

Research on the relationship between compensation incentive and performance management from the perspective of human resources

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Abstract: The article delves into the issue of the correlation between salary incentives and performance from the perspective of human resource management. Mainly analyze the role of salary incentives, the importance of performance management, and the impact of salary incentives on performance. In practical applications, it is necessary to consider issues such as aligning salary design with performance goals, formulating and implementing salary incentive strategies, and integrating performance evaluation with salary incentives.

Keywords: Human resources; compensation; incentives; performance

1. The role of salary incentives

1.1 Motivating employees

Salary incentives play a core role in motivating employees. In modern organizations, employees' motivation is often closely related to their job satisfaction, engagement, and commitment to work. Salary is one of the important elements that affect these factors. Salary incentives can meet the economic needs of employees. According to Maslow's hierarchy of needs theory, economic satisfaction is an important way for employees to meet their basic physiological and safety needs, and is crucial for stimulating employee motivation.

1.2 Improving employee performance

Salary incentives have a significant role in improving employee performance. By linking employees' income with their job performance, an environment can be created that promotes employees to improve their work efficiency and quality. Salary incentives can stimulate employees' enthusiasm and initiative. When employees know that their work performance directly affects their income, they will be more proactive in completing their work. For example, the performance bonus of sales personnel is usually directly related to their sales revenue, and this clear correlation can encourage them to work harder to achieve sales goals.

Attracting and retaining outstanding talents plays a crucial role in attracting and retaining outstanding talents through salary incentives. In the current fiercely competitive talent market, an excellent salary incentive system is a key advantage for organizations to attract talent. An attractive salary incentive system can enhance an organization's competitiveness in the talent market. Salary is usually the primary consideration for job seekers when choosing a job, so competitive salary incentive plans can help organizations stand out in the talent market and attract more outstanding talents. At the same time, salary incentives can also convey an organization's recognition of employee value, enhance job seekers' sense of identification with the organization, and further enhance the attractiveness of the organization.

2. The Importance and Objectives of Performance Management

2.1 The Importance of Performance Management

Performance management is crucial for the success of an organization. Through effective performance management, organizations can better understand and evaluate employees' work performance, thus making effective decisions such as resource allocation, promotion decisions, salary adjustments, etc. At the same time, performance management can also provide key information about employees' work, helping organizations identify potential problems and opportunities for timely adjustment and improvement.

2.2 Objectives of performance management

The main goal of performance management is to improve organizational and individual performance. In order to achieve this goal, performance management needs to focus on the following aspects: Setting clear and measurable performance goals. Performance goals should be closely related to the organization's strategic goals, helping employees understand how their work supports the overall goals of the organization.

3. Analysis of the impact of salary incentives on performance

3.1 The direct impact of salary incentives on performance

The direct impact of salary incentives on employee performance is mainly reflected in the following aspects: As a tangible return, salary incentives can directly stimulate employees' work enthusiasm. Employees establish a direct connection between their own efforts and salary returns, therefore, generous salary incentives can make employees more willing to engage in work and strive to improve their work performance. In this case, there is a clear positive correlation between salary and performance.

3.2 The indirect impact of salary incentives on performance

In addition to having a direct impact on employee performance, compensation incentives can also have an indirect impact on employee performance in various ways. Firstly, salary incentives can indirectly affect employees' job performance by improving their job satisfaction and loyalty. Research has shown that employees with high satisfaction are more likely to engage in work and exhibit higher job performance. At the same time, salary incentives can also enhance employee loyalty to the organization, thereby reducing employee turnover rate and reducing talent turnover in the organization. Finally, salary incentives can indirectly improve overall work performance by establishing a positive organizational culture. A good salary incentive system can establish a culture within an organization where hard work pays off, thereby motivating all employees to improve their work performance. However, like the direct impact, the indirect impact of salary incentives may also have negative effects.

4. The correlation between salary incentives and performance in human resource management practice

4.1 Alignment between salary design and performance goals

In human resource management practice, aligning compensation design with performance goals is crucial. A well-designed salary incentive system closely related to organizational performance goals can effectively drive employee behavior, improve work performance, and promote the achievement of organizational goals. Salary design should be guided by the organization's performance goals. The salary return of employees should be closely linked to their job performance, which should be in line with the overall performance goals of the organization. For example, if the goal of an organization is to improve service quality, then compensation design should emphasize rewards for employees who provide high-quality services, in order to motivate employees to improve service quality.

4.2 Formulation and implementation of salary incentive strategies

In the practice of human resource management, it is also crucial to develop and implement effective salary incentive strategies, which can effectively promote employees to improve work performance and thereby promote the achievement of the goals of the entire organization. The following will explore the formulation and implementation of salary incentive strategies from several important aspects.

1) Strategy development stage. The main task of this stage is to determine the main content and form of salary incentive strategies, including determining salary levels, setting salary structures, and selecting salary incentive methods. At this stage, it is necessary to comprehensively consider multiple factors such as the organization's business goals, employee needs, market compensation levels, and the organization's financial situation to ensure the development of a compensation incentive strategy that can attract and motivate employees while also

meeting the organization's capabilities.

2) Strategy implementation stage. During the implementation phase, it is necessary to ensure the effective implementation of salary incentive strategies, including salary allocation, incentive distribution, performance evaluation, etc. At this stage, fairness and transparency are crucial. Fairness means that salary distribution and incentive payments need to be based on employees' job performance and contributions, rather than non work related factors such as age, gender, relationships, etc. Transparency means that the system and decisions of salary incentives need to be made public to employees, allowing them to understand how their salary is determined and how they can obtain more incentives.

(3) Integration of performance evaluation and salary incentives

In the practice of human resource management, enterprises must pay attention to the effective integration of performance evaluation and salary incentives. Performance evaluation standards need to be clear, measurable, and compatible with salary incentive strategies. Clear performance evaluation standards can provide employees with clear work goals and expectations, enabling them to know how to obtain more compensation returns. Meanwhile, measurable standards can ensure the fairness and accuracy of performance evaluation, reducing subjectivity and bias in the evaluation process.

5. The management challenge of the correlation between salary incentives and performance

5.1 Balancing Salary Fairness and Performance Differences

Salary fairness refers to the fairness and sensitivity of employees towards the comparison between their salary and their work contribution, as well as the salary of others. Performance difference refers to the difference in work performance between employees. Salary incentives need to respect and reflect performance differences, in order to stimulate employees' work motivation and competitive awareness, and improve work performance. This requires salary incentive strategies to provide higher returns for excellent performance and relatively lower returns for poor performance.

5.2 Flexibility and personalized needs of salary incentives

In the current work environment, the needs and expectations of employees are becoming increasingly diverse and personalized. This requires salary incentive strategies to flexibly respond to these diverse and personalized needs, in order to meet the incentive needs of different employees. However, excessive flexibility and personalization may increase the complexity and cost of salary management, raise issues of fairness, and affect the efficiency of management. Therefore, finding a balance between meeting personalized needs and maintaining management efficiency is an important challenge for salary incentives and performance related management.

5.3 The balance between objectivity and subjectivity in performance evaluation

Objectivity refers to the evaluation based on quantifiable and observable performance indicators. The advantages of this evaluation method are fairness, impartiality, and impartiality. However, excessive objective evaluation may overlook employees' personalized characteristics and difficult to quantify contributions, such as teamwork, innovative thinking, and professional ethics. On the contrary, subjective evaluation focuses more on evaluating employees' behaviors and attitudes, such as leadership ability, teamwork spirit, innovation ability, etc. This evaluation method can more comprehensively reflect employees' work performance, but it may also introduce subjective biases of evaluators, affecting the fairness of the evaluation.

6. Optimization strategies for challenges

Facing the challenges of salary fairness and performance differences, establishing a fair salary system is an effective solution strategy. Organizations need to clarify compensation policies and systems to ensure that all employees understand the mechanisms and basis for salary decisions, which helps to improve transparency in compensation and reduce unfairness. The salary system should be based on factors such as

employees' responsibilities, skills, and job performance, rather than being arbitrary or biased towards certain employees.

In summary, the correlation between salary incentives and performance is of great significance in human resource management. Salary incentives play an undeniable role in stimulating employees' work motivation, improving performance, and attracting and retaining outstanding talents. However, how to effectively implement salary incentives and how to face and overcome related management challenges still need to be explored and refined through practice. I hope that research and suggestions can provide valuable reference and inspiration for human resource managers.

References

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