



A Primary Research on the Validity of Enterprise Encouraging System Based on the Paradigm of Strategic Ecology Management

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Abstract

Aiming at the research results put forward by some Chinese scholars who claim that encouraging invalidations exist in Chinese enterprises. This article advances the following opinions. Some certain encouraging factors have no strong relativity with the enterprise performance, which cannot prove that the encouraging invalidation exists in the investigative sample enterprise. The present researches of the relationships between encouragement and enterprise performance are short of the systemic integration to the numerous influencing factors. But in the strategic ecology paradigm, when we design the interior mechanism between encouraging system and its validities, we should use the latest research results of ecologically behavioral economics for references, especial for analyzing the interior relationships between the enterprise strategy and the validity of the enterprise encouraging system. This article's research possesses guiding values for enterprise's governing and its further development.

Keywords: Encourage, Encouraging system, Strategy, Ecological management paradigm

1. Do encouraging invalidations exist in Chinese enterprises?

As early as in 2000, Chinese scholar Li Zengquan selected data about senior managers' annual salaries published by 748 listed companies in 1998, and carried through practical research on them for encouraging mechanism and enterprise performance of Chinese listed corporations. He took senior managers' annual salaries and their stock proportion as salary variable, ROE as variable of enterprise performance, to test the sample collectivity according to the proportion of asset scale, industry and state stock, and the area where the corporation was located. The results showed that the managers' annual salaries of Chinese listed companies was not correlative with enterprise performance, but closely correlative with enterprise scale, and put up obvious differences of district. In 2000, Yang Ruilong and Liuqing took 1999 year's Chinese listed companies in household appliance industry as the samples of measuring research, sales incomes and ROE of corporation as enterprise's performance variable, and managers' salaries as dependent variable, carried through practical research to manager's salary, enterprise performance and stock structure, and found that the managing performance of enterprise was independent of the stock structure in household appliance industry. In 2005, Liling chose 2003 finance year's finance data of 38 listed companies in Chinese electronic industry, adopted the method of econometrics, and obtained that the changes of senior managers' salaries would arouse ROE the change of 0.62% at the same direction, and EPS the change of 0.940 at the same direction. This showed that the encouragement to senior managers had strong relativities with enterprise performances. To domestic corporations, the research of the relationships between senior managers' salaries and enterprise performance indicated that the encouragement of senior managers had no obvious relativities with enterprise performances. This result was different with the theoretic analysis and the Occident's scholars' opinions which thought these both aspects had strong relativities, or had this conclusion achieved the area of "+∞" in the encouragement of the "X" model? Of course it had not. If encouragement had not strong relativities with enterprise performances, and the above research was tenable, so did it prove the encouraging invalidation existed in the sample enterprises which were researched? And how should we implement encouragement to enhance its validities? If these problems cannot be solved, the performance of encouraging measure in Chinese listed companies will seem eyeless and disordered.

2. Should we start with whether measures or system to enhance the validity of the encouragement?

Most present articles which research the validity of encouragement all engage in qualitative research from the view of management, psychics and economics, and few establishes model to quantificationally analyze the validity of

encouraging system from the view of the systematology. The foreign researches demonstrate the relationships between employee encouragement and enterprise performance mostly from the aspect of senior managers' encouragement of salaries. The increase of stockholders' benefits can obviously reflect the improvement of enterprise performance in the finance index. In 2006, Liu Xinmin and Liyuan discussed the necessity of combination of material encouragement and immaterial encouragement implemented by entrepreneurs, and analyzed the dynamic optimum combinative conditions by which owners obtained the maximal encouraging effect with minimal encouraging costs through using the fussy optimum theory. In 2005, Zhang Dansong and Niu Wenxue studied the encouraging management of human capital in enterprise management by a measuring model of encouraging effect. They divided encouraging means into encouraging effect factor and protective effect factor, and pointed out the key factors in managers' encouraging management and made out the strategic guidance of encouragement based on the analysis of model. In 2006, Zhao Yanyan and Wang Huaiming analyzed the actualities of senior encouragement at the present in China, and discussed the relationship between the encouragement of senior managers and enterprise performances by means of describing statistics and multiple nonlinear regression method. The practical research showed that the enterprise performance took on positive correlation with managing layer's stock proportion, but it was not obvious, and the enterprise performance presented obvious positive correlation with managing layer's annual salary. In 2007, Shen Minghao and Su Xiaohua found that enterprise's finance risk presented minus linear relation with senior managers' stock tendency, and their shares took on nonlinear relation with the encouraging effect of enterprise (the managing layer's endeavoring level), making use of the practical research on listed companies. In the present restructuring of Chinese enterprises, because the managing layers went short of buying capitals, they are not likely to stock enterprises. So a realistic hypo-excellent proportion must exist in the present circumstance and it can inspire the managing layers' enthusiasms most effectively.

The encouraging system of enterprise is an important subsystem to form the enterprise system, but it is also an independent system. From the view of static state, the encouraging system consists of factors such as actuator, encouraging object, encouraging factors and encouraging method. From the view of strategic ecological management, it consists of five subsystems which include the subsystem of encouraging environment which means what conditions we implement the encouragement under, the subsystem of encouraging factors which means what we implement the encouragement by, the subsystem of encouraging implement which means how we carry through the encouragement, and the feedback subsystem of encouraging effect which means how to test and estimate the encouragement. In these subsystems, the connotation of the subsystem of encouraging object has extended to the group which consists of enterprises and their benefit relatives in the whole value chain under the guidance of the strategically ecological management paradigm. The final running state of the system lies on the running state of the every part and the mutual relations among parts. But how to evaluate the validity of the system across-the-board is still to be further discussed, so the measuring research to the validity of the encouraging system redound us to measure the encouraging system with the more scientific attitudes, identify its contributions to the actualization of strategic objects, improve the state of the whole system to the special object and make the whole ecological system of enterprise develop more stable and sustainable.

3. Whether should we start with the base of strategic ecology paradigm to enhance the validity of the encouragement?

With the increasingly more dynamic environment of the industry, more quickening of the technology innovation, more globalization of the competition, and more diversification of the consumers' requirements, enterprises gradually realizes that if they want to develop, they must create new value which is interested by consumers with other companies no matter what increasing their own abilities, or developing their new market. Enterprises must foster synergic economic groups taking the development as guidance. The theory of ecology and its ecologic thinking is the bridge to solve the strategic complexity problems. The advance of strategic ecological paradigm is a sort of breach of strategy managing paradigm, which is the strategic paradigm of facing future sustainable development and obtaining sustaining superior performance, and is the group which consists of enterprises and their benefit relatives, and is a complicated ecological system. The paradigm of strategic ecological management includes a series of relations of enterprise, which include not only the vertical relations with its providers, consumers, market intermediary agencies, but also the horizontal relations with its competitors, the enterprises of other industries, governmental departments, higher institutions, research institutions and benefit relatives etc.

From the view of the production function in the traditional economics, outputs are decided by the two basic factors including capitals and labor forces. In the condition that the restriction of capitals is not the key problem, the core of the enterprise management is which people are selected be the employees of the enterprise and how to perform encouragement and enhance employees' performances. The validity of the enterprise encouraging system directly decides whether the objects of enterprise developing strategies can come true. The strategic objects or actual objects of the organization all are implemented by human longtime activities and short-term activities. The behaviors which incline to the object are continually strengthened by human motivations and the requirements which induce the motivations. Numerous coherent behaviors finally achieve the object of the organization and the enterprise, so the human requirement and the fulfillment of the requirement in enterprise is the original start of the encouragement.

The value of ecological concept rests with that we can use it identify and foster whole set mutually interlaced relations, and make it possessing more strong increasing potentials of benefit, but we shouldn't stickle on the scale (the strategically ecological system can mean small competitive space of enterprise, or big one). So, under the guidance of strategically ecological paradigm, the encouraging system of enterprises also should emphasize the source of the resources of ecological system and relative resources, and it must integrate exterior forces to foster and enhance its own core abilities, and exert the leverage of the core abilities. The research to the corporate encouraging system, fastens on the research of the factors, implement of the encouragement and their relations with the enterprise performances, and localizes the interior encouraging system of enterprise. But the research and application of problems which include dynamic encouragement, encouraging combination, exterior cooperation of the encouragement and measure of the encouraging validity etc. are less at present. The traditional view of strategic managing paradigm has not explained the problems such as encouraging invalidation, the weak relative of salary and stock encouragement with enterprise performances. So, from the view of ecological system, we study the encouraging problems, that possess some certain values of academic research and meaning of realistic guidance.

When we think about the problem from the view of strategically ecological managing paradigm, the providers, consumers and middlemen are not only copartners but also competitors. The subsystem of encouraging object will be endowed a new connotation, so the benefit relatives all become the factors included by the encouraging system of enterprise, and the integrality of systematic research will directly influence whether the validity of encouraging system can be reflected objectively.

4. How should we develop the research of validity of enterprise encouraging system in strategic ecology paradigm?

The research about how to evaluate the encouraging system of enterprise, that is to say the validation of the validity of the encouraging system, has three defects at the present time.

The first defect is to be short of the integration of numerous influencing factors. Due to the different view of the research, the present influencing factors of encouraging system are distributed in the multi-layers and multi-dimensions, and form a big and complex factor group. But the interior relations among numerous factors lack systemic cleaning up, which neither makes against theoretic research, nor practical operation. This article thinks it should integrate the contributions of the researches on the validity of encouraging system, establish a theoretic frame which has interior logic relations and can reflect the influencing factors of the validity in encouraging system. To solve this problem, firstly we should integrate the research results such as agent theory, corporate governing theory and autonomy theory of encouraging system, establish the integrated factor frame which can reflect agent costs, governing structure and behavior space of encouraging system, and take it as the concept model. Secondly, we should adopt effective research methods and technical means to testify the hypothesis relation of the concept model based on the practical research.

The second defect is that it can not effectively answer the influencing relations and conditions between performance and validity. In theory, corporate performance should have a positive circulation relation with the validity of encouraging system, that is to say, generally speaking, good performance must present higher validity, and higher validity must induce the improvement of performance. But in practice, the beneficial circulation between corporate performance and the validity of encouraging system may be disturbed by exterior factors and occur breaking phenomenon. For example, in the old system of state-owned enterprises, the validity of encouraging system may have irrelevance with corporate performance, and in the management responsibility system, the validity of encouraging system obviously lies on the corporate performance.

Under the present corporate system in China, it needs data to judge the relation between performance and validity. Obviously, the simple relative relation can not offer satisfied explanations. The practical research by means of structural equation model offers the support of method to further open out the interior consequences.

The third defect is that most samples used in the domestic researches at present are traversal data of single year, without considering the time series effect of multiyear. Everyone knows that the validity of encouraging system has a close relation with many developing aspects of macro-economy, and the period which the company is developing in is an important variable. There are two methods to solve this problem. The first one is to adopt time series data which are the lengthways data distributed according to years. The second one is to adopt panel data which is the combination of time series data and traversal data.

The measure of performance is a complex systems engineering. The simple combination of indexes can not reflect the corporate performance level, so it must adopt reasonable systems frame. Some scholars' researches provide help for us. The famous systems frame models include the model of Sink & Tuttle, the PIMM model and the Family of Measures model (FOM).

Under the direction of strategically ecological managing paradigm, the corporate encouraging system should emphasize the resources of ecological system and relation system which are the sources of the competitive predominance of the

enterprise, must integrate exterior forces to foster and enhance its own core abilities and exert its own leverage of core abilities. So, the research of encouraging system based on the strategically ecological paradigm must break through the analyzing frame of traditional encouraging system, start with the view of ecology and systems engineering, use the relative research results of behavioral economics as references, study the operative mechanism between strategically ecological managing paradigm and encouraging system, and carry through all-sided discussion from various layers and orientations to the managing encouragement.

It can use the data envelopment analysis and structural equation model to discuss the intergrowth mechanism among benefit relatives, search the ecologically relative conditions among factors in the system, and open out the structural relations between the validity of encouraging system and its influencing norms, between the governing factors and dependent factors. Through establishing the encouraging systems in Chinese corporations, researching their validities and give the measuring method of validity, testifying the relative consequences between the encouraging system and corporate performance which include unilateral influencing hypothesis, bidirectional influencing hypothesis and irrelevance hypothesis, it can realize the conversion from “traditional encouraging system” to “effective encouraging system”. It also can use the methods such as the measuring analysis of statistical data and the statistical analysis of fieldwork questionnaires of enterprises to testify some conclusions coming from the above theoretic analysis, and further improve the establishment of the encouraging system.

5. Conclusions

The present researches to the relations between encouragement and the enterprise performances are short of the integration of numerous influencing factors.

Some certain encouraging factors have no strong relativity with enterprise performance, which can not prove the encouraging invalidity of sample enterprises which are investigated.

Under the strategically ecological paradigm, when we design the interior mechanism between encouraging system and its validities, we should use the latest research results of ecologically behavioral economics for references, especial for analyzing the interior relationships between the enterprise strategy and the validity of the enterprise encouraging system. This article demonstrates this research possesses guidance value for corporate governing and development.

Through the design of corporate encouraging system, and testifying the positive influences of corporate encouraging system to corporate development based on the strategically ecological paradigm by the means of practical method, we hope the results can offer references for the reform of Chinese corporate development pattern.

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