

Research Article

Establishment and Implementation of Salary Incentive System for Executives of Agricultural Food Processing Enterprises: From the Perspective of Environmental Analysis

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Abstract: In this study, we have a research of the establishment and implementation of salary incentive system for executives of agricultural food processing enterprises from the perspective of environmental analysis. The study on the establishment and implementation of pay incentive system for senior executives of monopoly enterprises shall not be separated from the specific environment of reality of China. The salary incentive system established in the framework of agricultural food processing enterprise strategy is conducive to achieving the strategy of enterprises and the formulation of strategy is based on environmental analysis. On the other hand, the implementation of salary incentive system for the senior executives of monopoly enterprises needs a good implementation environment and the salary incentive system of monopoly enterprises shall be compatible with the implementation conditions, the operation effect of salary incentive system will be better and the corporate performance of monopoly enterprises will be higher.

Keywords: Agricultural food processing enterprises, perspective of environmental analysis, salary incentive system

INTRODUCTION

The agricultural food processing enterprise strategy has 3 levels, including the overall strategy of enterprise, competition strategy and function strategy. The salary strategy guides the design and management for salary system of enterprise, which belongs to the key part for human resource strategy in function strategy of enterprise and of course, its formulation and implementation shall be conducted in the guide of overall strategy of enterprise, since it is decided by the agricultural food processing enterprise strategy of certain stage, so the agricultural food processing enterprise can utilize the salary incentive lever and takes the achievement of agricultural food processing enterprise strategy as support, while the formulation of agricultural food processing enterprise strategy is based on environmental analysis and establishment on salary incentive system for senior executives of monopoly enterprises is included. On the other hand, the implementation for salary incentive system of senior executives of monopoly enterprises must have the relative implementation environment, matching with the implementation environment, the implementation effect will be good in high matching degree and otherwise, the implementation effect will be reduced greatly in low matching degree (Zhu, 2002; Institute of

Labor Wages of Ministry of Labor and Social Security, 2007; Qi *et al.*, 2009a; Wang, 2009; Milgrom and Roberts, 1988).

In this study, we have a research of the establishment and implementation of salary incentive system for executives of agricultural food processing enterprises from the perspective of environmental analysis. The study on the establishment and implementation of pay incentive system for senior executives of monopoly enterprises shall not be separated from the specific environment of reality of China.

METHODOLOGY

Analysis of establishment and implementation environment of salary incentive system for senior executives of monopoly enterprises: The salary incentive system for the senior executives of the monopoly enterprises shall be established and implemented based on environmental analysis and the environment may be divided into micro, meso and macro environment by space. Micro-environment mainly refers to its resources, capabilities and competitiveness, meso-environment mainly refers to industrial and monopoly states and industrial life cycle and macro-environment mainly refers to society,

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politics, economy and culture, etc. The basic components of environmental analysis mainly include macro study of the society, especially political and economic development trends; study of meso prospect of the industry, especially future trend of the industry; micro management environment analysis, focusing on competition and cooperation relationship; study of agricultural food processing enterprise market demand, the end customer behavior crucially (Ding, 2013; Shao, 2003; Li *et al.*, 2013; Gu, 2006; Qi, 2009b).

Macro environment analysis: All external factors that affect the monopoly enterprises are called macro environment, which is the soil of the survival and development of the enterprises and provides the conditions and constraints for production, operation and management of the monopoly enterprises, dynamic environment will constantly make opportunities and threats, in order to ensure the pay incentive system for the senior executives of the monopoly enterprises is conducive to adapting to changes in macro environment, dynamically adapting to macro environment and achieving the strategy of the monopoly enterprises, it is necessary to study and analyze macro environment and make it be able to grasp, predict, use and guide the environment. Since Third Plenary Session of the 11th Central Committee of the Chinese Communist Party, macro environment conditions in China such as economy and politics construction, culture and sports, science and technology have achieved encouraging results, reform the monopoly enterprises and competitive mechanism is introduced, which gradually reverses malpractice from the excessive and unscientific salary incentive system for the senior executives of the monopoly enterprises and strive to create the relatively fair macro competition environment with competitive industry, mainly manifested in following aspects:

- Change of government function and break of trade monopoly, which gradually realizes the fair operation circumstance with competitive industries. Since the 18th National Congress of the Communist Party of China, the government has taken the drastic reform for monopoly industries, formulated the restriction on market force of monopoly industries, expect the industries relating to national economy and the people's livelihood and national security, introduced the competition and formulated the relative laws and regulations and created conditions for free flow of external factors to play the basic function of market on optimal configuration of resources, the government intervention is reduced, the fair operation circumstance with the competitive industries is created, which brings larger pressure to the full play on salary incentive system for senior

executives of monopoly enterprises, pressure is motivation, the salary incentive for senior executives of monopoly enterprises has the external foundation of playing functions only by this way.

- Economic globalization and informatization, etc., which provides a good opportunity and challenge for the establishment and implementation of the salary incentive system for the senior executives of the monopoly enterprises.

The rapid development of globalization, internationalization, industrialization, large-scale and informatization requires the idea change on salary incentive of monopoly enterprises radically, if monopoly enterprises still get the benefit depending on resources, policies and administrative privilege, instead of developing their own core competitiveness, the large challenge will be faced when economic globalization and informatization time comes, as long as the monopoly is broken, the competition between monopoly enterprises and other enterprises will end with failure. The moderate competition is needed for monopoly agricultural food processing enterprise because it can create the certain pressure that can make the incentive become more effective in order to avoid the occurrence of nonfeasance, which is caused by the laziness and thumbing a life of senior executives. Meanwhile, the advanced salary incentive thought and modern salary incentive tools from the abroad shall be utilized, combing with China's reality, the advanced salary incentive tools and methods at home and abroad may be used for establishing and implementing the scientific salary incentive mechanism on the basis of China's reality analysis in order to improve the core competitiveness of monopoly enterprises.

The salary incentive for senior executives of monopoly enterprises is affected and influenced by the external environment more and more, the objective and systematic analysis on external macro environment must be conducted for establishment of salary incentive for senior executives of monopoly enterprises, Factors, especially the micro-control policy of country, economical development level, labor productivity level, supply and demand relationship of senior executive market, etc, produce the indirect or potential influence to the salary incentive for senior executives of monopoly enterprises. Firstly, micro-control policy of country: In the market economic system, the control policy to the salary for senior executives of monopoly enterprises mainly uses the factor market, including the perfection of manager market, revenue, laws, these factors generally influences the salary level for senior executives of monopoly enterprises. Secondly, economic development condition: The important

indicator for measuring the economic development condition is national income, in the situation of relatively fixed proportion between total salary level and national income, the salary level will be higher when the national income is higher and otherwise, it will be lower. Thirdly, labor productivity: The labor productivity is the key indicator of economic development level. The difference on salary level between different countries, different regions and different industries really is the specific inflection on difference on labor productivity. Fourthly, supply and demand relationship of senior executive talents market: in recent years, the number of senior executive with operation and management theory foundation and rich practical experience is very limited, while generally, the expansion of monopoly enterprises will requires higher qualification for senior executives and the contradiction on supply and demand of senior executives is prominent especially compared with the ordinary labor market. Institute of Labor Wages of Ministry of Labor and Social Security (2007) The salary level of senior executives is influenced by the supply and demand situation of senior executives market and their own human capital prices, while the administrative color for the appointment of most senior executives of monopoly enterprises, supply and demand of senior executives market, larger expansion requires higher qualification, so the matching problem exists between abilities of selected senior executives and positions, most of them are in state of negative position, which seriously influences the establishment and implementation result on salary incentive system of senior executives of monopoly enterprises (Cheng, 2013; Zoe, 2002; Yubo *et al.*, 2013).

Meso environmental analysis: The salary incentive system shall be established in the formwork of salary strategy, so do the monopoly enterprises. Therefore, the industrial environment of the monopoly enterprises shall be further analyzed after an analysis has been made for the macro environment, that is, main monopoly level and industrial life cycle of the industry shall be analyzed as below:

- **Monopoly level of industry:** In the complete monopoly market, the product can't be displaced, every aspects of enterprises, especially the product, has the absolute discourse right and the salary for senior executives of the monopoly enterprises is completely decided by the customized compensation controlled by the insiders of enterprises, so the problem of excessive incentive will occur easily. In the oligarch monopoly market, only there are few manufacturers, who raise the price of product easily by adopting price alliance in order to gain the supernormal profit, the salary of their senior executives will be high. In the

monopoly competition market, the price of product is in irregularity, the competition level is higher and the supply and demand and value influences the price of product, so the salary of their senior executives is decided by the market basically.

- **Life cycle of the industry:** The agricultural food processing enterprise and industry has the certain characteristic of bionics, the life cycle of the industry may be divided into 4 basic life cycles, including emerging, growth, maturity and decline period according to the development particularity and competitiveness indicators. Qi *et al.* (2009a) in different periods, due to different strategies, the salary strategies may be also different, which needs the difference salary incentive system to match. In the emerging period of the industry, the market prospect of product is unknown, there is no benefit created by research input of enterprise and the agricultural food processing enterprise in the stage of energetic input, so the long-term incentive method (such as incentive of stock ownership) may be taken, especially for the core talents of enterprise, in order to reduce the capital pressure to the agricultural food processing enterprise from material incentive and retain the core talents at the same time. In the growth period, the scale of enterprises is expanded rapidly, the occupancy rate of market is promoted gradually and the capital turnover is quicker, so the long-term incentive methods can be considered based on short-term incentive. In the maturity period of industry, the product and market of agricultural food processing enterprise is fixed basically and the earning power is strengthened more, so the incentive may be based on short-term incentive (such as performance salary). In the maturity period of industry, the occupancy rate of market and product begins to decrease and the monopoly profit begins to decline, so the short-term incentive may be is the base. (Wang, 2009).

Micro environment analysis: Establishment and implementation of the salary incentive system for the senior executives of the monopoly enterprises must be conducive to effective integration of agricultural food processing enterpriser sources and cultivation and formation of core competitiveness of the enterprises, the following aspects should be completed:

- **Political environment of organization:** Political theory of organization mainly analyzes that the design on compensation dispersion for the senior executives of enterprises should pay much attention on internal political environment of enterprises and cooperation of agricultural food processing enterprise team. Milgrom and Roberts (1988) thought the high-level administration of monopoly enterprises shall reduce the

compensation dispersion between the senior executives, even reduce its marginal output in order to improve the effective cooperation between them and the business performance of the monopoly enterprises (Ding, 2013).

- **Agricultural food processing enterprise culture:** The agricultural food processing enterprise culture is the special cultural image, composed by value, faith, ceremony, signal, distribution theory of enterprise, manner, etc. The thought precipitation and key factors on distribution in agricultural food processing enterprise culture controls the goal orientation for salary incentive of senior executives of monopoly enterprises, the monopoly enterprises generally are state-owned enterprises, the thought precipitation on no difference between good and bad results is deep, which requires that the salary gap for senior executives of monopoly enterprises is small, the agricultural food processing enterprise culture oriented by egalitarianism requires less gap between senior executives of monopoly enterprises and employees, once the gap breaks the bottom line of employees, the problem and contradiction will occur between senior executives of monopoly enterprises and employees.
- **Payment capacity of enterprise:** The payment capacity of monopoly enterprises is higher than competitive industries' depending on its higher monopoly profits, the salary of employees, including the senior executives is higher.
- **Agricultural food processing enterprise scale:** The theory foundation for the salary level of senior executives influenced by the agricultural food processing enterprise scale is managerialism, the managerialism hypothesis proposed by Mueller (1969) thought the salary of manager is determined by agricultural food processing enterprisescale, the expansion of scale can control more resources, especially the dominant reward and the recessive salary will be improved largely when the scale of monopoly enterprises is expanded, which also is the internal agent of senior executives in monopoly enterprises to the expansion of scale (Shao, 2003).
- **Agricultural food processing enterprise governance structure:** The agricultural food processing enterprise governance structure is to realize the best business performance, the agricultural food processing enterprise ownership and management right is the structural system arrangement formed by the mutual counterbalance relationship based on fiduciary duty, as the contract of ownership arrangement, the agricultural food processing enterprise governance structure solves the separation problem of the ownership and management and improves the agricultural food processing enterprise governance related to external governance and internal governance. The

external governance means participation motivation and supervision of external agents outside enterprises, such as government, agency and market, etc., especially the restriction and supervision effect of external factor market, such as product market, capital market and talent market, etc. The internal governance means the specific internal system arrangement of allocation and balance of rights and responsibilities among stakeholders as specified by internal process of the enterprises. Effective or ideal agricultural food processing enterprise governance structure standards include:

- The senior executives shall be provided with proper control over the management of the enterprises, make full use of their potentials and leave plenty of room for innovation management.
- All owners are entitled to take some measures rapidly when the senior executives encroach on the agricultural food processing enterprise capitals.

Personal factors of senior executives: Due to "administrative" features of the senior executive selection of the monopoly enterprises, the senior executives selected may not be necessarily capable of their own work, severely restricting the establishment and implementation of the salary incentive system of the monopoly enterprises. Personal factors of the senior executives include:

- **The senior executives' particularity:** Prof. Snell in Cornell University divided agricultural food processing enterprise talents into 4 classes, meaning core talents, general talents, independent talents and ancillary talents, the senior executives of the monopoly enterprises is the core of core talents, which has higher particularity, obvious scarcity and stronger specificity compared to other talents, but their value of human capital is difficult to measure, that needs measuring the real performance to the enterprises created by their abilities and efforts to indirectly evaluate their value. The senior executives' particularity has the very huge influence on corporate performance and the senior executives with good abilities can strengthen the incentive degree when conducting the salary incentive design, establish the incentive system of "high incentive and low security", in this way, the implementation of salary incentive system for senior executives of monopoly enterprises can adequately stimulate potency of senior executives to conduct the optimal allocation for resources of monopoly enterprises, thus creating more value for enterprises.
- **Future expectation of senior executives:** When an employee takes the aggressive attitude to job and has high future expectation, which is needed

by the employee and has high value, “expectation” can be the future salary, promotion, self value realization, etc. As long as the senior executives of monopoly enterprises learn that they have the ability to gain the good expected results through their efforts and get expected return with endeavors, they will make full play of their potential and will have the motivation of working hard (Li *et al.*, 2013).

- **Supply and demand of senior executives:** The classical economics figured out the salary level is decided by overall supply and demand, the supply of manager market has the negative correlation to the high and low salary of senior executives and the demand of manager market has the positive correlation to the high and low salary of senior executives.

The agricultural food processing enterprise strategy will change with the change of internal and external environment of monopoly enterprises and the salary strategy of enterprises also needs to be adjusted, so the salary incentive systems should be reformed, meanwhile, the change of salary incentive systems requires the suitable system conditions, which relates to the new allocation of resources and new integration of interest relationship, so the adjustment on relationship of stakeholders becomes the important work in the reform of salary incentive systems in monopoly enterprises. On the basis of environmental analysis, in the guidance of salary strategy in the framework of overall strategy of enterprises, the scientific salary incentive systems of senior executives in monopoly enterprises is established and the suitable system condition should be created for salary incentive of senior executives in monopoly enterprises (Gu, 2006).

SUITABLE SYSTEM CONDITIONS FOR IMPLEMENTATION OF SALARY INCENTIVE SYSTEM FOR SENIOR EXECUTIVES OF MONOPOLY ENTERPRISES

The salary incentive systems for senior executives of monopoly enterprises is perfect and scientific according to the hypothesis of environmental conditions, but if it is not combined with the specific implementation environment, the matching degree with the environment will be low and its implementation result will be not ideal. In order to reduce the resistance on implementation of salary incentive systems for senior executives of monopoly enterprises, the suitable environmental conditions must be created to make the system match with environment, therefore the following key issues may be solved: the first one is the matching degree with environment, the second one is how to overcome the asymmetric information issue for

consignors, meaning getting personal information of more senior executives, stabilizing the selection model of senior executives to choose the suitable senior executives, if the senior executives with low qualification and ability can't meet the requirements, the good salary incentive system will be useless, like casting pearls before swine (Qi, 2009b).

Matching degree between salary incentive system for senior executives of monopoly enterprises and environment:

The matching degree can use the combining ability to conduct quantitative analysis, the combining ability has the important value in breeding of plants and animals and the combining ability generally is divided into general combining ability and special combining ability. The general combining ability means the average value showing on a quantitative trait of filial generation after a parent variety conducts the hybridization with other various varieties, the special combining ability means phenodeviation that some special combination minus general combining ability of parents, normally, the parent of general combining ability always reflects the heterosis. The following aspects should be done by means of using combining ability principle to analyze the establishment and implementation on salary incentive system for senior executives of monopoly enterprises: firstly, the scientific, feasible and perfect salary incentive system for senior executives of monopoly enterprises may be established and implemented based on environmental analysis, the system condition of implementation is suitable, the scientific, feasible and perfect salary incentive system shall be implemented in suitable system conditions and its general combining ability is high for different senior executives, its effect will be prominent; if it has specially high combining ability for senior executives in specific monopoly enterprises, meaning it has high special combining ability. Cheng (2013) In the practice, not only the salary incentive system for senior executives of monopoly enterprises should be designed scientifically, but also the suitable system condition is needed, even creating the suitable implementation condition, in this way, the matching degree between salary incentive system for senior executives of monopoly enterprises and environment will be good, thus the general combining ability and special combining ability will be higher.

Screening of senior executives of monopoly enterprises:

The effect of the salary incentive system for the senior executives of the monopoly enterprises is inseparable from right senior executives. For a good incentive system, if the senior executives cannot meet relevant ability and quality requirements, the incentive system will not work, therefore, it is necessary for the monopoly agricultural food processing enterprise to

reform their selection system of the senior executives and create good system conditions for the implementation of the salary incentive system for the senior executives of the monopoly enterprises (Zoe, 2002). At present, China's economic system reform has also resulted in the reform of the salary incentive system of the monopoly enterprises and no changes to the selection of the senior executives. The lag in the selection system of senior executives results in restraints to the salary system in motivating and controlling behaviors of senior executives (Yubo *et al.*, 2013). The multi-level principal-agent relations exist monopoly enterprises, the selection and appointment of senior executives has the strong administrative colors, so the selection of senior executives should be handed to the market screening, its method is to establish seed selection model based on breeding and seed selection of animal and plant heredity, the scientific selection should be according to high-low of comprehensive selection index and the early selection and identification shall be conducted for the senior executives of monopoly enterprises in order to avoid losses resulting from wrong executives.

CONCLUSION

The establishment and implementation of the salary incentive system for the senior executives of the monopoly enterprises are inseparable from scientific and objective analysis of their specific environment. The establishment of the salary incentive system must be designed in the framework of the salary strategy, which is a functional strategy from the strategic level and must be based on the overall strategy of the enterprises that is on the basis of the analysis of the macro, meso and micro environment of the enterprises. The salary strategy of the senior executives of the monopoly enterprises must be implemented based on specific system environment conditions. If the salary incentive system is well matched with the system environment, the combining ability will be high and the implementation may make a good result; otherwise, the implementation result will not be very ideal.

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