behavior in their work and will not experience significant cyclical fluctuations like fixed time reinforcement.

CHAPTER 3

SUGGESTIONS FOR OPTIMIZING THE INCENTIVE MECHANISM OF PRIVATE ENTERPRISES

3.1. Basic principles for establishing effective incentive mechanisms

- 1) The principle of prioritizing efficiency and balancing fairness.

The purpose of salary design is to motivate employees to improve work efficiency, thereby driving the improvement of the overall business performance. The value created by the improvement of labor efficiency in enterprises will be higher than the added value of new wages. Therefore, when designing a salary system, the first thing to do is to adhere to the principle of efficiency first, the principle of matching labor and income, optimize the correlation between salary and labor value, stimulate employee enthusiasm, and make more efforts for the development of the company.

Meanwhile, according to Adams' equity theory, the compensation and performance system should also reflect the principle of fairness, and the fairness of compensation includes internal fairness and external fairness. Internal fairness refers to the comparison of salary levels among internal employees. According to the expectancy theory, this comparison often affects the level of effort of employees. The salary system should not only widen the gap and reflect the differences in performance between individuals, but also take into account the psychological balance of employees. Under the principle of "three fairness", a scientific and standardized performance evaluation system can be established to handle the issue of internal fairness within the enterprise and form a common goal of interests. External fairness mainly considers the price of human capital in the external market of the enterprise. Based on salary statistics from relevant industries and survey results from professional consulting firms, as well as the competitive environment and development stage of the enterprise, it is determined that the salary level of the enterprise is not lower than the average level of other enterprises in the same industry, maintaining a certain level of market competitiveness.

- 2) Performance linkage, balancing the interests of shareholders and

employees.

The business performance of a company should correspond to the salary of its employees, and the level of income should fluctuate with the quality of the business results. Poor business performance results in lower income for company executives and employees; On the contrary, with good business performance, shareholders can also receive good returns, and the income of executives and employees should also be increased. According to Locke's goal theory, linking the achievement of individual employee goals to the business performance is the main principle that should be followed in designing a compensation system. At the same time, according to Herzberg's two factor theory, under the premise of controllable total compensation costs, increasing the proportion of floating or performance-based wages, maintaining the welfare part of the salary at a reasonable level, widening the gap in salary income based on job contributions, and reflecting the incentive mechanism of "more work, more pay" and performance linked.

3) The principle of prioritizing material incentives while also considering diversified incentives

There are many uncertain factors in the operation of enterprises. In order to strengthen employees' market awareness and guide them to not only focus on personal development, but also on the development of the enterprise, enterprises should not only use salary incentives, but also based on Maslow's hierarchy of needs theory and Alderfeld ERG; According to Skinner's reinforcement theory, a company's reward and punishment system should reflect both positive and negative incentives to improve employee satisfaction and work enthusiasm.

Principles of motivation

In order to achieve good incentive effects, enterprises must follow the following principles.

1) Principle of material interests

Human needs are based on material needs. Incentives should provide reasonable material rewards to the target audience.

2) Principle of fairness

The principle of fairness requires that when implementing incentives,

organizations should first achieve internal fairness, that is, matching individual gains with contributions and coordinating with other members within the organization; At the same time, the organization also strives for social equity in incentives from a wider range and scope as much as possible.

3) Principle of Differentiation

Fairness in incentives does not require equal treatment of all incentive recipients, but rather a comprehensive standard of contribution, importance, and other factors for specific individuals and events, jointly determining which incentive plan to implement, reflecting diversity and flexibility that varies from person to person and from event to event.

4) Principle of economy

The principle of economy refers to the implementation of effective incentives, which should combine the cost of incentives with the possibility of achieving incentive results, and be conducive to cost savings, organizational efficiency, and improvement of activity efficiency.

Implementation steps of incentive mechanism :

- Setting goals

Before implementing incentive mechanisms, enterprises need to clarify their goals and the indicators for achieving them. This goal may be to improve employee performance, increase sales, improve product quality, etc. Clarifying goals and indicators can help companies clarify their own development direction and goals, ensure that incentive mechanisms are consistent with corporate strategy and goals, and improve the effectiveness of incentive mechanisms. This is a prerequisite for the successful implementation of incentive mechanisms. When setting goals, it is necessary to consider their specificity, measurability, and feasibility.

- Determine incentive methods

Enterprises need to determine appropriate incentive methods based on their own situation, such as performance bonuses, stock options, welfare increases, promotion and salary increases, honor recognition, etc. Different incentive methods have different applicability and effects, and enterprises need to choose the appropriate incentive method based on their own situation.

- Develop incentive plans

Enterprises need to develop specific incentive plans, clarify incentive methods, standards, and rules. When formulating incentive plans, it is necessary to consider the fairness and transparency of incentive methods, as well as the level of employee participation and acceptance.

- Implement incentive plans

Enterprises need to implement specific incentive methods in accordance with the formulated incentive plan to ensure that employees receive the incentives they deserve. When implementing incentive plans, it is necessary to pay attention to timely and accurate recording of employee performance and performance, ensuring the fairness and rationality of incentive standards.

- Monitoring and evaluating incentive effects

Enterprises need to monitor and evaluate their implemented incentive plans in order to promptly identify issues and make adjustments. The indicators for monitoring and evaluating the effectiveness of incentives include employee performance, employee satisfaction, employee turnover rate, corporate performance.

Incentive strategy

On the basis of the above incentive principles and in response to the problems in the human resources incentive mechanism of private enterprises in China, this article combines the theory of strengthening incentives and starts from three incentive objects: core employees, ordinary employees, and teams. It proposes that corresponding incentive strategies should be adopted for different incentive objects.

- 1) Basic strategies for motivating core employees

The investigation results of Ansheng Company. Ansheng Company is a well-known management consulting firm in the United States.

The company conducted a questionnaire survey analysis on hundreds of employees in various industries in the United States, Japan, and Australia, and listed and ranked the motivational factors for knowledge-based employees Establish strategic partnerships. As shown in Figure 3-1.

remuneration	1*
Nature of work	2*
improve	3*
Relationship with Colleagues	4*
Impact decision-making	5*

Figure 3.1 - Top 5 motivational factors in the Ansheng model (excerpted from: Research on Motivation of Knowledge Workers, Wang Chunyang, 2015.

Note: * indicates that this factor is more important for knowledge workers than other employees.)

Source: constructed by the author

Chinese scholars Zhang Wangjun and Peng Jianfeng conducted a questionnaire survey on a large number of employees and calculated that

Ranking of motivational factors: (1) Compensation, benefits, and rewards; (2) Personal development space; (3)

The challenge of work; (4) The prospects of the enterprise; (5) Work security and stability.

The survey results conducted by Zheng Chao and Huang You on the motivational factors of knowledge-based employees are as follows: (1)

Increase income; (2) Personal development; (3) Business achievements; (4) Personal autonomy.

(The above two sets of survey results are both excerpted from: A Review of Research on Motivation of Knowledge Workers in China, Li Zhi, 2005)

Based on the above survey results, it can be found that the motivating factors for knowledge-based employees in Chinese enterprises

Mainly focused on "salary and benefits" and "personal development".

As strategic partners, knowledge workers should have their own voice in improving their work environment and adjusting their work content, whether it is to solve current problems or plan the nature of their future work in the company; At the same time, when enterprises make major decisions, knowledge-based employees should have an important position in the decision-making process.

- Future oriented investment mechanism

Compared to other types of employees, knowledge-based employees place greater emphasis on challenging work that can promote their continuous development. They have a continuous pursuit of knowledge, personal growth, and career growth. Therefore, enterprises should consider the psychological needs of knowledge-based employees in their work settings, so that they can feel the realization of self-worth while completing their work, and strengthen the vocational follow-up education of knowledge-based employees.

- Dynamic incentive strategy

Helping knowledge-based employees develop their careers will become the most effective motivation for the company. That is to say, in the long run, companies should adopt different incentive measures based on the personality of knowledge-based employees and their career development plans. Only this dynamic incentive method can truly integrate knowledge-based employees with the development of the enterprise, and truly stimulate the enormous potential hidden in knowledge-based employees.

Equity incentive strategy

Equity incentive strategy is still an important factor in motivating knowledge-based employees in enterprises, where obtaining a reward that is commensurate with one's own contribution and sharing the wealth created by oneself. Due to the importance of knowledge-based employees for the long-term development of enterprises, their value distribution should emphasize long-term incentive effects. Enterprises can adopt the form of equity dividends, allowing knowledge-based employees to share the success of the company with investors and participate in the collection and distribution of surplus value.

2) Basic strategies for motivating ordinary employees.

- Incentive compensation system

Compared to core employees, ordinary employees place more emphasis on salary incentives. When providing compensation incentives to ordinary employees, enterprises should make a reasonable combination of different material incentives, while considering the different needs of employees, and develop a rich and diverse reward menu to maximize the effectiveness of limited resources.

- Training and development of ordinary employees

After receiving effective training and development, ordinary employees, once they have the courage and ability to break the norm, will continuously engage in self motivation and self-improvement, which can inject vitality into the enterprise and drive it forward continuously.

- Fair incentive strategies

Ordinary employees are very sensitive to whether incentives are fair, and their incentives must ensure that they feel the fairness of treatment. Specific requirements include: equal opportunities; The degree of rewards and punishments should be consistent with the merits and demerits of employees; The process of implementing incentive measures should be fair.

- Shaping a shared vision for the enterprise

The proportion of ordinary employees in the enterprise is very high, and the process of resource allocation and management implementation is the result of the joint efforts of all members. Therefore, in order to ensure the normal operation of the enterprise and make it a harmonious organism, it is necessary to shape a common vision of the enterprise. Under this shared vision, employees from different levels come together to move towards the common goals of the enterprise.

3) Basic strategies for motivating teams

- Create a team spirit

A successful team has forged a spirit of perseverance. With this spirit, here, we strive for a common goal. There are many ways to make a team cohesive, including strengthening team training and creating a team culture.

- Make work challenging

Just as new challenges can inspire employee motivation, a sense of responsibility to complete tasks or solve problems can also inspire team motivation. Team members collaborate with each other to form a fighting collective to face any challenges. They see challenges as situations that can arise at any time and are ready to engage in combat at any time. Therefore, in the process of implementing incentives, we should pay attention to the challenge of work for the team, and stimulate the team's enterprising spirit by providing challenging work to the team, fully leveraging the role of the team.

- Give the team greater autonomy

Providing more autonomy to teams with excellent work performance can stimulate unity and cooperation among team members, enabling employees to effectively and timely complete their job duties. Employees will be motivated by their autonomy in their work.

Of course, the implementation of incentive measures based on the team as the motivating unit must be combined with effective behavioral norms within the team. Because team oriented incentive measures may trigger free riding behavior among team members, necessary supervision measures and good team norms can constrain the free riding behavior of team members.

3.2. The importance of implementing incentive mechanisms in enterprises

◆ Enhance enterprise cohesion

Incentive mechanisms have a significant impact on the survival and development of enterprises, and a fair and reasonable incentive mechanism can fully mobilize the enthusiasm and enthusiasm of employees in their work.

Therefore, managers of enterprises should comprehensively consider the strategic goals of the enterprise and the actual needs of employees, and combine appropriate skills and methods to make employees realize that they are closely related to the enterprise, strengthen their sense of ownership, and cooperate with the development plan of the enterprise. Enterprise management should start from the core of people-oriented, actively leverage the talent advantages of the enterprise, cultivate a group of highly motivated and efficient employees, and enhance the cohesion and vitality of the enterprise. So, incentive mechanisms can effectively enhance the cohesion of enterprises and are an important means to stimulate the enthusiasm and creativity of employees. As managers of enterprises, we should strive to implement a reasonable employee incentive system.

◆ Improve employee work efficiency

Incentive mechanisms contribute to the improvement of employees' comprehensive abilities and are also necessary for them to realize their self-worth. A healthy enterprise cannot do without the support of the knowledge economy, which has higher requirements for the development and management of human resources in

enterprises. The incentive mechanism of enterprises is an effective means to improve the comprehensive ability of employees. The foundation of the knowledge economy is knowledge. If we can handle the incentive system issues of human resource management well, create a fair and just competition platform, and provide employees with the necessary incentives, we can fully unleash their subjective initiative, make them actively learn, and improve their own quality level. Mobilizing the subjective initiative of employees is also an important issue in enterprise management, and dedicated employees are the source of continuous development and growth of the enterprise. A sound incentive system is the key to enhancing employee work enthusiasm and unleashing their greater potential.

◆ Maintain enterprise development

Stable human resources can meet the continuous development needs of enterprises, and employee incentive systems help stabilize talent resources. The intensification of market competition has also intensified the competition for talent, and various enterprises are competing for professional talents. A gradually optimized incentive system can help companies shape a good corporate culture, enhance employee service awareness, better serve their units, and enhance the competitiveness of the enterprise.

Enterprises need to implement scientific management, carry out institutional reforms, change management methods that endanger the survival and development of the enterprise, achieve sustainable development of the enterprise, and ensure the long-term operation of the enterprise. A sound and fair incentive system is conducive to establishing a good corporate image, creating a healthy business atmosphere, retaining talents, further improving the training and stability mechanism of talents, enabling enterprises to continuously develop and grow, and to bravely advance in the turbulent market competition, achieving sustainable development.

3.3. Suggestions for formulating a scientific and reasonable incentive mechanism

In order to make the incentive combination more effective, the following suggestions can be given at both macro and micro levels:

Macro level

1) Improve China's capital market to develop towards standardization and rationalization

Modern capital structure theory suggests that capital structure can affect the level of work effort and behavioral choices of managers, thereby affecting the market value of a company. In debt financing and equity financing, debt financing has a stronger incentive effect, but listed companies in China bear more policy goals and social burdens, and there is no fundamental interest constraint relationship with state-owned banks, so this relationship appears somewhat virtualized. In addition, China's capital market is not complete enough, and the corporate governance structure of listed companies is extremely unique, which makes the monitoring ability of shareholders on the company weak. Therefore, operators use equity financing from their own interests to achieve maximum utility. Therefore, it is necessary to improve China's capital market and make it develop towards standardization and rationalization.

2) Establish a relatively complete manager market and establish a mechanism for promoting equal and standardized competition among business operators

The fully competitive manager market provides enterprises with a system for extensive screening and identification of the abilities and qualities of managers, which not only puts great pressure on managers but also brings motivation to maintain a sense of survival crisis and consciously restrain their opportunistic behavior. However, China has not yet established a true manager market, and many managers do not choose through market competition. Therefore, it is necessary to further deepen the reform of state-owned enterprises and improve their property rights structure, gradually weaken government administrative intervention in enterprise behavior, select and hire talents according to the requirements of the market economy, and create a good environment for better playing the incentive mechanism. In addition, there is currently a lack of smooth and effective channels and contractual guarantees for the cultivation, selection, and use of managers in corporate enterprises in China. The way to solve this problem is to improve the agency mechanism of corporate enterprises, establish clear and strict contractual provisions for the tenure, rights, responsibilities, and interests of managers,

make them professional, improve their quality through systematic training, perfect the manager market, and promote equality among enterprise operators Standardize the mechanism of competition.

Micro level

1) Strengthen job analysis, clarify incentive levels, and improve job matching

According to the principle of positive reinforcement, when employees receive timely rewards and recognition for their behavior, they will maintain or strengthen the occurrence of such behavior. Therefore, in the design of incentive mechanisms, the first step is to strengthen job analysis and job analysis, construct a job competency model, and establish appropriate incentive projects and levels based on the competency model. Employees can use job analysis and job analysis results, to obtain specific and objective work goals, while setting goals should consider both the overall development direction of the enterprise and the individual work ability of employees. Goals that are too high can easily dampen employee motivation, while goals that are too low are not conducive to the development of the company. Therefore, only with appropriate goals and timely rewards and affirmation given to employees after achieving them, can their behavior be continuously strengthened and improved, and work become more efficient.

The primary task of establishing a sound incentive system is to achieve fairness, and a scientifically effective performance evaluation system is an effective method to maintain fairness and justice. This performance evaluation system should be implemented for different job positions, with the aim of avoiding managers lacking supervision over themselves, setting reasonable work goals, job standards, and institutional assessments, fully respecting talents, closely linking performance with personal income, and striving to improve employee work enthusiasm. At the same time, it can also enable managers to have a clear understanding of the business situation of the enterprise. Improving the performance evaluation system requires organizers to collect the opinions of all employees and make continuous progress in practice.

2) Create a comfortable working environment and improve work facilities

The working environment is a stimulus to human sensory organs. A certain working environment can lead to certain psychological states. And the psychological

state determines the competitive state of work, which inevitably affects the efficiency of work. Enterprises should provide their employees with a good working environment as much as possible, subject to conditions permit. Efforts should be made to create a favorable external environment, purchase suitable supporting work hardware configurations for employees, and increase their proficiency in using them. This not only increases employee satisfaction with the company, but also enables hardware facilities that adapt to the company's procedures to improve employee work efficiency with half the effort. People are easily influenced by the environment, and young employees nowadays have higher requirements for their work environment. Therefore, creating a harmonious work environment for employees and matching it with a team that meets their expectations is one of the important factors that motivate knowledge-based employees. The ways to achieve a good working environment and team building are as follows: a. Deepen team cooperation and promote mutual trust among team members; b. The responsibility system for the team is clearly defined to individuals; c. Arrange humanized working hours and methods; d. A reasonable allocation plan between individual performance and team performance.

3) Create an efficiency oriented corporate culture and enrich the incentive structure system

Corporate culture is a set of behavioral patterns and values formed in the long-term operation process of an enterprise, which is gradually screened and refined through continuous accumulation. Excellent corporate culture can meet the spiritual needs of employees, further cultivate their sense of responsibility and achievement towards the entire enterprise, and create a good foundation for their potential. Only when employees can identify with the corporate culture and fully understand its connotation can the incentive mechanism of the corporate culture be effectively exerted, creating an optimistic and dynamic working atmosphere for the enterprise. So if a company wants to establish an effective incentive mechanism, it needs to constantly infiltrate corporate culture during the development process, play the role of corporate culture, fully penetrate corporate culture into the values of employees, and enable employees to combine their own goals with the development goals of the company, providing support for the achievement of the company's development goals.

To achieve sustainable development, a company must have a good corporate culture. If the corporate culture is recognized by employees, it will be like a big flag gathering employees together and can also attract more and better employees. In short, an efficient corporate culture can serve as a constant warning to employees about their efficient work. Therefore, in order to improve the work efficiency of employees, enterprises must first create a culture that emphasizes efficiency. Under the influence of an efficient corporate culture, employees will have a high sense of ownership. And can actively participate in work practice, be able to analyze and solve various problems in a timely manner. Therefore, it can ultimately greatly improve the work efficiency of employees.

When designing an incentive system structure for enterprises, it is necessary to reasonably set fixed time limit strengthening incentive projects and non fixed time limit strengthening incentive projects.

The proportion and structure of timed incentive projects are strengthened to enhance employee motivation and stability, and maintain a positive incentive effect. For example, in the design of incentive mechanisms, a reasonable proportion of fixed projects and performance projects should be set; Set up relevant incentive programs based on employee needs to meet their needs and enhance their motivation. For example, some companies have added employee equity incentives, employee option incentives, or added enterprise annuities, supplementary medical insurance, and employee children's insurance on the basis of the traditional five insurances and one fund in their traditional salary system. Employees can choose and participate in appropriate projects according to their own needs, thereby enhancing their sense of identification with the company and improving work efficiency.

4) Establish a career planning and management mechanism for employees

Scientifically planning and designing career paths for employees is an important means for today's enterprises to retain, cultivate, discover, and attract talents, and successfully achieve organizational goals. Effective career planning and management for HT company employees can fully tap into and stimulate their potential, realize their self-worth, and enhance their loyalty to the company. In the design process, consideration should be given to the educational level and age range of employees.

- Targeted cultivation.

Using scientific assessment methods commonly used in human resource management (such as Holland's Career Interest Test, Type 9 Personality Test, etc.), employees are tested on their abilities, strengths, experiences, interests, personalities, and other aspects. Combined with their actual situation, employees are assisted in self-designed career planning to maximize employee motivation.

- Combining horizontal and core development directions.

Based on the actual situation, it can be seen that there are very few opportunities for vertical promotion in the company, and it is not easy to change in the long term. Therefore, in order to meet the personal development needs of employees, horizontal (same level but different positions) transfers can be used to discover the best advantages of employees, while also helping them accumulate various experiences. Developing towards the core direction (although without promotion, taking on more responsibilities) can also be utilized to provide employees with more opportunities to participate in company decision-making.

Encouraging employees to achieve horizontal development means that they can receive training in different positions, grow into versatile talents, master more comprehensive cross disciplinary knowledge, and possess diverse skills to broaden their business scope. When employees achieve horizontal development, they can accept greater challenges in daily work, take on more responsibilities, have more competent positions and departments, enhance internal employee mobility, and cope with the adverse effects of employee turnover. The achievement of horizontal development goals requires providing favorable conditions for employees to deepen their learning and improve their professional skills, making "one specialty and multiple abilities" an advantage that every employee possesses.

5) Improve the quality of managers, optimize management system

A company without incentive mechanisms is like a car without an engine. The shortcomings in personal qualities, charm, ambition, and leadership art of managers are directly responsible for the problems in the above-mentioned incentive mechanisms. Managers should actively strive for progress, learn modern management concepts, arm themselves with theoretical knowledge of modern management, and align themselves

with the image of managers in small and medium-sized enterprises under the current market economy system. At the same time, improving the quality of enterprise managers can be achieved from the following aspects: establishing a long-term training system and conscientiously implementing it; Planned and step-by-step recruitment of high-quality management personnel; Establish an assessment mechanism for the survival of the fittest; Establish a rotation system for management positions, etc. The construction of incentive mechanisms should be driven by reform and innovation, and management personnel at all levels should cooperate with personnel from the human resources department. Talent construction, training, and incentive development should be regarded as important business development strategies for enterprises, and incentive goals should be formulated for different development stages. Efforts should be made to establish incentive mechanisms, including management incentives, salary incentives, training incentives, and spiritual incentives, so that various incentive systems can coordinate and cooperate with each other. Management personnel from different departments of the company need to fully play a key leadership and pioneering role in enterprise management and employee motivation processes. They should take the lead in supporting the promotion of the group's employee motivation strategy in various work, actively promote the optimization and improvement of employee motivation mechanisms in their own business departments, and thus ensure the implementation of enterprise strategy and incentive mechanism optimization from top to bottom. In response to the current optimization and implementation of employee incentive mechanisms in private enterprises, management personnel should first fully understand and recognize the value and significance of employee incentives for the enterprise. At the same time, they should clarify the basic path and methods of employee incentives, and use flexible incentive measures and methods in combination with their own departments and management business. In addition, it is necessary to clarify the value and purpose of the unified salary system adjustment and welfare policies formulated by the company, resolutely implement them comprehensively, provide real-time feedback, and provide front line real data and changes for the company to make decisions on employee motivation.

CONCLUSIONS

According to data from the State Administration for Market Regulation, by the end of May 2023, the number of registered private enterprises in China reached 50.9276 million, an increase of 3.7 times from the end of 2012. The proportion of private enterprises in enterprises has increased from 79.4% to 92.4%, further enhancing their position and role in the development of the national economy. The private economy has played a stabilizing role in stabilizing employment and promoting employment in China, contributing over 80% of urban labor employment. Among them, the total employment of the top 500 private enterprises has exceeded 10 million. How to reasonably formulate and implement scientific incentive mechanisms, maintain employee work enthusiasm, and improve work efficiency is an important issue in enterprise human resource management. Therefore, developing a reasonable and scientific incentive mechanism is a necessary means for the development of enterprises

In short, when formulating and implementing incentive mechanisms, enterprises need to design reasonable incentive mechanisms based on the actual needs of employees and the strategic goals of the enterprise, while paying attention to their shortcomings and limitations, and make timely adjustments and improvements in order to better motivate employees to improve the production efficiency and competitiveness of the enterprise. Diversified incentive methods, guided by long-term development; Fairification of incentive methods and refinement of incentives; Balancing incentives and constraints; Ensure a balance between incentives and incentive cost control. Incentive mechanism is an important means of human resource management in enterprises, which can stimulate the intrinsic motivation and creativity of employees, and improve the production efficiency and competitiveness of enterprises. However, when applying incentive mechanisms, it is also necessary to fully consider their shortcomings and limitations, make timely adjustments and improvements, establish long-term, personalized, and scientific incentive mechanisms, and equip them with comprehensive implementation and supervision mechanisms to better motivate employees, improve the production efficiency and competitiveness of the enterprise.

There are certain shortcomings in this study. Firstly, there are multiple perspectives on incentive mechanisms, such as management, economics, psychology, behavior, etc. However, this article only explores incentive mechanisms from the perspective of incentive theory, and other perspectives only slightly overlook the lack of in-depth research. Therefore, there is still more content for further research and exploration in this research direction, Further in-depth research can be conducted from other perspectives. Secondly, this article focuses on the problems existing in the current incentive system of private companies and provides corresponding solutions. The scope and content of the study can only represent similar enterprise related problems of private companies, and to some extent, it lacks universality. In the future, more samples can be selected in an attempt to find structures with certain regularity.

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Appendix