

THE IMPACT OF INCENTIVE MECHANISM ON EMPLOYEE PERFORMANCE OF SAIC-GM

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Abstract: Under the incentive competition environment faced by listed automobile companies, the issue of incentive within the company is related to the long-term construction and development of the company's marketing and technological innovation, as well as the technological re-upgrading and industrial optimization and transformation of the whole industry. How to motivate employees, including grassroots staff and middle and senior management, to better engage in their work and support the realization of the automotive company's goals should be a key concern of the management. In that regard, the purpose of this study is to discuss a considerable way to 1) improve the incentive mechanism based on a survey of the effectiveness and employee satisfaction of the current one, and 2) to investigate the relation between the employee's satisfaction towards incentive mechanism and their performance. This study selects SAIC-GM, a listed automobile company with an HQ located in Shanghai, China as a case, The survey includes a random sample set of 653, covering all the target segmentations. Quantitative methods are used to analyze questionnaire data with Stata 14. After the descriptive statistical analysis shows the basic data structure and the core trends, correlation analysis and regression supported the result of this study, verifying 1) diversified salary design, increased training opportunities, improved fairness of spiritual incentive and a detailed promotion plan are expected to improve the incentive mechanism; 2) a significant positive correlation between the employee performance and the incentive mechanism satisfaction was proved. Studying on a leading runner of the automobile industry will contribute high-quality discussion and findings to improve the management level of the whole industry, in addition to the single study case.

Keywords: SAIC-GM, Employees satisfaction, Employees performance, Incentive mechanism

Introduction

At present, the global automotive market is highly competitive, and major automotive companies are constantly vying for market share to maintain their leading position in the industry (Singh, etc., 2019). However, to achieve growth and market share, companies need to rely on the efficient work and innovative thinking of their employees. Therefore, designing and implementing

effective employee incentives is crucial for automotive-listed companies.

In the current market environment, many listed automotive companies face challenges such as recruitment and retention. How to motivate employees to maintain a high level of participation and motivation in the company has become an important issue (Galvan, 2010). Therefore, this research aimed to explore the existing employee incentive mechanism of automobile listed companies and provide effective references and suggestions for enterprises.

This research will focus on the effectiveness and implementation of the SAIC-GM employee incentive mechanism and the impact of the incentive mechanism on employee performance and company performance. This research will provide automotive listed companies with important insights and recommendations on employee incentive mechanisms to help them achieve greater success in the market.

Research Objectives

The objective of this research is to explore the effectiveness and implementation of employee incentive mechanisms in automotive listed companies, as well as the impact of incentive mechanisms on employee performance and company performance. Specifically, our research will achieve the following goals:

- 1) Systematically study the existing employee incentive mechanism of SAIC-GM, including the content and implementation of performance evaluation, compensation welfare, promotion mechanism, etc.
- 2) Analyze the impact of employee incentive mechanisms on employee performance, including the impact of employees' work motivation, work efficiency, and employee innovation ability.
- 3) Explore the impact of the employee incentive mechanism on SAIC-GM 's performance, including the impact on corporate productivity, market share, and economic efficiency.
- 4) Put forward suggestions and measures to improve and optimize the employee incentive mechanism to help SAIC-GM better attract and retain outstanding employees in the market competition, and enhance corporate performance and competitiveness.

Literature Review

Reward system

An important part of the incentive mechanism is the reward system, which is a series of reward measures and rules formulated by enterprises to achieve their goals. A reward is positive feedback that can promote employee motivation, and improve job performance and job satisfaction.

The reward system usually consists of three elements:

- 1) Goal setting: The core of the reward system is goal setting, and the enterprise needs to clearly

set clear goals.

2) Reward measures: Reward measures refer to specific rewards for the performance and contribution of employees. These can be divided into two categories: financial and non-financial.

3) Reward rules: Reward rules need to be fair and just to ensure the transparency and credibility of the reward system.

Composition of the incentive mechanism

Armstrong (2010) mentioned in the book "Armstrong's Handbook of reward management practice: Improving performance through reward" that incentives include both intrinsic and extrinsic incentives. Intrinsic motivation refers to the incentive for a person to do something out of self-interest or desire, without any external pressure or promised reward. Extrinsic incentives are driven by rewards, such as increasing rewards for achieving a certain outcome or avoiding punishments such as discipline or criticism for not doing something. Dee & Wyckoff (2015) believed that in the context of economics, incentive mechanism is the most applied research in the practice of human resource management, focusing on how to design incentive mechanisms, mainly including compensation and career issues, compensation and performance evaluation, incentive and work motivation, incentive and personal needs, incentive, and fairness, etc.

Kopytova (2017) proposed a well-structured incentive model consisting of three modules: the first module (financial incentives) provides monetary compensation for workers; The second module (consisting of comfortable living/working conditions) aims to regulate the quality of life of workers both inside and outside their workplace; The third module (Spiritual Stimulation) considers culture as well as the spiritual needs of social workers. Mushlihin (2019) argued that non-material incentives such as material and spiritual incentives affect the job satisfaction of organization members, meaning that organizations can create added value by providing additional wages, and ultimately improve members' job satisfaction. In addition, Antoni (2017) believes that incentive elements can also be divided into financial and non-financial elements. Financial incentive elements, also known as material incentives, include both direct forms (such as fixed and variable compensation and equity) and indirect forms (such as benefits and allowances). Non-financial incentive elements, also known as mental incentives, include appreciation, job security, promotion, etc.

The Herzberg two-factor theory

Herzberg (1965) used "motivators" and "hygiene factors" to describe the things that make an individual satisfied or happy at work, and the things that cause the individual to be unsatisfied or unhappy at work. Motivators ensure job satisfaction, but a lack of hygiene factors can cause employee dissatisfaction.

The hygiene factor refers to the types of needs in the lower levels of Maslow's hierarchy of needs. Extrinsic motivators include status, job security, wages, and fringe benefits. Failure to provide it

will cause dissatisfaction among company personnel and reduce their motivation to work. However, hygiene factors alone will never improve the ability to assist in achieving high levels of personal job satisfaction (Malik & Naeem, 2013).

Motivators, that is, to improve internal enthusiasm. Motivators are essential to helping individuals become highly satisfied at work. Motivators often correspond to the types of needs identified at higher levels of Maslow's level of needs. Intrinsic motivators include progress, nature of work, responsibility, achievement, recognition, and development potential.

Maslow's demand theory

Maslow's Hierarchy of Needs theory is an incentive theory in psychology that includes a five-layer model of human needs and is often described as a hierarchy within the pyramid. Structural needs from low to high are physiological needs (food and clothing), safety needs (job security), love and belonging needs (friendship), respect needs, and self-realization needs (Maslow, 2000).

These five basic needs can be divided into three categories: basic needs, psychological needs, and self-actualization needs. First, the basic needs, according to Maslow, the more basic the need is, the longer it cannot be met, the greater its impact on people will be; Second, the psychological needs, from the perspective of spiritual stimulation, it is important to ensure that employees are spiritually inspired; The third one is self-realization, self-realization can be regarded as the desire of employees to achieve the highest aspirations, these needs will vary from person to person, that is to say, the incentive mechanism needs to pay attention to spiritual incentives and promotion and development incentives to assist the self-realization of listed company personnel and improve their spiritual level.

Current status of foreign research

Incentive mechanisms can create unique value for organizations. Some organizations build unique value by providing incentives, allowances, and benefits that can help these organizations motivate and retain top talent in financial and promotional ways. Haiting (2021) believed that incentive mechanisms can also improve individuals' enthusiasm, work efficiency, loyalty, and sense of belonging. Landry (2017) believed that the economic incentives in the incentive mechanism can improve performance in the working environment, and the use of financial incentives will make employees feel more autonomous and capable, promoting greater independent motivation and better work performance.

Some scholars have studied the incentive of listed companies. such as T Šářec (2019), who believes that the equity-based incentive element in the incentive mechanism is considered to be one of the tools that can help motivate executives. The use of such a compensation framework should theoretically address and mitigate the agency problem and prevent managers from trying to put their interests above those of shareholders. Ismail (2017) conducted a multiple regression analysis of 58 Malaysian listed companies with stock option plans and found that the stock option incentive factor scheme did not fully improve the performance of Malaysian companies, among which, accounting

measures such as earnings management weakened the effectiveness of equity incentives in solving the agency problem. Andersen (2021) found that granting employee stock options positively affects the accounting performance of enterprises in the next four to five years, and the effect on corporate performance improvement is particularly strong when employees receive effective stock option incentives, and the effect is most significant after four years, and it is proposed that listed company owners should consider granting employees more and higher value stock options to improve long-term performance.

Current status of domestic research

Scholars have formed a relatively comprehensive understanding of the connotation of the incentive mechanism, and the research results obtained are relatively perfect. Incentive mechanisms are widely used in the work of local enterprise personnel, government officials, and military personnel, aiming to eliminate negative emotions such as burnout among people within the organization. In terms of incentive mechanism elements, domestic and foreign scholars believe that it should include material incentives and spiritual incentives, or financial and non-financial elements. In the research on the incentive mechanism of different incentive objects, Chinese scholars mainly divide it into two aspects: enterprise personnel and public officials.

In terms of enterprise personnel incentives, Wang (2018) believed that establishing and improving the corresponding employee incentive mechanism to stimulate the enthusiasm of employees and improve organizational efficiency is the core of human resource management in enterprises. Most domestic enterprises are based on their own operational strength, combined with their own organizational culture, to formulate an employee incentive mechanism that is in line with the enterprise itself, so as to maximize the motivation of employees.

In terms of incentives for public officials, Li (2019) believed that there are problems such as institutional restrictions on the implementation of the incentive mechanism for public employees, which can be solved by improving the job promotion system, performance appraisal system, and financial support system.

Research Significance

The development of listed automobile companies depends on intensive human resources and innovative thinking. The significance of studying the incentive mechanism of SAIC-GM's executives and ordinary employees has the following four aspects:

1) Enhance the competitiveness of the company: Senior executives and ordinary employees are an important part of the development of the enterprise. By studying the incentive mechanism of senior executives and ordinary employees, this study can effectively improve the enthusiasm and creativity of employees, improve the production efficiency of employees, enhance the competitiveness of the

company, and obtain more market share and economic profits.

2) Improve employee satisfaction and loyalty: An efficient employee incentive mechanism can stimulate employees' enthusiasm for work and improve employee satisfaction and loyalty. This can promote the personal development of employees and the long-term development of the enterprise, reduce the employee turnover rate, and improve the work stability and continuity of employees.

3) Promote the healthy development of enterprises: Enterprises need to have a good internal governance mechanism, and the incentive mechanism for senior executives and ordinary employees is an important part of internal governance. Excellent Incentive Mechanisms can promote the flow and exchange of talents within the enterprise, promote the sharing and innovation of knowledge, and promote the benign development and technological breakthrough of the enterprise.

4) Promote social development: An efficient incentive mechanism can improve the performance and efficiency of enterprises, increase profits and tax revenues, and thus promote social and economic development. This can improve social productivity, promote the rational allocation of social resources, and increase social wealth, and is of great significance for promoting the overall progress and development of society.

Research Methodology

This paper focuses on the case analysis method, using various data sources to explore practical problems in a defined context, that is, using real information as a methodological tool to explore established problems (Flyvbjerg, 2011). This study takes the employee incentive mechanism of SAIC-GM, a listed company in China, as a case study, analyzes and discusses the incentive mechanism elements (such as financial incentive elements like equity and other non-financial incentive elements), incentive status, incentive effect, etc. of the case company, and further analyzes the impact of the company's incentive mechanism on employee work performance and company performance based on a questionnaire survey, where the result data will be analyzed using Stata 14. Finally, suggestions for optimization are made.

Conclusions

The incentive mechanism can motivate employees to closely combine their personal interests with the interests of the company, thereby increasing the motivation and efficiency of employees. With the right financial incentives, talent can be attracted and retained, and employee motivation and job satisfaction can be increased, thereby improving employee performance and the company's performance. The study of the SAIC-GM incentive mechanism can stimulate the enthusiasm of employees (whether grassroots or high-level), alleviate employee burnout in different positions, improve employees' work services and independent innovation capabilities, and lay the foundation for

talents, technology and rapid development of listed companies, which has certain theoretical value and practical significance.

However, due to the limitations of my academic level, breadth of reading, research time, and other factors, there are still some problems and shortcomings in the research on the incentive mechanism of SAIC-GM, including the following two aspects. First, the research on the employee incentive mechanism of listed companies in the automotive industry needs to be further refined, and this paper investigates and analyzes the current situation of incentives, but does not conduct an in-depth analysis of the causes of satisfaction with different incentive factors. Second, some empirical analysis studies still need to be strengthened, the number of samples collected in this survey needs to be increased, and the scope and breadth of research still need to be further expanded.

Recommendations

(1) Optimize the design of equity incentive and salary incentive methods

In order to optimize the design of equity incentive and salary incentive modes, enterprises should consider two aspects: cash incentives and humanized welfare.

First of all, cash incentive is a commonly used way of salary incentive, which can stimulate the work enthusiasm and creativity of employees by giving them certain bonuses, allowances, and other forms. Enterprises should set reasonable salary levels and bonus incentive standards according to employees' performance and contribution degree to ensure that employees get fair and reasonable remuneration. Secondly, humanized welfare is also an important way to motivate people. Enterprises should provide a variety of humanized benefits according to the needs and actual situation of employees, such as employee health security, education subsidies for employees' children, employee leisure and entertainment facilities, etc. In addition, enterprises should pay attention to the design and implementation of equity incentives, so as to improve the effect of equity incentives and optimize the interests of employees, reasonably set the plan and rules of the equity incentive plan, ensure that the interests of employees are guaranteed, stimulate the work enthusiasm and creativity of employees, and improve the competitiveness and development potential of enterprises.

(2) Improve the spiritual incentive for employees in different positions

In order to better motivate the work enthusiasm and creativity of employees in different positions, enterprises should take a variety of spiritual incentive measures, including emotion, sense of achievement, and reputation incentives.

First of all, enterprises can enhance employees' sense of belonging and identity through employee care and welfare benefits. In addition, leaders can strengthen the connection and trust between employees and the enterprise through regular employee meetings and one-on-one communication, and enhance employees' sense of belonging and loyalty. Secondly, enterprises should establish a clear career

development path and promotion mechanism to provide employees with development opportunities and promotion space and stimulate employees' creativity and enterprising spirit. Regular performance evaluation and commendation activities are held to affirm employees' work achievements and enhance their self-confidence and work motivation. In addition, reputation motivation is also an important form of spiritual motivation. Enterprises can improve their brand image and reputation by participating in industry events, receiving honors and awards, etc., to make employees feel proud and confident.

(3) Establish an effective performance management system

First of all, enterprises should clarify the objectives and content of performance management to ensure that performance management can match the enterprise strategy and goals. Enterprises need to set performance indicators and performance evaluation standards according to the work characteristics and business priorities of different departments and employees to ensure the fairness and effectiveness of performance management. Secondly, enterprises should formulate scientific performance appraisal methods and processes to ensure the accuracy and reliability of performance management. Such as quantitative evaluation and qualitative evaluation, to ensure the comprehensiveness and objectivity of performance management. In addition, enterprises should establish a sound performance management system and feedback mechanism to ensure the effectiveness and sustainability of performance management and pay attention to humanistic care management.

(4) Optimize the constraint mechanism of different levels of incentives

First of all, enterprises should reasonably set up incentive systems according to employees' work performance and position levels to ensure the fairness and effectiveness of the incentive mechanism. Enterprises can adopt a variety of incentive methods, such as equity incentives, basic compensation, performance bonuses, etc., to meet the needs and expectations of employees at different levels. Second, enterprises should establish a sound incentive evaluation mechanism and constraint mechanism to ensure the accuracy and sustainability of the incentive system. Enterprises can improve the adaptability and effectiveness of incentive mechanisms by regularly evaluating and adjusting incentive indicators and evaluation criteria. At the same time, enterprises should also establish restraint and punishment mechanisms to prevent misconduct and abuse of power.

(5) Establish an incentive mechanism based on training

First, enterprises should develop detailed training plans and training standards to ensure the comprehensiveness and quality of the training content. Enterprises can design training courses of different types and difficulties according to the position level and work needs of employees, such as skills training, leadership training, cross-departmental training, etc. Secondly, enterprises should establish a training-based incentive mechanism to encourage employees to actively participate in the training and constantly improve their own quality and ability. Enterprises can adopt a variety of incentive methods, such as training bonuses, promotion opportunities, job rotation, etc.

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