

Innovative Model of Staff Incentive in the Company

Introduction: The central objective in HR-Management is the task of coordinating the interests of employees with the interests of the employer. This task is accomplished by various methods. One of those methods is connected with the development of the corporate culture, task-oriented team building, explaining the objectives and tasks of the organization for employees, explaining dependence of company's success on the success of their employees. Another way is connected with the development of coordination mechanisms of employees' interests. In general, there are mechanisms to encourage employees based on their personal results. The first kind of incentives is encouraging of the employee for his own contribution in the success of company. The second type of incentives is encouraging the success of the whole enterprise, the effectiveness of which is determined primarily by the knowledge the staff organization's goals, the desire to contribute to the achievement of these goals.

Thus, to know motives of professional behavior employees and to manage their work with individual incentives is the most important problem in company's management, which must be grounded on the forming loyalty mechanism with mutual benefits.

Key Words: HR-Management, incentives, motivation, stimulation, interests of employees, mechanism of loyalty.

Methods: There are a lot of methods in theory of HR-management, which define necessity to influence on staff with the purpose of rising their efficiency and productivity. An interesting model of management staff incentives based on game theory is composed by A. Gureev [1]. He considered the group consisting of N people, who is performing the same work. Each employee performs list operations Y_i . In this case, the result (effect) of the system can be characterized by total income (1):

$$\Phi(y) = \sum_{i=1}^N Y_i \quad (1)$$

A certain part of the enterprise's profit $P = \mu F(y)$ is to stimulate. Moreover, part of this fund is established to encourage employees as additional bonus εM , and another part is distributed according to the results of each employee $(1 - \varepsilon) M$.

The influence εM -component depends on the degree of corporatism, the coincidence of team-interests and the individual interests.

Objective function of personnel motivation can be expressed as (2):

$$r = \mu \frac{\varepsilon M}{N} + \frac{y_i(1-\varepsilon)}{\Phi(y)} M - \frac{1}{2a_i} y_i^2, \quad (2)$$

where the coefficient μ describes the interests of some of its elements.

For the scientific research of separate collectives (teams) and behavioral staff modeling in reality A. Gureev proposed the following scenario, formulated on the basis of game theory.

Description of the situation: Often, in the newly created or rebuilt to a new model of the team there is a need to identify incentives employees. Obviously, the common result depends on understanding the stated goal and team unity. It is assumed that each employee (player) has its own degree of consciousness. Consequently, the influence of εM - and $(1-\varepsilon)M$ -components for each employee (player) is different. In the proposed model, the HR-Management system, consisting of employees (players) and administration (centre), is projected. The centre organizes activities of the company. He is interested in getting the most successful results. Players are invited to consider the interest of several stages: at the moment – getting the best results at the lowest cost, in the long term – to save jobs and higher wages. The purpose of the game is a characteristic of the existing principles of remuneration in the team with a homogeneous employment (efficiency wage, mixed wage and all intermediate versions) and a determination the optimal system personnel motivation.

The Centre's objective is to establish the optimal ratio of individual incentives for employees (based on estimates of the function of wage's costs and the level of corporatism) and the definition of ε -value.

The player's task is the maximum satisfaction of self-interest with taking account of interest in the development of the enterprise (corporate interests).

Hosting the game: Each game is played in 10 batches. This is necessary to obtain a stable practical result. Each batch consists of three stages.

Previously, the center establishes and informs players ε -value and the objective function. On the first stage players count and report their results y_i . On the second stage center summarizes the individual results and separates them according to the rules of the game. On the third stage center tells each player the amount of remuneration. All three stages are repeated in the next game.

To clarify the cost's function of each individual player and selection of reliable ε -values it is necessary to implement as minimum two games with the same team members, but different ε -values.

The described model of HR-Management based on game theory is susceptible to various modifications and developments. With its help it is possible to explore different cost's functions depending on the company's profile and staff activity. Also it is possible to consider various objective functions of the system, such as providing breakeven production.

During simulated game level of corporate awareness of staff has to grow, otherwise the company is doomed.

Results: Different models for research corporate consciousness based on game theory are developed by the Institute of Management Problems of the Russian Academy of Sciences. They help enterprises to develop a strategy in crisis situations. Models, based on game theory, help the staff to understand the importance of corporative thinking; also they help the administration to understand the necessity for the optimal combination of the two forms of incentives – individual and collective.

The effectiveness of staff usually estimated using two methods: cost method (asset pricing models) or effective method (measurement model utility). But not all

the results and costs are quantifiable. Therefore, organizations with innovative management approaches use methods of evaluating staff based on accounting skills (competency based assessment). According to this method, the competence can be considered as the sum of knowledge, skills and behavioral experience [2].

Thus, the competence approach takes into account the psychological effect of staff evaluation (modeling labor behavior, improving corporate culture and socio-psychological microclimate), along with the economic (improvement of financial results), social (satisfaction with the labor results both staff and employer), organizational (improvement of the organizational structure and restructuring of the existing units, departments etc.) and other effects.

Competence approach involves evaluation of staff by comparing the effectiveness, quality and complexity of the work carried out with standard specifications on this position. Therefore required labor behavior to succeed work at this position can be exactly described by a set of competencies. This set is called model of competence.

Richard Boyatzis, one of the founder of the concept of competence, wrote in his book that the competence is “the main characteristic of the individuality, which is the basis of effective or superior performance” (Boyatzis, Richard E (1982), *The competent manager: a model for effective performance*, John Wiley & Sons). It can be a motive, trait, skill, aspect of human imagination about himself or his social role, also the knowledge he uses. Furthermore, relating these concepts to the competences, Boyatzis argues that they form a kind of hierarchy in the structure of the personality, and each competence can exist at different levels: the motives and traits form unconscious level, the image of “I” and the social role form conscious level and skills form behavioral level [3].

Nowadays domestic pedagogy forms a new concept of education, so called competence-based education. Its aim is to bridge the gap between learning outcomes and modern practical requirements. As “competence” pedagogy understands the overall ability and willingness of the individuality to the practical activity based on knowledge and experience that are acquired through learning (S. Shishov, I. Agapov

(2002), Competence approach to education: a fad or a necessity? Standards and Monitoring in Education). Abroad this approach to the education already becomes to the norm; example is National Vocational Qualifications (NVQs) in the UK [4].

An alternative interpretation of the concept of competence is the concept of “professionally important qualities”. Professionally important qualities are individual peculiarities of person affecting the efficiency and success of his development (V. Shadrikov (1994), Activities and abilities, Moscow). In opinion of V. Shadrikov, successful activity increases with the professional growth and determines by the structure of professionally important qualities, rather than individual properties [4].

Steve Whiddett and Sarah Hollyforde describe competencies in terms of behavior displayed by their opinion, “competence is the behavioral patterns that show people effectively performing work tasks in an organizational context” (Whiddett, Steve and Hollyforde, Sarah (2003), A practical guide to competencies: how to enhance individual and organizational performance, Chartered Institute of Personnel and Development, second edition). Competences have concrete structure: name, definition, a set of behavioral indicators. It doesn’t matter what the name of competence, because the essence characterized behavior is contained in the description. Therefore, for the same name can be different competencies in different companies [4, 10].

The concept of “competence” and the concept “competency” have a lot of discussion. The concept of “competency” reflects the final results showing the effectiveness of the employee, his ability to succeed at work. Competency assessment based on professional standards demonstrates ability to deal with responsibilities. To demonstrate competency, people need to demonstrate their competences – behavioral model that shows their ability to be competent. Thus, competency is usually described as the ability to deal with working tasks; and competences are behavioral standards to ensure that ability.

Competence is an effective management tool oriented on practical activities in the company. Main reason for their using is adaptability to everyday work. They describe the real staff behavior simply and accessibly.

There are different opinions on the definition of a model of staff competences. According to one, competence should be foreseen. In all cases it is necessary to use the same list of competences. Moreover, all competencies are fixed and have certain definition and internal levels (grades). A standardized set of competencies is a set of precise and exact profiles of ideal employees or team. Determining behavioral employee's portrait (profile of success, reflecting the necessary qualities, characteristics and severity of each performance), company uses system approach to motivation, improvement corporate culture and staff performance [15].

Proponents of another view believe that the list of staff competencies should be adjusted under the relevant position considering operation environment specific organization [11]. Theory and practice in the projecting of individual HR subsystems identifies two approaches to forming a model of competences in a company.

The traditional approach to the development of organizational competence model based on the principles of comprehensive job analysis techniques and implemented through individual and group methods. Individual methods are:

- 1) Method of structured behavioral interview [3],
- 2) Psychological testing (founders psychologists F. Galton and J. Cattell) [4],
- 3) Critical incident technique (founder J. Flanagan) [2],
- 4) Method of repertory grids (founder J. Kelly) [8],
- 5) 360-degree feedback [16].
- 6) Behaviorally anchored rating scale can objectify and accelerate employee evaluation in general and on specific competencies (e.g. behavioral rating scales: A (+2) outstanding behavior; B (+1) higher than expected; C (0) meets expectations; D (−1) lower than expected, the E (−2) poor) [14].
- 7) Self-methods: self-appraisal, self-recording, self-photography etc. are carried out by an independently (after proper instruction of mentor) with registration results in a special application form, selection confidential information about the content of work, its duration and other parameters activities [11].

Group methods are effective if the company has a team of professionals who perform the same job.

These methods allow the top-management to make a systematic description of competencies that should have an employee to work on a particular position. They also help to develop a program of training to develop team members in the required level of competence.

The most applicable types of these methods are [12]:

1) Expert method (expert commission): Special Commission collects information on job analyzes it and provides an independent opinion on the results.

2) The method of observation (surveillance), as supervisor, human resources representative or expert services are collecting information about the group on paper-based visits (in person or via video analysis) and its structures.

3) The method of questioning (questioning) is based on synthesis and analysis of staff responses to standard or developed in the organization forms (forms, questionnaires, etc.) in order to obtain certain information.

4) RPG games (role-playing games) are useful when you need to understand what is happening in the group and how the group is true to the goal.

A method that can be attributed to both groups – Assessment Centre – can be used both individually and in group form [17].

Strategic Approach to HR differs from tactical approach with the staff assessment and staff development. Identified with the competencies needed to support core competencies of the company, creating its competitive advantage. Results of analysis and reasoning about the external and internal environment of the company should be coordinated in order to establish an effective system of staff remuneration.

The following main forms of financial incentives and remuneration (Table 1) [5] are used in foreign firms in incentive payments with various modifications.

The key competencies can be used by corporate competence, managerial competence and professional competence [18]. The key competencies include:

- 1) corporate competences;
- 2) managerial competence;
- 3) professional competence.

Table 1**List of material incentive systems in the company**

Incentives	Contents
Salary	Compensation of employees includes main payments (piecework, hourly, contract) and additional salary (premiums, bonuses for skills, additional payments for working conditions, half-part jobs, payments for adolescents, nursing mothers, for work on holidays, overtime, teamwork, payment or compensation for vacation, etc.).
Bonuses	One-time payment from enterprise's profit (compensation, bonuses, additional fee), e.g. working disciplines, expert, for services, for experience, for achieving target.
Participation in profits	Payments through profit sharing are not one-time bonuses. They are parts of profit from which is formed of a promotional fund and distributed by category of staff.
Shareholding	Buying stocks and receive dividends: - buying stocks at bargain prices (options); - receive free stocks.
Plans for additional payments	Those plans associated with staff of sales departments and stimulate finding new markets: - gifts for employees; - subsidizing business expenditures; - cover personal expenditures related to work indirectly (e.g. paying business trip also for employee's wife/husband).
Payment of travel expenses or own transport service	Funds allocated to: - payments of transport costs (employee's or company's car); - transport purchase.
Savings funds	Organization savings fund for employees of the interest payments below the central bank. Preferential regimes of accumulation funds.
Catering	Funds allocated for the catering in the company
Sale of goods produced by an organization	Allocation of funds for a discount when selling these products
Scholarship Programs	Allocation of funds for education (the cost of education of the employee or his family members on the side).
Encouraging staff development	Funds are removed to education (the cost of education employee or members of his family).
Software training	Covering the costs of organizing training (retraining).
Health care programs	Funds allocation for the staff's health care by means contracting with medical institutions
Consultations	Funds allocation for the consultations for staff
Housing Programs	Funds for their own housing or building on mutual terms.
Applications related to education and training of children	Allocation of funds for the organization of pre-school and school education of children and grandchildren of employees of the company; privileged scholarship.
Flexible social benefits	Company establishes a certain amount to "purchase" the necessary benefits and services. Employee within the prescribed amount has the right to choose benefits and services.
life Insurance	Insurance companies at the expense of the worker and the symbolic deduction - his family. From funds held by the income of the employee, the accident shall be paid the amount equal to the annual income of the employee, the amount of deaths doubled.

Continuing Table 1

Program benefits for temporary disability	Payment of expenses for temporary disability.
Health Insurance	Health insurance both the workers and their families.
Benefits and compensation is not related to the results of a standard character	Payments do not formally linked to the achievement of certain results (compensation switch the service from other companies – costs associated with moving, selling, buying apartments, real estate, employment, spouse, etc., bonuses and other benefits (due to retirement or termination). Such payments are meant for senior executives generally include additional salary, bonus, long-term compensation, mandatory retirement and other benefits, emphasizing high worker.
Contributions to the pension fund	This alternative state fund additional pension can be created both on the company and the contract for any fund on the side.
Association of obtaining loans	Concessional loans for housing, goods and services, etc.

Corporate competences are forming requirements for all employees and describe the personal qualities and skills, as well as professional knowledge and skills, which are necessary for successful employee's performance in accordance with the strategic objectives of the company. Managerial competencies describe the managerial skills, which are needed for a successful manager of the branch. Professional competences determine the specific knowledge and skills, which are needed for concrete workplace.

In the event that the data generated competence, so staff is a resource to achieve a high level of competence in any kind of activity.

In terms of resource theory of long-term competitive advantages are born with internal organizational resources when those resources create value, uniqueness and rarity, is essential and not available to competitors. The organization is considered competitive if has better resources and knows how to dispose of them rationally. This can be achieved, upgrading the internal processes of the organization, as well as increasing the overall competence of staff.

In a highly dynamic business environment Top-management requires instruments that allow providing changes in accordance with international standards. Process approach is the main instrument, which is based on the implementation both reorganization of company as well as the implementation of specialized projects such as development and realization of integrated informational systems and standards of

TQM. The process approach visualizes the object (system or organization), its precise, laconic description, which is easy to understand and to analyze.

The process approach allows the visibility of the object (organization or system) – it is accurately enough, concise, easy to understand and analyze the description. The use of this approach in management emphasizes the importance of understanding of regulatory requirements and compliance with them, the need to consider processes in terms of added value, achieving results of process performance and effectiveness, and continuous improvement of processes based on objective measurement.

In order to implement the process approach the organization must: identify the processes and identify their application, to determine the sequence of these processes and their relationship, to determine criteria and methods needed to provide assurance that both the processes and management effectiveness, and provide confidence in the availability of resources and necessary information to support the implementation of these processes and their monitoring, observe, measure and carry out the analysis of these processes and implement necessary actions to achieve planned results and continual improvement of processes.

In the modern theory of the process approach there are 6 principles of forming a network of processes that must be followed for successful implementation [13]:

- 1) binding to the existing structure,
- 2) classification processes on the main supporting management,
- 3) appointment process to owners,
- 4) principle of capacity to manage up to 7 processes (rule “Lucky Seven”),
- 5) allocation to decision-makers (the creation of a matrix of responsibility),
- 6) definition of inputs, outputs and customers process.

HR-Management as a fundamental process, by the author, has a significant impact on the effective functioning of the organization. Key aspects of it have a different nature on the structure, functional processes, mechanisms work, so urgent is the problem of diverse information in a clearly structured way. One solution is to use a database of formalization methodology IDEF, described above. The identification

process of the system, decomposition and detailed study, the feasibility of collective work on it – the important benefits methodology IDEF. They are particularly valuable in the management of resources, especially the staff, as it allows to simplify the approval procedure and considering the opinions of many experts. This level of description of the process of personnel management can clearly identify the owners, the main inputs, outputs and parameters of the process. Clear allocation of duties and responsibilities significantly increased the certainty of each employee in respect of its role and be rewarded for their work. There is a simplification of the process control due to definition of the organizational structure, improve accountability, increase the capacity of the control function and the analysis and feedback of neighboring processes. With the trend for improving the climate in the team and therefore strengthen the corporate culture of misunderstanding due to the reduction, the elimination of overlapping functional responsibilities and conflicts on that basis [9].

In the projecting of modern HR-Management mechanisms used by leading the development of science and practice. Figure 1 is a block-diagram of a logical construction of the management performance mechanism of staff, including the level factor influencing and the modeling level. As it can be seen from proposed scheme, today it is necessary systematically to take into account the numerous factors, as well as mechanistic and adaptive ways of projecting a transformative change.

Our research shows, now there is a lack of practice on the use of organizational and functional process, system-dynamic and complex integration approaches, which can be used in traditional HR-Management.

Today it is extremely important to skillfully use the tools and techniques of the competence approach (to draw the maps competencies of employees and to build motivational profiles), economic-mathematical, probabilistic and opportunistic behavioral modeling (to evaluate the multivariate corporate culture and staff behavior, based on the game theory), marketing techniques (for improve staff efficiency and adjustment of the current personnel strategy, based on continuously conducted the SWOT-analysis). Integrated use of these techniques allows to adjust actions and activities of staff.

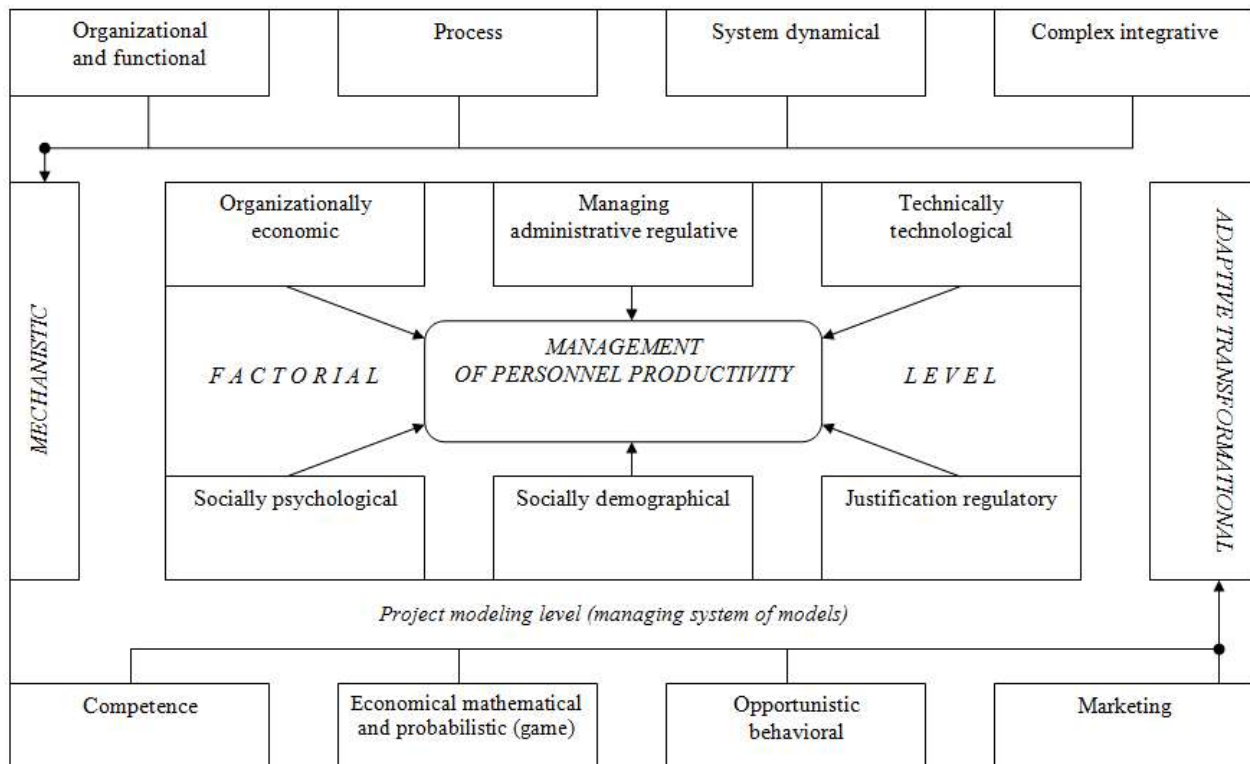


Figure 1: Modern approaches to the model's construction of staff performance management

Experts in the field of business processes and marketing have come to the conclusion that there is a direct relationship between the loyalty of staff and the successful development of the company. According to some experts, the loyal employees not only increase accountability for results, but each time being in a conflict situation, employees are committed to the protection of company's interests. This behavior leads to the birth of the employees' loyalty chain: the commitment of employees generates customer loyalty, which in turn are loyal to the company and recommend it to their partners, thereby providing marketing promotion [6].

The Copenhagen School of Marketing managed to get some regularity in the process. If the employee loyalty is increased by 1, the customer loyalty increases by 1.25 [6, 12].

Analyst Watson Towers also confirms the importance of building a team of loyal experts for enterprises. According to his research in 2012, the operating profit of the companies involved with the employees by 27.4% in comparison with companies, which used traditional methods of permanent staff motivation. Their

operating profit businesses only increased by 14.3%. Enterprises, wholly ignoring the involvement of experts only increased by 9.9% in operating profit [6, 11].

What is loyalty and how it affects employee productivity and overall business results? In our opinion, loyalty is a measure of satisfaction and the quality of relationships between employees and administration, characterizing the degree of confidence of subordinate managers.

K. Okcinoyd defines loyalty as the degree of adoption of employee goals and values of the organization, which is expressed in the actions and behaviors that contribute to the neutral relations of the activities of the company [7]. According to a global employee loyalty survey, completely loyal devotees of employees account for only 34%, and the rest are divided between those, who work in this company because of lack of alternatives (31%); those, who are ready to leave any time (27%) and those, who may cause the opportunity to change jobs (8%) [7].

The developed mechanism productivity management of staff on the basis of formation of loyalty to the author's interpretation is shown in Figure 2.

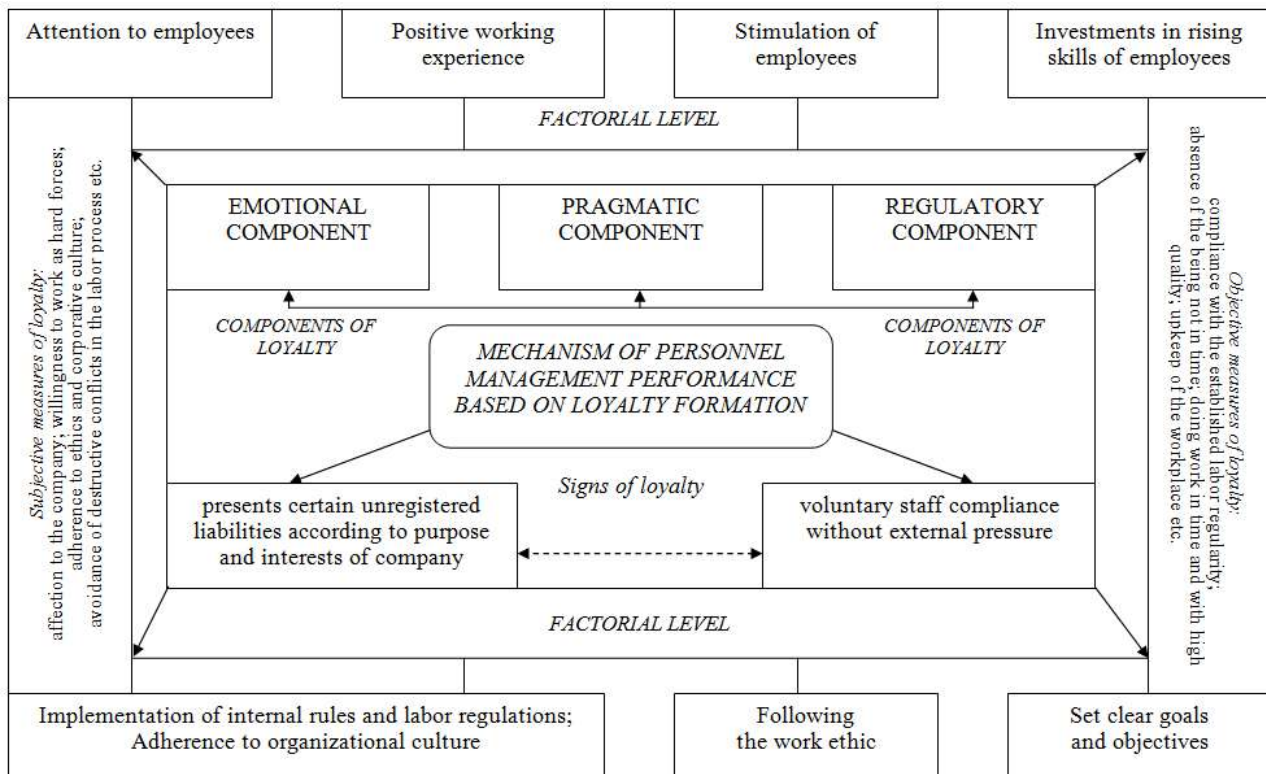


Figure 2: Mechanism of HR-Management performance based on the loyalty formation

Employee's loyalty to the company has 3 components: emotional, pragmatic and normative.

The emotional component of loyalty is based on the employee's sense of identity, experience and failure. At the same time, the emotional component of loyalty is caused by social and psychological needs of belonging to a group, communication, security and complicity.

The pragmatic component is based on a comparison of the benefits offered by company work and the expected potential losses, which are associated with leaving.

The normative component is associated with the presence of certain obligations that must be performed because of personal responsibility awareness for commitments and because of the formal obligations, arising from the employment contract.

Loyalty has a degree of measurement with indicator figures, which are subjective and objective levels reflect attachment to the company, the willingness to work as hard forces, the ethics and corporate culture, compliance with established labor regulations, high-quality performance of tasks and others.

Conclusions and discussions: Loyalty, as an indispensable component of labor productivity, is the mandatory element of the mechanism, which is designed to form a complex with a material component of motivation effective strategy for managing the enterprise as a whole. Its formation is dictated by the need to counter the negative trends of recent years, associated with an increase in staff turnover, fraught with the loss of a significant decline in profits of enterprises and their competitiveness. Insufficiently loyal employees work less and less efficiently, make more mistakes, deal with intrigues, violate labor discipline and commit other offenses that harm the company.

Therefore, the introduction of simple techniques to increase staff loyalty, such as rewards for good performance and training personnel to follow the rules, will significantly enhance the respect for the company among employees, reduce employee turnover, which, in turn, will help to reduce the costs for the search and adaptation of new employees.

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