

## Theoretical and Methodological Basis of a Bonus System at the Industrial Enterprise

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**Abstract:** In the article the necessity of the development of theoretical-methodological bases of construction of a bonus system at the industrial enterprise; structural elements of a bonus system are required; and requirements to be fulfilled system of bonuses are formulated.

**Key words:** Motivation • Incentive system • Performance bonuses • The frequency of bonuses • Motivating and demotivating factors

### INTRODUCTION

In the basis of human behavior is a complex of motives and incentives that determine the choice of effective or ineffective action. It is important that the same stimulus (external stimulus) do not become a cause for all [1, 2, 3]. The task of the employer-pick a set of incentives, able to motivate each employee to effective action. Thus, the creation of an effective system of stimulation of labor is possible only if a detailed study of the expectations of workers from employment [4].

Radical changes in the economics, in the economic mechanism of enterprise, formation of a socially-oriented market economy objectively require the improvement of the system of socio-labor relations and raise the effectiveness of work and production in all sectors of the economics.

Current state of the economics requires the activation of the human factor, development of creative potential of employees that can be achieved through the involvement of the whole arsenal of methods of improvement of material and non-material motivation of labor activity.

**The Main Part:** The complexity of the scientific work and the justification of practical recommendations in the field of motivation of labor activity is multi-faceted problem, its connection with the findings of many sciences.

Personnel motivation as a branch of scientific activity requires the improvement of the methodology and development of techniques, methods, tools, which help intensification of labor activity, to achieve the maximum possible use of labor potential.

In the complex of issues directly related to the formation of qualitatively new aims of workers, the crucial role belongs to the improvement of payment systems, most of which provide bonuses to the personnel for achieving of certain quantitative and qualitative results of operations.

We believe that there is a need to develop common requirements for building provisions on bonuses, which should be developed specific incentive systems at each enterprise [5].

Today in the world a great experience has accumulated in formation of payment systems, the use of which could and Russian enterprises, taking into account the specifics of our legislation [6-10]. However, it is necessary to note the lack of elaboration of scientific-methodological and theoretical principles of construction of modern systems of wages. The criticism of the current practice of the organization of wages or reference to the international experience is prevailed, without proof of the possibility and expediency of its use in the national practice.

Table 1: Possible variants of the decision of industrial problems, associated with changes in the remuneration system

Production task	Possible solutions
Saving of the salary Fund	-Payment of large premiums instead of the annual increase in salaries -The division among employees regarding saving of the salary fund, received as a result of productivity growth
Increasing the efficiency of production	-The individualization of salary - Distribution of collective earnings - Skill premium and knowledge - Distribution of profits, provided the direct involvement of staff in management
Improvement of the discipline and commitment of employees	-Supplements for lack of absenteeism and lateness -Improving the exchange of information between different levels of governance -Recognition of merits employee
Reducing the difference between workers of different levels of management	-Transfer on the salaries of all workers -Reduction of salary executives
The stimulation of innovation	Creation of award funds for innovations

Aims and developed tasks include the selection of the optimal solution through modifying and combining the various elements of motivation. We think that the industrial enterprises in various production tasks can be solved by the use of different variants of payment systems (Table 1).

In the criterion of efficiency of one or another system of bonuses should underline the actual interest of the employees in achieving as much as possible the individual and collective labor results, all the better use of their creative potential. A reflection of real interest, i.e. its manifestation, the implementation in practice is the achievement of the strategic and tactical goals, individual members of the collective and the enterprise. Among these aims-is the achievement of desired results of individual and remuneration for the services of labor, profit maximization, expansion of markets, increasing of competitiveness of production etc.

The obligatory components of any bonus system must be:

- Performance bonuses and conditions;
- The size of premiums;
- Sources of payment of premiums;
- Categories of personnel to be awarding;
- Periodicity of bonuses;
- Procedure for the payment of premiums.

We believe that to ensure effective impact on the behavior of the staff through material incentives is possible only subject to a number of specific requirements for the development of a system of bonuses.

First of all, the bonus system, which must include both indicators and terms of bonuses, it is fundamentally important to distribute the load between them.

The basics of using the motivating potential conditions and performance bonuses are following. In general terms the conditions are those indicators, achievement of which only provides a basis for premium payment. The size of the premium must depend on the performance bonuses, i.e. from the level of dynamics etc.

Conditions and performance bonuses advisable may separate into basic and additional. The main are considered indicators and conditions, the achievement of which is crucial for solving the problems facing the collective or the individual employee. Additional indicators and terms of bonuses should stimulate other, less important, aspects of employment.

Fulfilments of conditions bonuses based on their nature and purpose, is not a basis for increasing the size of remuneration. In case of failure of the main conditions of the bonus prize is impractical to pay in case of failure only additional conditions of the award may be reduced (up to 50%).

In case of over-fulfilment of both core and additional indicators of the size of the prize is to be increased. In case of failure of the main indicators of the premium is not paid; non-additional-is the basis to reduce the remuneration.

Need to take a responsible and balanced approach to the choice of specific indicators and conditions bonuses. First of all, the main requirement that indicators and conditions should meet the goals of the team and a specific performer and, secondly, really depended on the labour effort of a particular group or a particular employee.

The existence of specific «bottlenecks» in production leads to the direction of the efforts of individual performers and the entire team on improving the state of affairs in a particular sphere of production activities. It is important to ensure «diversification»

indicators and conditions bonuses, «bind» them to the tasks of departments and functional responsibilities of the performers.

We suppose that the «bottleneck» in the production is the execution of contractual obligations on delivery of products. For workers of the higher and middle managers, who are primarily responsible for the performance of contractual obligations, an indicator of the condition of bonuses may be the execution of obligations on deliveries of products under the contracts concluded in the whole enterprise. However, if this indicator is the «bottleneck» in the activities of the enterprise, so, to improve the state of affairs in this direction can be provided gain interest in realization of the plans of supply on the contracts of workers, specialists, employees of the departments. The bonus system of the specified categories of personnel should include indicators and conditions, as output prescribed item, implementation of the schedule of delivery of goods to the warehouse, production rhythm. These parameters depend on the labour effort of the workers, experts and employees and their achievement provides the performance by the enterprise of contractual commitments for the supply of products.

It should be stressed that the business environment inherent to market economics, require major changes in the composition of performance bonuses, the quality of their diversity compared with those used in the last time. As an example, consider the variant of performance bonuses of the managers and chief specialists of the enterprises, which can be used when building modern systems of bonuses.

Given that the position of the company on the market, level of economic and social development largely depend on how successfully the managers and chief experts solve the problems of development of production and improvement of a financial condition of the company, indicators of performance evaluation and bonus payments to these categories of staff it is expedient to reduce into two groups: indicators of an estimation of efficiency of industrial and economic activities and indicators for evaluating the effectiveness of commercial and financial activities.

**Among the Indicators of the First Group Will Allocate:**

- Earnings (in the whole company and per employee);
- Increasing of production volumes and commodity sales in the current period compared with the previous periods of work of the enterprise;

- Share of production of the enterprise in the total volume of the market of same production; business activity of the enterprise.

**The Indicators of the Second Group Should Include:**

- Indicators of solvency and financial stability of the enterprise (the liquidity coverage ratio, a measure of the overall solvency, financial independence ratio, the ratio between the borrowed and own funds of the enterprise);
- Indicator of competitiveness of production of the enterprise (the share of exports in total production, the share of certified products, the ratio between the prices on the same production company and competitors);

The performance of the share capital company (earnings per share, the ratio between market and nominal price of a share).

It is important that the number of indicators and conditions bonuses was limited. According to research on engineering psychology of optimal number of logical conditions for human activity does not exceed more than four. In case their increasing the time dramatically increases needed for decision-making, increases the likelihood of errors. It is of fundamental importance for the choice of indicators and conditions bonuses-because of their large number of presentation is lost communication with the main tasks of production and the main results of the activities of the team (the worker). Besides the likelihood of their failure is increasing, serving as motivating factor. The optimum is the number of parameters and conditions at the level of 2-3, the maximum-4.

It is crucially important that performance bonuses and conditions put in the bonus system, do not contradict each other and, consequently, to improvement of one does not cause deterioration of the other. If the contradictions between the two indicators has not avoided, it should be subject to certain conditions, allowing you to negotiate differently directed interests. For example, a bonus for exceeding the standards is paid in case the quality of performance. Another option-an award for the surrender of the products with the first view is payable subject to the fulfilment of an employee of manufacturing jobs in the prescribed range. Other variants are possible ranking, coordination of conditions and performance bonuses.

For performance bonuses and conditions exerted a stimulating effect on the behaviour of the personnel (individual performers) and meet the objectives of their activity, it is necessary to determine the base (their original value) and provide the technology to determine the actual level of performance and conditions giving rise to the payment of remuneration.

Based on the specific objectives production of indicators (criteria) of bonuses can be:

- Aimed at maintaining that already achieved (extremely high, acceptable or permissible) level. For example, the fulfilment of production targets, ensuring regulatory quality, the preservation of the achieved level of loading equipment and etc;

Are designed to further improve the results of operations-growth (increase) in comparison with the previous period or corresponding period of last year; the exceeding of the average level of production on this; fulfilment of production targets etc.

So, for example, the indicator bonus «performance of contractual obligations on deliveries of production» is aimed at one-hundred percent fulfilment of the agreements, but no more, because of the surpassing it contradicts the essence of this indicator. However, indicators such as the growth of labour productivity, quality improvement, cost reduction; growth of yield is encouraged to continue to improve the impact of activities compared with the estimated level or the corresponding period last year.

The following requirement for the construction of a bonus system at the enterprise is that it is necessary to provide justification of premium. Their aim is to ensure that the size of the promotion of the largest labour contribution of the collective or the employee. When solving this problem (and this is the main difficulty) should take into account many factors: the value of a specific indicator for industrial applications, the number of simultaneously stimulating factors, their source levels and the scope for further improvements, «complexity» of a unit increase or achieve a certain level of indicators.

Proceeding from the principle of «equal prize for the same additional efforts», it can be concluded that the use of several indicators bonus large portion of the premium should be spent on the measure implementation or improvement which requires large efforts. Moreover, to enhance the motivating potential bonus system must take into account the tension of parameters and conditions for achievement of which fee shall be paid.

One solution to this problem is further differentiation of the prize, which accrued for the main results, depending on the indicators characterizing the tension, the intensity of labour process. For example, the award of the worker's collectives (brigades) accrued for fulfilment of production (normalized) tasks can be modified later (higher or lower) depending on the indicators of the level of use of the equipment and delivery of products with the first view.

The second option is accrued to employees or team bonus for fulfilment of production (normalized) jobs varies depending on the fulfilment of production norms and quality of products and volume of marriage in percentage from the total volume of output). Other variants of further differentiation of the award are possible.

An important requirement to the construction of a bonus system at the enterprise is-it is necessary to include in the list of employees only those, who should be awarded and who can affect already achieved or further improvement of the baseline levels of performance bonuses.

In other words, if the employee is unable to change the situation in a certain area of production activity better, because it does not depend on his efforts and the reward for its performance does not make sense.

When designing this component of the bonus system, as the frequency of bonuses (monthly, quarterly, annual results or lump sum), should take into account the peculiarities of organization of production and labour, the nature of performance bonuses, adequate account of results of activity for a specific period. For example, employees are rewarded for the current main activity results, usually monthly. It is this frequency contributes to the motivation of the workers and it is possible thanks to the operational integration of the results of their labour. For managers, specialists and employees in the appropriate quarterly bonuses, as indicators and conditions of the promotion can be defined most often on the basis of quarterly reporting. However, in the shops for these categories of staff may be established monthly period for bonus, based on the primary operational reporting of these production units.

At the same time, because of too long production cycle, the season work when performing intensive works with a lump-sum payment of labour are possible and longer periods of activity, the results of which is accrued the prize.

In addition to above requirements for the development of premium provisions of the motivating type, you must also consider the following:

- Prize should not be awarded for activities, which is mandatory and payable to the permanent (tariff) part of the salary;
- Cannot be recognized expedient paying a premium for reasons do not related with work, but, in connection with his retirement, unsatisfactory financial situation, etc;
- Insignificant in size, but broad coverage of workers and frequent bonuses turns into a stable form of payment and is not a factor-motivator.

### CONCLUSION

The prize is more flexible and mobile, in comparison with salaries, financial incentives. Therefore, the bonus system must take into account the specifics, peculiarities of work of the enterprise and timely react to all changes in production. Consideration of these factors and ensuring the efficiency of the system of material incentives requires constant improvement. However, analysis of existing systems of bonuses showed that many authors in a one-sided approach to the decision of this problem, considering only the individual elements of premium systems, the plurality of conditions bonuses greatly complicates the bonus system, to deprive the workers of the award, which reduces the stimulating effect of the award.

This implies a need to improve work incentives and search of new methodological approaches to the construction of bonus systems that allow to take into account the nature, complexity and production significance of the performed work, contributing to the growth of the employees' interest in improving education and professional skills, the results of individual work and work of personnel of the enterprise as a whole.

**Conclusions:** Personnel motivation requires improvement of the methodology and development of techniques, methods, tools, which help intensification of labour activity.

It is necessary to develop the general requirements for building a system of bonuses, which realization will allow solving various production tasks at the enterprises of the industry through the use of different options remuneration systems.

First of all, obligatory components of the bonus system should be defined (performance bonuses and conditions; the size of prizes; the sources of their payments, categories of personnel to be awarding; the frequency of bonuses; procedure of payment of premiums).

It is important that performance bonuses and conditions really depended on the labour effort of a particular group or a particular employee. For managers and senior staff it should be divided into indicators of an estimation of efficiency of industrial and economic activities and indicators of evaluating the effectiveness of commercial and financial activities.

Performance bonuses and conditions should not contradict to each other and their number should be limited. With the goal of strengthening the stimulating effects need to determine the base and provide the technology of determining the actual level of performance and conditions which give a rise to the payment of remuneration.

The following requirement for the construction of a bonus system at the enterprise is necessary to provide justification of premium and consider the tensions of parameters and conditions for achievement of which fee shall be paid.

In the composition of workers, which should reward must include only those who can affect to the improvement of the baseline to directly levels of performance bonuses.

When you design a premium system, you must consider its component such as frequency of bonuses (monthly, quarterly, annual results or as a lump sum), based on the characteristics of the organization of production and labour.

Building a bonus system at the enterprise and taking into account the listed requirements will increase its motivational potential, growth of labour activity of the personnel, the achievement as individual goals of each employee and as goals of the enterprise.

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