

# Establishing Incentive Mechanism for Knowledge Worker in the Enterprises of China

Xiong Bing

Student Affairs Office, Wuhan University of Technology, Wuhan P.R.China, 430074

(E-mail: xb66@163.com)

**Abstract** In the times of knowledge economy, talents are the most important resource, and the main impetus for scientific progress and social development. In human resource, knowledge worker is the key component. This paper is based on the research of characteristics and status-quo of knowledge worker in the enterprise, brings out the idea to establish effective mechanism for knowledge worker in the enterprise of China from the perspective of management.

**Key words** Knowledge work; Incentive mechanism; Management

## 1 Introduction

The competitions among enterprises are accordingly changing following the participation of information age and knowledge economy, which change from the previous competitions of products, management and technology to the competition of talents. In these intense competitions, the knowledge workers could stand in the leading position for knowledge creation, knowledge utilization and knowledge increment due to the grasp of advanced knowledge, and so as to become the key to form and develop the central competitiveness of enterprise in China. The key to fully find out the potential initiative and creation of knowledge workers, and effectively increase their loyalty and satisfaction, so as to keep the central competitiveness and sustainable virtuous development of enterprise in the severe market competition, is whether to establish scientific and effective incentive mechanism.

## 2 The Characteristics of Knowledge Worker in the Enterprise of China

In 1959, the world famous managerial master Peter F. Drucker firstly mentioned the concept of “knowledge worker” in his works “*Landmarks of Tomorrow*”, which refers “the one who works primarily with information or one who develops and uses knowledge in the workplace”.<sup>[1]</sup> By the drive of knowledge economy and knowledge management revolution, and according to many academicians and experts, we could regard knowledge worker as the people engaging in higher mental work who could grasp, use, create and increase information or knowledge so as to serve the products or increase knowledge asset.

From the perspective of management, knowledge worker in the enterprise of China has eight characters: the first character is with more professional knowledge. Most of the knowledge workers have experienced systematic professional education, owned higher degree, enjoyed richer knowledge and some kinds of professional specialties. The second character is outstanding abilities to create and to learn. Creation is the most important character of knowledge workers, and knowledge workers are very good at continuous learning and knowledge updating. The third character is stronger motivation for pursuing achievement. Compared with common workers, knowledge workers have strong desire for realization of self-worth, highly concentrate on it, give more attentions on the judges from others, organizations and society, desire for fully use of individual talent and wisdom, and like the work with more challenges and innovation, like to pursue perfect result, hope to be accepted and respected by the society. The fourth character is working with more initiatives. Knowledge worker are more active at work, like to have own ideas, self-guidance and self-management. The fifth character is focusing on complex mental brain. This mainly is reflected on the complex of objects of labor, results of labor and methods of labor, which are not only repeated simple labors. The sixth character is that the work of knowledge worker is full of innovations and challenges. The work which knowledge workers are engaged, is not simple and repeated work, and is required to fully extend individual talents and inspirations in changeable and uncertain system, so as to predict and handle all the problems might happen, renew the product and facilities, and finally improve the progress of technology. The seventh character is more dynamic and not blind in authority. Since knowledge workers have grasped more professional knowledge, especially core technology. Knowledge workers are more loyal to the work but the enterprise, and they would not believe in any authorities due to their specialties and knowledge. The eighth character is that their work is hard to directly supervised, and their result is hard to be precisely

measured. Knowledge workers are doing creative work, and their work has no standard to evaluate, so it is hard to monitor their progress. And their work is a kind of intelligence investment, which could produce invisible product and knowledge fruit, so it is very difficult to be precisely measured and evaluated.

### **3 The Analysis of Present Incentive Mechanism for Knowledge Worker in the Enterprise of China**

Since Chinese enterprises start to do research on the specialty of knowledge worker very late, the national living standard is not very high, and the incentive strategy for knowledge worker mainly focuses on short-term salary increase, but long-term increase, and the necessity and usage of spiritual incentive are overlooked. Compared with advanced experience and tools of foreign enterprises for encouraging knowledge workers, there are following problems for encouraging knowledge workers in Chinese enterprises:

Firstly, the measures to encourage knowledge workers are too simple. The enterprises only stimulate staffs with salary from the angle of material encouragement, and even the salary is not fully compensation package, neither considers the encouragement on plan of holding stock of the company, executive stock options, and human capital property. The encouragements besides materials like working encouragement, time encouragement and growth encouragement are barely carried out. Intra-psychological incentive has been promoted due to the culture construction project, but still not be formed into a system. Some strategies nearly haven't been implemented such as team motivation, capacity core management, working environment improving.

Secondly, the incentive mode is unified which doesn't vary with different people. The characters of this mode is to use the same salary system, culture, and training, which could not use varies of incentive strategies for groups of knowledge workers in different ages, classes and education.

Thirdly, the single incentive idea could not take performance assessment into account. Since it is hard to monitor the working process of knowledge worker, so did to precisely evaluate result of the work. It has become a difficult problem on how to fairly and reasonably evaluate the result of knowledge worker, and award them enough to match their contribution. It would make them feeling unfair, and frustrate their motivation without reasonable evaluation criterion.

Fourthly, it ignores the needs for knowledge staffs to grow and develop. Knowledge workers have very strong needs in self-realization, but their needs sometimes are easy to be covered by other needs, so it is difficult for human resources management in enterprises to inspire, find and satisfy needs of knowledge workers. The staff with more intense wish of self-realization would be more unstable, and would be easier to move to realize their wishes to develop. Until now it is still a problem that confuses the enterprise to try harder to inspire the wish of self-realization of staffs, and on the other hand be able to improve the loyalty of knowledge workers to the enterprise.

Finally, knowledge workers are different from non-knowledge workers in incentive strategies. In the regulations and policies of human resources management of enterprise, knowledge workers are very different from non-knowledge workers, which mainly focus on the special incentive measures according to the characteristics of needs for individual knowledge workers. If enterprise could not effectively handle this problem, which might form the obstacle between knowledge group and non-knowledge worker, and this would weaken necessary cooperation between them, and finally stop the flow from non-knowledge worker to knowledge worker.

### **4 To Establish Incentive Mechanism for the Knowledge Worker in Chinese Enterprises**

In order to change the condition of incentive for knowledge workers in Chinese enterprises, measures are required to be taken to motivate knowledge workers from every aspect, and establish effective incentive mechanism. And there are some factors to be considered to establish it: Firstly, outside and inside incentives are required to be considered; Secondly, more measures are required to be taken such as material encouragement, non-material encouragement, and psychological encouragement; Thirdly, short-term encouragement and long-time encouragement are both required; Fourthly, the general encouragement regulations and specific regulations for individual and different education backgrounds, classes and positions are both to be considered; Finally, both incentive and assessment are very important.

#### **4.1 To establish incentive mechanism of materials**

To some point, the salary could reflect the value of the staff, scientific and reasonable salary system is one effective way to attract and keep core staff, and which means salary system is required to be composed by salary, bonus, welfare, and stock or stock option. In the meantime, the plan for holding stock needs to be made scientifically, and knowledge worker could hold the stock of the enterprise, which could make a close tie between their benefits and enterprise, so as to push them to work harder to devote themselves into the production and development. On the base above, it is very important to encourage them with intellectual capital and human capital. On one hand, if the knowledge worker could enjoy the intellectual capitalization, which could let them to buy stock in some price in appointed time, and relevant laws and regulations are to be made, so as to protect the stock source and tax revenue of knowledge workers by the regulations, and to improve their innovation ability, especially the professional skills that researched by core technicians, and finally increase the core competitive capability of enterprise and organization. On the other hand, since human capital is also one of the capitals, so the benefit would not only include salary, but also include property. That means knowledge workers should share some percentage of property, so as to inspire their initiation and creation.

#### **4.2 To establish spiritual incentive mechanism**

There are three ways to establish spiritual incentive mechanism: Firstly, it is necessary to analyze the position carefully before the recruitment, so as to get Mr. Right. Some scientific measures like psychological test and capability test should be taken in the interview to better get to know the knowledge worker from every aspect. After the interview, it is also very important to take job training for new staff, so as to make the staff adapt to the job faster. It is very necessary to establish dynamic adjustment mechanism between staff and position during their work. Secondly, it is better to assign the work with more challenges to knowledge worker. Managers could make the work more meaningful and full of challenges by improving core dimension (such as job shifting, colorful job, elastic working system), and give certain authority to the staff according to the request of assignment, which means knowledge worker could use the way they believe to be the best to work, and finally bring incentive to the passion of their work. Thirdly, enterprises are required to emphasize and make more training for knowledge workers based on establishing study and holiday system and elastic working system. On one hand, with the help of evaluation on the training of knowledge workers, it could guarantee the usage and focus of training from the source. On the other hand, enterprises are required to choose relevant training on the base of evaluation, and could use one way or multiple ways to give feedback and final evaluation to the training, so as to better improve the organic combination between human resource and the capital of enterprise.

#### **4.3 To establish incentive mechanism for career planning management**

Career planning means that knowledge worker would design their direction and way for the development of career according to their own knowledge structure, ability and the requirements of career development, which is also one design and consideration for their own job, position and promotion channel. Knowledge workers have higher requirements for personal achievement, and they are not only satisfied with current position.<sup>[2]</sup> That's to say, career development and planning is the base for knowledge workers to realize their values, to be accepted by the others, and to pursue the promotion of personal position. Therefore, in order to reach their needs for development, enterprises are required to establish incentive mechanism of career planning and management. That means the leaders need to set different position and career plans for different class of knowledge workers, and care, support and help them to achieve the goal. All these would help knowledge worker to understand their own position and future in the enterprise, and raise their satisfaction and loyalty, so as to tie them closely with enterprise, and into the same back with enterprise.

#### **4.4 To establish excellent corporate culture of incentive mechanism.**

Corporate culture is not a single slogan, actually is the idea existing in the heart of people, which its strength could be felt when in the enterprise.<sup>[3]</sup> Incentive mechanism of corporate culture is established by materials, behavior, principle and idea, and could fully promote the core competence of enterprise and the general competence of knowledge workers. The excellent institutional culture could be used to regulate the behavior and movement of knowledge workers, and good environmental culture could be used to increase the effect and limitation for knowledge workers gradually. When the institution of the enterprise is further completed, the incentive for knowledge worker is required to be focused. During the study and training of knowledge workers, the value and ability of challenge for knowledge workers should be fully considered, which could organically combine the idea of study and training with the value of knowledge workers, so as to increase their psychological recognition and team spirit by them to the enterprise, and finally make them to be happy to study, love to devote their talents.

#### **4.5 To establish performance evaluation of incentive mechanism.**

There are various requirements of knowledge workers, and the requirements are different because of different people. Therefore, it is very necessary to establish multiple, diversified and networked performance evaluation system, and to inspire motivation and initiative of knowledge workers through all kinds of methods of assessment. The premise of establishing scientific performance evaluation mechanism is to do good work in human resources, to clarify responsibilities of every job, to finish the establishment of performance evaluation mechanism, to get the result and give marks to it through daily record, and finally judge if the knowledge worker is qualified on the base of score. The result of evaluation would be regarded as the criteria for knowledge workers to get promoted, shifted, fired, rewarded, punished, salary raised, and to better inspire their potentials, finally vitalize enterprise. But it is very important to insist on the principle of being objective, equal, democratic and public in the process of evaluation, and make sure the effectiveness of performance evaluation.

### **5 Conclusion**

From the perspective of management, knowledge workers are very complicated, varied and dynamic. Therefore, we are required to establish incentive mechanism of knowledge workers in the fields of materials, spirit, career planning management, corporate culture and performance evaluation, so as to make sure the mechanism is scientific, long-term and effective, finally gives long life to the enterprise. Besides, the enterprise could take effective measures to specific single or combined incentive strategies according to their specific and diversified requirements. And try to increase their satisfaction through different needs of knowledge workers in different ages, different education background, and different positions. Therefore, the enterprise could enjoy healthy, sustainable, and sound progress in the severe market competition.

### **References**

- [1] Peter F. Drucker. The Changing World of the Executive [M]. Shanghai Translation Publishing House, 1999,110 (In Chinese)
- [2] Cheng Hong. The Research on Incentives of Knowledge Workers[D]. Chang'an University, 2009,3:47-48 (In Chinese)
- [3] Tan Jiyu. The Research on Incentive Mechanism of Knowledge Workers[D]. Jiangxi University of Science and Technology, 2009.12:54 (In Chinese)