



INNOVATIVE APPROACH AND STRATEGY FOR EMPLOYEE INCENTIVE MANAGEMENT OF TRADE ENTERPRISES

M.S. Rakhmanova ^{a*}, V.V. Kryukov ^a

^a Vladivostok State University of Economics and Service, 41, Gogol Street, Vladivostok, RUSSIA

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ABSTRACT

The article outlines the methodological aspects of the formation of the strategy of employee incentive management in a trading organization. It justifies the necessity of improving the methodological approach to the formation of the employee incentive strategy in order to use it in the activities of commercial establishments. This methodological approach is based on a systematic approach to the formation of a personnel motivation strategy and is based on the formation and evaluation of performance indicators of business processes of a trade enterprise. A methodological tool for the formation of staff incentive management strategy in commercial enterprises has been developed and improved, namely: the business processes of the top-level personnel and auxiliaries of trade bodies, business processes performance review to determine the orientation and to estimate the efficiency of measures aimed at improving management of employee engagement of a commercial enterprise; evaluation method for incentive system through business processes performance assessment.

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1. INTRODUCTION

Within a market economy, the enterprises that have a number of competitive advantages can function effectively. Competitive advantages, in turn, can be provided by an effective system of personnel management of a company. The commercial enterprise performance directly depends on the retail sales results, which can be realized only if the corporate personnel's best practice. One of the main criteria affecting the performance of staff is engaged in performing targets and achieving high results.

Managing the engagement of a trading enterprise usually involves a number of problems associated with a choice of incentive tools. At the same time, employees performance efficiency in commercial establishments has the greatest effect on the company's profit and other indicators of business performance. The problem of developing tools for managing the employee incentive of

trading companies is of great relevance.

In view of the foregoing, the relevant objective is to formulate methods for managing employee incentive of a commercial enterprise.

2. THE DEGREE OF SCIENTIFIC DEVELOPMENT OF THE PROBLEM

The theoretical aspects of the consideration of the concept “incentive” have a serious scientific basis. Foreign scientists F. Taylor, K. Alderfer, D. Adams, H. Heckhausen, D. McGregor, A. Maslow, D. McKlelland, F. Herzberg, V. Vrum, F. Skinner, Porter-Lowler Russian scientists such as V. Aseev, V. Vilyunas, V. Kovalev, A. Leontiev, P. Simonov, D. Uznadze and others contributed to the study of the problem of employee engagement [1-3]. There was a great deal of research in this area, but the topic as before the transition to a market economy and currently is one of the most unexplored and undeveloped in practical terms.

Many Russian and foreign authors have written on the topic of personnel policy development and personnel management strategies in the organization, as well as management of employee engagement. Among foreign ones, we can single out M. Armstrong, R. Atkinson, G. Becker, S. Bir, A. Smith; among domestic authors, T. Bazarov, A. Kibanov, B. Genkin, S. Shekshnya, V. Dyatlov, I. Ansov and others [4-7].

The studies of the processes of functioning and development of the services market, including trade enterprises, are reflected in the works by foreign and domestic scientists I. Ansoff, I. Blanc, N. Voskolovich, E. Zhiltsov, I. Sergeev, T. Nerovnya, R. Kouz, D. Edelev, Z. Klukovich, O. Radina, F. Kotler, J.J. Lamben, J. Atkinson, R. Fatkhutdinov, A. Sheremet and others [8-10].

The problems of formation and development of retail trade are considered in the scientific investigations by B. Berman, R. Varley, B. Weitz, L. Dashkov, V. Egorov, J. Zhalle, E. Karpenko, A. Krie, V. Larionova, M. Levy, L. Olkhova, V. Pambukhchiyants, S. Sysoeva, J. Fernie, J. Evans [11, 12].

The works by V. Abchuk, N. Vasilyeva, A. Kramarev, A. Monin, V. Pertsy, I. Sinyaeva, V. Radayev, O. Roy and others are concerned with the areas of increasing the efficiency of trade enterprises, as well as the methods of ensuring their development.

The scientific aspects of the development and implementation of the strategies for the functioning of retail chains are considered in the works by M. Amirkhanov, A. Babich, Y. Bazhenov, O. Blinov, V. Gruzinov, N. Yevstafiev, R. Shafiev, and others. Despite significant contributions to the theory of trading enterprise development, in the works of the above economists contain many controversial and contentious issues.

By reference to the goals and objectives of the study, the paper surveys the scholarly literature surrounding the methods for corporate performance review. Many authors covered this issue in their scientific works, among them are N.P. Belyatsky, N.I. Kabushkin, R.S. Sedegov, N.I. Goryachko, G. K. Popov, T.H. Meleshko, G. B. Shishko, V.V. Kurilova, L.I. Lazar, V.K. Tarasov [7-14]. Such close attention to the issue of developing potential staff assessment tools is due to the need of this process in the practical work of most companies since the unprofitability and under-productivity of many domestic and foreign enterprises require full implementation of human capacity.

However, despite the large amount of work dealing with various aspects of managing the personnel engagement of trade enterprises, we have to state that this problem is not well understood and requires being further discussed.

3. THEORETICAL AND METHODOLOGICAL PROVISIONS

The implementation of the strategic business objectives is largely predetermined by the efficiency of the use of personnel capacity and the level of its engagement. Therefore, a significant role in the corporate strategy is played by personnel engagement strategy. The engagement of the personnel of the enterprise consists of material and non-material incentives, both of which are of great importance and affect the performance of employees [15-16].

A key aspect in improving the working efficiency of the enterprise is the employee incentive, and the most important resource in the organization's activities is the human resource [17].

The result of the company's personnel engagement is the management of the employee behavior and as a result the achievement of certain indicators of working activity [18].

The strategic approach to managing business incentivization is to create a sustainable competitive advantages of the enterprise, by developing the employees' awareness of their own efficiency and encouraging them to increase the efficiency [19].

The employee incentive management strategy is a unifying model of actions aimed at forming the set of requirements for employees to attain the goals and the level of their efficiency, as well as the actions aimed at encouraging employees to achieve the desired level of efficiency.

Based on the analysis of the works by domestic and foreign authors to the interpretation of the term "incentive", the following definition of the term "employee incentive" is proposed. We will understand "employee incentive" as an external impact or internal self-inducement, encouraging the employee to the actions necessary to achieve the expected results.

The incentive should be closely associated with the performance indicators of the business processes of the organization since the business processes efficiency directly reflects the performance of each employee of the enterprise in particular and the enterprise on the whole, which depends on the effectiveness of the employee incentive system. With reference to the above, a methodical approach to the formation of employee incentive management strategy is reflected in Figure 1.

The developed methods make it possible to effectively determine the main indicators of the company's personnel activity in order to formulate a strategy for encouraging employees to increase their own efficiency.

When forming employee incentive management strategy, it is proposed to take into account the business processes of each of the elements of the organizational structure, as well as the target indicators of employees' activities.

Based on the strategies formation [20-22], to formulate employee incentive management strategy that takes into account, first and foremost, the elements of the organizational structure, business processes and the main target indicators of each of the elements has been developed.

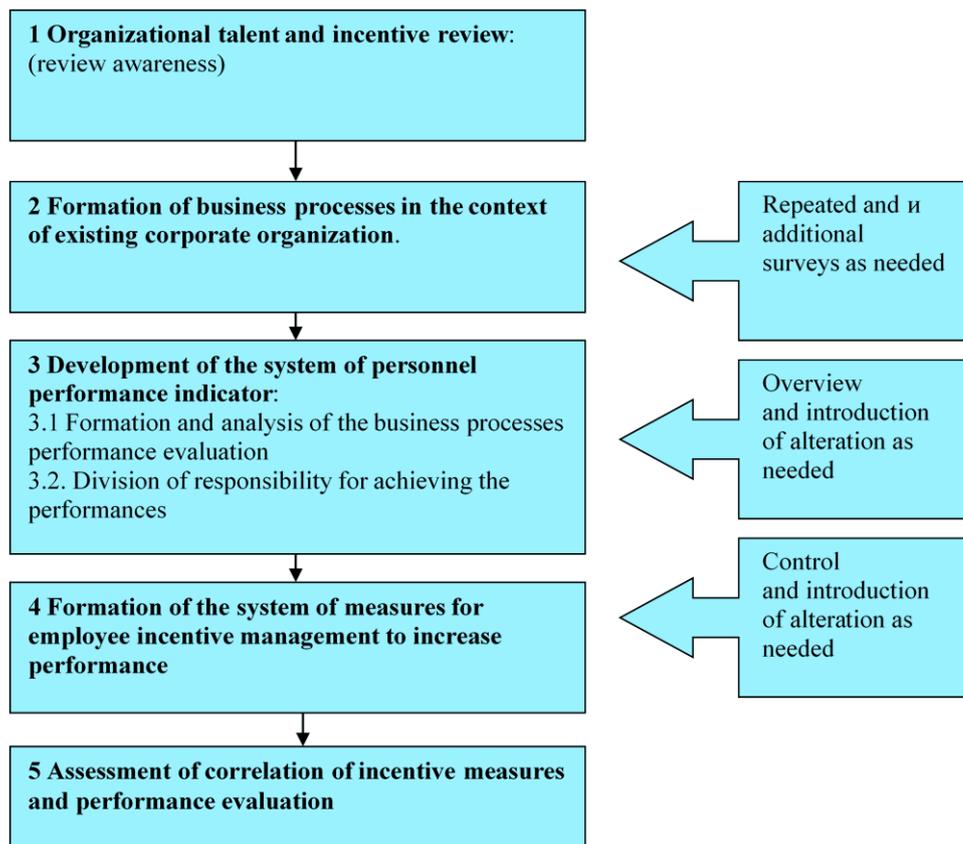


Figure 1: Methodical Approach to the Formation of the Management Strategy of the Corporate Employee Engagement.

4. METHOD TOLLS OF THE FORMATION OF THE STRATEGY OF PERSONNEL MANAGEMENT OF TRADE ENTERPRISES

Method tools for the formation of the strategy for corporate employee incentive management include the described business processes of the top-level, mid-level and auxiliary managers of trade bodies, the indicators for business processes efficiency assessment, allowing to determine the orientation and evaluate the effectiveness of measures aimed at improving corporate employee incentive management efficiency.

To assess human capacity within the framework of this methodology, a method of expert evaluation is proposed, because the focus, in this case, is on the level of corporate employee engagement. The most effective method for assessing this indicator is the expert evaluation. For evaluation, it is proposed to determine the basic requirements for each of the rank, the criterion weight used for each of the criteria and to apply an expert assessment method. According to the methodology, the assessment of human resources will also include quantitative methods, namely, an assessment of the personnel turnover rate, which will allow determining the fixability of employees in the workplace and the main problems of the work of the corporate employees for further adjusting to the company's personnel management system.

In order to form a corporate employee incentive management strategy, it was proposed to describe the business processes inherent in each element of the company's organizational structure.

To form business processes related to a particular hierarchical layer in a company, it is necessary to describe the organizational structure of the trade organization and the business processes inherent

in each element. The chart of the interconnection of groups of business processes by structural units is represented in Figure 2.

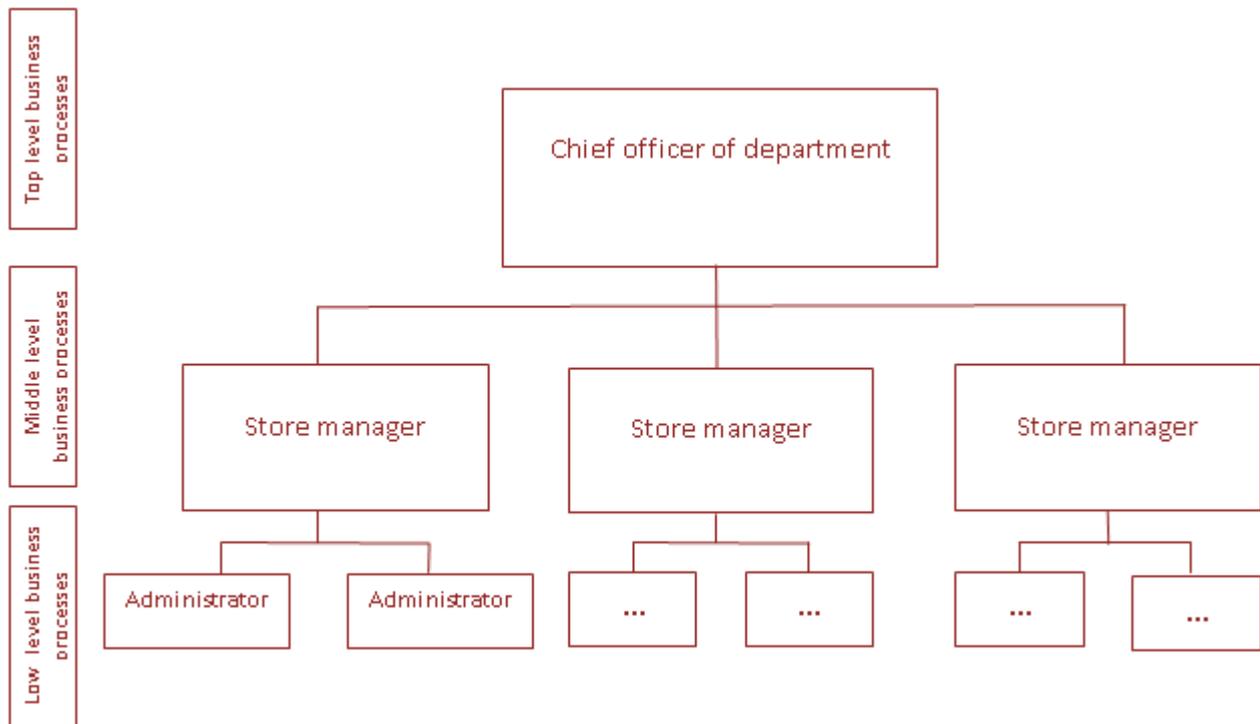


Figure 2: The Chart of Interrelation of Business Processes Levels with Hierarchy Levels.

Working out a registry of processes is one of the main stages of building a methodology based on organization business processes. To set up the registry, it is essential to decide on the processes classification. The following business processes are distinguished for a commercial enterprise: basic, supporting, managerial. The basic ones include purchase, delivery, storage, sale; supporting – administrative support, legal support, accounting, staffing; managerial – strategic management, financial management, marketing management. The scheme of the interrelation of groups of business processes with links of hierarchy and objectives is shown in Figure 3.

The chart in Figure 3 clearly reflects the interrelation of links of hierarchy with business processes and their results, which allows defining the goals and objectives of the positions of a certain level of organizational structure for further developing employee performance indicators.

The proposed methodology is based on key business processes of the organization, however, to assess the business process, it is necessary to use indicators that determine the effectiveness of business process implementation. These indicators can be grouped into five classes: indicators of performance, cost, time, quality, fragmentation, and mixed indicators. For the above-described groups, it is possible to define a number of specific indicators to assess the performance of the business process. Table 1 shows the relationship between the goals of business processes with possible performance evaluation.

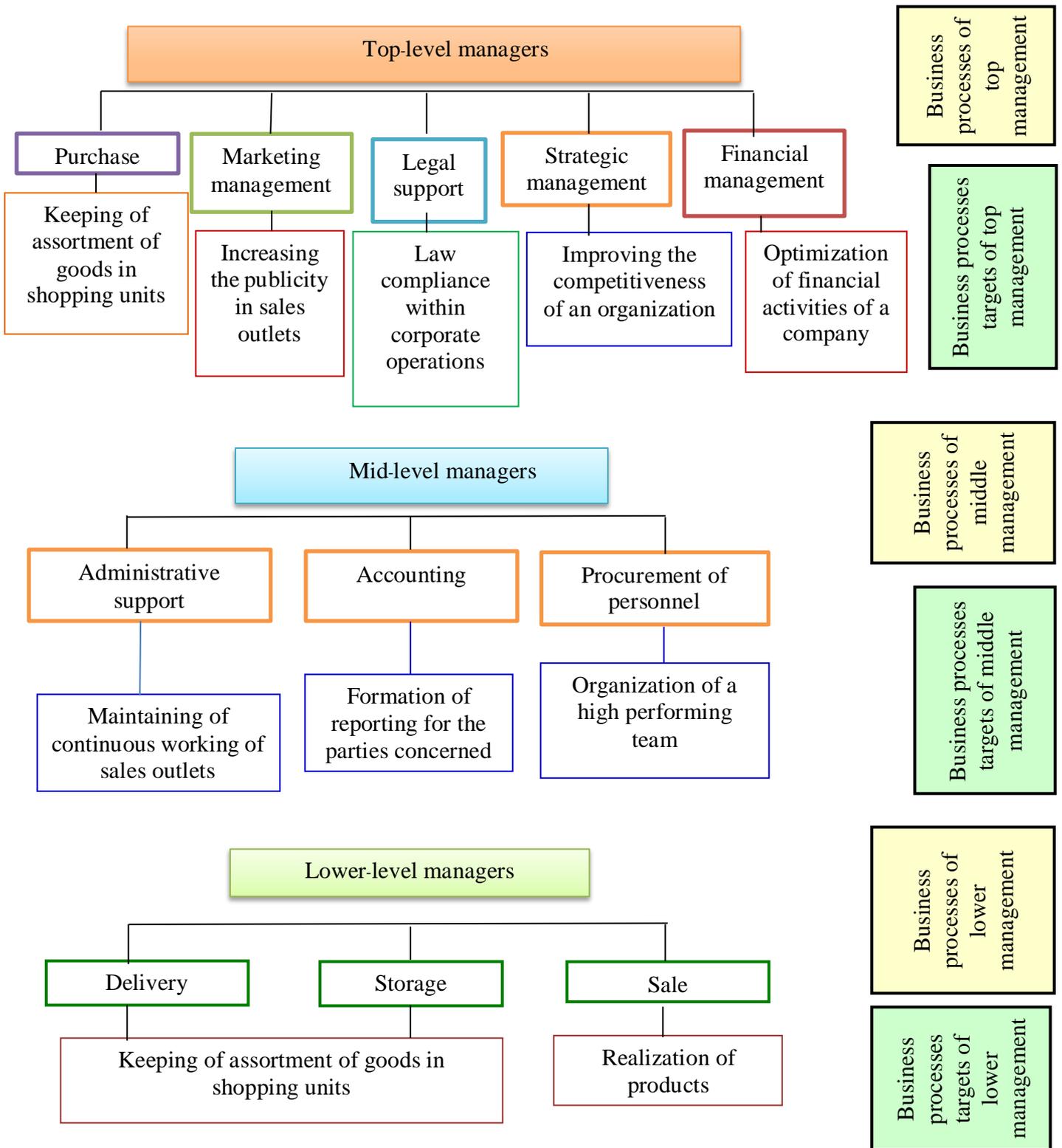


Figure 3: The Chart of Interrelation of Groups of Business Processes and Goals with Hierarchy Links

Based on the above, it can be concluded that each of the goals of the business process has a corresponding indicator. Table 2 illustrates the relationship between the goals of business processes and possible performance evaluation.

Table 1: The interrelation of Groups of Indicators with Possible Specific Indicators of Business Processes.

| Group of Indicators | Indicators |
|--------------------------|--|
| Performance indicators | Turnover of commodities, gross revenue, profit, etc. |
| Cost parameters | Sales value, cost of delivery, etc. |
| Time indices | Operation period, service process duration, etc. |
| Quality data | Customer experience, re-sorting percentage, etc. |
| Fragmentation indicators | Fragmentation rate |

Table 2: The Relationship of Business Processes with Possible Performance Evaluation.

| Business process | Goal | Group of indicators |
|--------------------------|--|---|
| Purchase | Keeping of assortment of goods in shopping units | Business processes character; business processes fragmentations; business processes worth |
| Delivery | | |
| Storage | | |
| Strategic management | Improving the competitiveness of an organization | Business processes worth; business processes fragmentations |
| Financial management | Optimization of financial activities of a company | |
| Administrative support | Maintaining of continuous working of sales outlets | Business processes worth; business processes time periods; business processes fragmentations; business processes character |
| Accounting | Formation of reporting for the parties concerned | business processes fragmentations; business processes character |
| Provision with personnel | Organization of a high performing team | Business processes effectiveness; business processes character; business processes worth; business processes fragmentations |
| Marketing management | Increasing the publicity in sales outlets | Business processes worth; business processes character; business processes fragmentations |
| Legal support | Law compliance within corporate operations | business processes fragmentations; business processes character |
| Sale | Realization of products | Business processes effectiveness; business processes character; business processes fragmentations |

Thus, it is possible to determine the performance targets of the employees of each link. The distribution of responsibility between structural units is carried out taking into account the organizational structure of the company and the tasks facing them.

Each business process has its own owner. It is an official. To determine a business process owner, we recommend using the landscape model.

Table 3 shows the relationship between goals and indicators of business processes and those responsible for their implementation. Each of the officials is responsible for a certain performance in accordance with the organizational structure, which ultimately leads to the fact that each of the employees from the owner of the business process to the contractor is included in the purposeful achievement of the strategic goals of the business process.

Table 3: The Relationship of Goals and Business Processes Indicators and Those Being Responsible for Their Implementation

| Aims of Business Processes | Indicator | Employee responsible |
|--|--|---|
| Sales targets of outlet spot | Turnover plan performance percentage, personal goods turnover, absence of visitors' complaints about ethical conduct | Director, senior salesman, sales clerk, sales advisor |
| Organization of high performing team | Turnover rate of personnel, absence of visitors' complaints about ethical conduct | Director, a senior salesman |
| Providing financial data reporting and security assistance | Negative representation of shortage of money and goods | Director, senior salesman, sales clerk |
| Keeping of assortment of goods in shopping units | Turnover plan performance | Director, senior salesman |

Based on the key performance indicators, a set of measures is developed to stimulate employees to increase efficiency. Incentive measures, the development of which is based on key performance indicators of employees, will increase the level of interest in the performance of indicators and affect the performance of employees.

Table 4: The Relationship of the Objectives of Possible Business Processes and the Methods of Employee Incentive

| The rank of organizational structure | Business process | Goal | Examples of activities |
|--------------------------------------|------------------------|--|---|
| Top-level manager | Purchasing | Keeping of assortment of goods in shopping units | Percentage of sales volume, bonus deprivation for a low percentage of implementation of specific positions, etc. |
| | Marketing management | Increasing the publicity in sales outlets | Percentage of outturn volume; bonus for achieving the planned conversion rate; the percentage of sales volume to new customers, bonus for the unique idea of a marketing project, etc. |
| | Legal support | Law compliance within corporate operations | Incentive payments in the absence of internal corporate violations, etc. |
| | Strategic management | Improving the competitiveness of an organization | Bonus for the performance of planned increase of organization's competitiveness relative to last year; fixing of a minimum percentage of competitiveness growth, the application of sanctions in case of failure, competition for the best idea of strategic development of the company, etc. |
| | Financial management | Optimization of financial activities of a company | Percentage of company profits; bonus for planned cost reduction; bonuses for reduction of accounts receivable, etc. |
| Mid-level manager | Maintenance and supply | Maintaining of continuous working of sales outlets | Sanctions in case of interruption of a sales outlet operation; bonus for reducing the costs of maintenance and supply, etc. |

Table 4: The Relationship of the Objectives of Possible Business Processes and the Methods of Employee Incentive (continue)

| The rank of organizational structure | Business process | Goal | Examples of activities |
|--------------------------------------|--------------------------|--|---|
| Mid-level manager | Business accounting | Formation of reporting for the parties concerned | Applying sanctions in case of an error in accounting report, etc. |
| | Provision with personnel | Organization of a high performing team | Sales volume percentage; reduced staff turnover bonus; application of sanctions for low performance in personnel attestation, "Best Team" competition, etc. |
| Lower-level manager | Delivery | Keeping of assortment of goods in shopping units | Bonus for accomplishment of the planned indicator on the volume of delivered goods; application of sanctions for rejects at sales outlets, bonus deprivation for defective goods; "Best Team" competition, etc. |
| | Storage | | |
| | Sales | Sales of products | Sales volume percentage; percentage of sales of a specific product; bonus for overfulfilment of minimum sales, "Best Team" competition, etc. |

Effectively developed system of business processes, goals and indicators provides a clear vision of key performance indicators of the corporate employees. Table 4 presents the relationship between the objectives of business processes and the methods of employee engagement.

The employee incentive system, which can be considered to be effective, encourages the employee to the necessary actions of the company. The main criterion for the effectiveness of any of their functions performed by an employee is the achievement of the objectives of the business process, and as a consequence, the achievement of the strategic goals of the company. The result of each employee's activity is not assessed by the number of operations performed, but by the level of achievement of the goal and the related business process.

So, the described method of forming a strategy for engaging the personnel of a commercial enterprise suggests that practically each of the methods is effective if used with a suitable employee and as an incentive to fulfill the corresponding indicator of the employee's activity.

5. THE TECHNOLOGY OF FORMATION OF CORPORATE EMPLOYEE INCENTIVE MANAGEMENT STRATEGY

The technology of corporate employee incentive management is based on a system of personnel performance indicators and is particularly suitable for use in trade enterprises since this industry always assumes a number of measurable performance indicators for retail personnel. So, the technology of forming the strategy for managing employee engagement of a commercial enterprise is a sequence of stages, reflected in Figure 4.



Figure 4: Technology of Formation of Strategy of Corporate Employee Incentive Management.

The first stage of the process of forming the strategy for managing corporate personnel engagement is to assess the personnel potential of the enterprise. This stage is inherent in almost all methods of formation of personnel strategies since the assessment of human capacity will allow determining the main problem areas in the work of personnel. Accordingly, it will greatly simplify the determination of the need for the formation of employee incentive management strategy.

The second stage of the process of formation of a trading enterprise motivation management strategy is the formation of business processes in the context of the existing organizational structure of the enterprise. The formation of employee incentive management strategy based on a business process system is new and makes it possible to develop a system of incentive measures for staff based on the features of business processes inherent in each of the elements of the organizational structure. When forming this strategy, the main parameter of the choice of incentive measures will be the involvement of an employee to a certain link in the hierarchy, each of which, in turn, fulfills certain business processes. Accordingly, the formation of business processes is a key aspect of this methodology.

The third stage of strategy formation technology is the development of a system of employee performance indicators. These indicators will determine the focus of activities to manage the incentive of employees of a trade body. Within this stage, a set of indicators has been developed to assess each of the group of employees identified in the second stage, as well as the distribution of responsibility for achieving the values of these indicators.

The fourth stage is to develop a set of measures for employee incentive management a commercial enterprise. This stage involves directly developing a motivation management strategy, based on the previous stages.

The developed technology enables to effectively determine the key performance indicators of the corporate personnel in order to form the most effective strategy for encouraging employees to increase their own efficiency.

6. CONCLUSION

The scientific literature deals with various methods of forming management strategies for employee engagement in enterprises, but many of them are general and can be applied to manage employee engagement in industrial, state and other enterprises, since they do not take into account the specific features of reality, and also consider personnel management strategies and the formation of a personnel management system in general, without focusing on individual HR processes, in particular, on incentive management.

The approach is based on the concept of “employee incentive”, understood as an external influence or internal self-motivation, encouraging employees to actions that are necessary to gain the expected results. Employee engagement is closely related to the efficiency indicators of business processes of the enterprise since the efficiency of business processes directly reflects the efficiency of each employee in particular and the enterprise in general, which depends on the efficiency of the employee incentive system. The concept of “employee incentive” allows improving the method of forming the strategy for employee incentive management in commercial enterprises.

The developed methodological tools for the formation of the strategy for employees incentive management in commercial enterprises suggests the interrelation of business processes with their goals and indicators, as well as the outline of business processes of the top, middle and low levels of the hierarchy of commercial enterprises and indicators for assessing the effectiveness of business processes to determine the orientation and review effectiveness measures aimed at improving the management of employee incentive of trade enterprises. An effectively developed system of business processes, targets and indicators provide a clear vision of key performance indicators of employees.

7. AVAILABILITY OF DATA AND MATERIAL

No data is used or generated from this study.

8. THE CONFLICT OF INTERESTS

The authors confirm that the presented data do not contain any conflicts of interest.

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Dr. Rakhmanova Marina Sergeevna is an Associate Professor of Economics and Management, Head of the Center for Research, Projects, and Programs of Vladivostok State University of Economics and Service. She is a Candidate of Economic Sciences. She is a specialist in Strategic Analysis of Organizations, Municipalities, and Territories.



Professor Dr. Kryukov Vladimir Vasilyevich is Professor and an Advisor to the Rector of Vladivostok State University of economics and service. He is a member of the Public Expert Council for the Development of the Information Society under the Governor of Primorsky Krai.