

# ENVIRONMENT OF PREVIOUS CONDITIONS OF ECONOMIC INCENTIVES OF TOP-MANAGERS OF ENTERPRISES

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## 1. Introduction

A significant problem of stimulating the labor activity of managers of the strategic level of management is the objective and reasonable calculation of the variable part of the salary and its distribution, which will contribute to the creation of appropriate conditions for highly productive labor activity. This determines the need for further research on the peculiarities of the formation of an effective system of economic incentives for managers of the strategic level of enterprise management. The use of an effective system of labor incentives allows to mobilize the labor potential of top managers, increase the level of implementation of targets and achieve economic growth.

A comprehensive analysis of the works of foreign and domestic scientists has led to the conclusion that most of them do not consider the issue of accrual of incentive payments at the strategic level of enterprise management. Insufficient attention is paid to the issue of analysis of labor stimulation of managers of the strategic level of management, which determines the high level of relevance of research on determining the features of economic incentives for their use in the enterprise, improving methodological support for analyzing the effectiveness of economic incentives.

## 2. Methodology

The theoretical and methodological basis of the study were the works of foreign and domestic economists in the field of economic incentives and remuneration of top managers. Research methods: content and morphological analysis, structural-comparative analysis; statistical analysis; graphic method, method of expert evaluations.

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### **3. Results**

The issue of improving the system of economic incentives for top managers of enterprises in an unstable economy is of particular importance. In the general structure of the motivational system of enterprises, the top manager is one of the most important elements of the company's working capital, the cost of which and the creation of favorable conditions, is a special type of investment. The growth of the value of most of the resources of the enterprise, represented by material objects, is limited in time, while the value of human capital becomes more important, and the system of development and motivation of highly qualified personnel becomes the most important tool.

The success of companies largely depends on how much the manager of the strategic level of management is interested in the results of their work. In this regard, the priority of any company is to develop a comprehensive system of incentives that will not only retain key employees, but also direct them to achieve the desired results.

Today, research is being actively developed in the field of incentives and remuneration of staff. Thus, such well-known scientists of the past and present as V.M. Grineva, M.S. Doronina, A.M. Kolot, O.M. Krasnonosova, V.D. Lagutin devoted their scientific works to the problematic aspects of stimulation and remuneration. N.D. Lukyanchenko, L.A. Lutay, G.V. Nazarova, V.S. Ponomarenko and others. and other.

The issues of staff incentives at enterprises were considered in the works of the following foreign economists: G. Emerson, F. Taylor; world-famous authors of theories of motivation - K. Alderfer, W. Vroom, F. Herzberg, D. McGregor, D. McClelland, A. Maslow.

It should be noted that the study of economic incentives for top managers is given less attention, both domestic and foreign authors. Under such conditions, the study becomes especially relevant.

One of the important tasks of enterprises of various forms of ownership is to find effective ways to manage labor, which would ensure the activation of the human factor. To get the result, the decisive causal factor is stimulation.

Incentives are an important element of personnel management, as they motivate staff to work and thus lead to the satisfaction of personal needs of employees. Stimulation is a set of external and internal driving forces that awaken a person to carry out activities aimed at exploring certain goals [16].

In the enterprise, staff incentives play an important role and are the main carrier of staff interests. Isolated objects, actions, and many other values that may be offered to an employee as compensation for his or her increased mental or physical effort may act as incentives.

Today, the underestimation of the potential and intellectual resources of people working in

organizations is a significant disadvantage of modern enterprises. It is very important that the staff of the organization act as a single team and achieve the goals, knowing about their importance and while maintaining motivation.

Incentives play an important role in the company's activities, as it is aimed at motivating employees to work efficiently and efficiently, which contributes to a certain profit and covers the employer's costs for the organization of the production process.

At the present stage of development, almost any activity at the enterprise is carried out with the help of labor resources. It is thanks to labor capital that scientific and technological progress does not stand still, and technical inventions are created and improved and infrastructure is developed. Everyone - is a social object, so the psychological factor in this case plays an important role, because there is a need to motivate a person to a certain action and, as you know, any employee will be able to perform the task only on a voluntary basis. Therefore, in order to achieve high staff motivation, there is a need to use incentives.

The concept of «incentives» in the economic literature is interpreted very broadly. Let's focus on a few definitions (Table 1).

Table 1

Interpretation of the concept of «incentive»

№	Author	Concept
1	Vladimirova L.P. [20]	The system of selection of incentives that lead to increased performance of employees, and bringing them into a certain subordination, which ensures the achievement of the goals of the enterprise.
2	Hetman O.O. [7]	This is the encouragement of people to increase the efficiency of work, which is based on material or non-material remuneration
3	Kibanov A. Y. [9]	The set of requirements and the corresponding system of incentives and penalties, through which there is a targeted impact on staff behavior
4	Leont'ev A.N. [11]	This is an impact not directly on the individual, but on external circumstances through benefits - incentives, which in turn motivate the worker to a certain behavior
5	Shekshnya S.V. [19]	It is a process of influencing a person with the help of an external object that is important to him (object, conditions, situation, etc.), which motivates a person to certain actions (being in comfortable conditions, etc.).

Analysis of the explanations given in table 1.1, allows us to conclude that today in the economic literature there are different approaches to the definition of «incentives». Some authors view incentives as a process of influence that motivates staff to take certain actions, others - as a system of incentives and incentives that are used to influence staff behavior.

Stimulation of work first of all assumes creation of such conditions at which active labor

activity gives certain, earlier fixed results, becomes necessary and sufficient condition of satisfaction of considerable and socially caused needs of the worker, formation at it of motives to work.

Along with the concept of "stimulation", scientists distinguish and explore the category of «stimulus». Stimulus - a form of influence on man, his consciousness, which give rise to certain motives in man. to certain actions, including the achievement of certain results [19].

As for management staff, incentives are noted as a function of management, whose task is to create motives and influence the employee to change the structure of his holistic orientations and interests, as well as the formation and development on this basis of labor potential [17].

Stimulating the work of the manager of the strategic level of management involves the creation of such conditions in which, as a result of active work, the top manager will work more efficiently and more productively, perform more work than agreed. Thus, stimulating work creates such conditions for the top manager that allow him to work more productively and efficiently.

The manager of the strategic level of management of the enterprise is a representative of the highest level of management who has the greatest power and is responsible for the activities of the entire enterprise. In general, the strategic objectives of the enterprise and ways to achieve them depend on the top manager.

Strategic management managers are responsible for long-term planning, setting broad goals and strategies, and are directly involved in the management of middle managers. The strategic level of enterprise management is the lowest level of management in terms of personnel. Even in the largest organizations, senior executives have only a few people. Top managers leave an imprint of their personality on the whole look of the company. Therefore, successful managers of the strategic level of management in large organizations are highly valued and require special organization of the process of their stimulation.

Economic and non-economic incentives are essential to increase the quality of staff work. And although the incentive system is a complex process, economic incentives need to be assessed separately. Thus, according to some scholars, economic incentives are the most important and influential type of incentive for the employee [12]

Economicnon-stimulation of top managers is a complex system characterized by certain properties, such as integrity, hierarchy, active response to new factors, as well as the dynamics of random processes.

The system of material resources used in economic incentives is the most effective in motivating at the strategic level, so it is advisable to consider in more detail this type of incentive. Let us dwell on some of the most common definitions of economic incentives given in

the works of domestic and foreign economists (Table 2).

According to the results presented in table 2, it can be concluded that the term «economic incentives» is used within such keywords as: promotes, use, encouragement, incentives, actions, relationships, system, plan, factor.

Thus, economic incentives are aimed at ensuring the material interest of workers, the satisfaction of economic interests, encouraging activity, providing motives for certain actions, as well as improving the efficiency of work aimed at the development of economic activity.

To clarify the result and its statistical confirmation, a content analysis of the definition of economic incentives, where a numerical expression of the meaning of keywords used in the concept.

By conducting a content analysis of the set of definitions of the concept of economic incentives, similar words (phrases) were identified and the load on each word (phrase) was calculated (Table 3).

Table 2

Interpretation of the concept of «economic incentives»

№	Author	Concept
1	Abramov V.M., Danyuk V.M., .Kolot A.M. [1]	It is expressed primarily in the fact that labor incentives help to increase production efficiency, which is expressed in increased productivity and product quality.
2	Azrilian A.N. [2]	The use of material incentives, motivating factors that contribute to the fact that producers, consumers, buyers behave in the desired way for the benefit and in the interests of those who use incentives.
3	Bashmak M.S. [3]	Encouraging employees with cash benefits based on the results of employment.
4	Kostishina T.A. [10]	Actions aimed at stimulating high labor performance of workers.
5	Litvinov O.S. [12]	This is the relationship of the stimulator (the stimulator) and the stimulated (the stimulus, to whom the stimulation is directed) on the fulfillment of economic interests of both in order to obtain both additional economic benefits by the stimulator actions, measures, expenditures in appropriate forms, appropriate methods .
6	Lopatnikov L.I. [Ошибка! Источник ссылки не найден.]	The system of incentives (bonuses) and penalties (fines) and other similar measures of material influence that encourage individual employees and entire teams (enterprises, firms, shops) to increase the efficiency of their work, implement production plans and other economic decisions.
7	Mocherny S.V. [14]	The system of organizational and economic measures aimed at the development of economic activity and increase its efficiency by ensuring the material interest of employees and teams of enterprises in the results of activities.

1	2	3
8	Mocherny S.V. [15]	The use of material incentives to ensure that producers, consumers, buyers behave properly, and therefore, those who use incentives benefit from it
10	Cambridge Business English Dictionary [4]	These are actions by the government, banks, etc., designed to encourage activity and growth in the economy, for example, to avoid a recession.
9	Campbell, R. Harvey. [5]	It is a plan to support the economy and achieve positive effects, such as increasing jobs, boosting frozen credit markets, restoring consumer demand, etc. through the use of fiscal policy.
11	Investopedia [8]	Implement changes in monetary or fiscal policy to support a troubled economy.
12	Patricia Kennett [6]	Any factor (financial or non-financial) that provides a motive for a particular action or is considered the reason for giving preference to one solution over alternatives.

Table 3

## Estimation of load on each word (phrase) in definitions

№	Definition	Load
1.	Promotion	$2/12 = 0.17$
2.	Actions	$2/12 = 0.17$
3.	Labor incentives / labor indicators	$2/12 = 0.17$
4.	Improving efficiency	$3/12 = 0.25$
5.	Use of material incentives	$4/12 = 0.33$

Taking into account the results of the content analysis, the following main aspects of the concept of economic incentives are identified: incentives, actions, labor incentives, efficiency, use of material incentives.

Analysis of the views of various scholars on the concept of "economic incentives" allows us to offer a generalized interpretation of the definition, namely: it is to encourage workers through the use of material incentives to improve production efficiency.

Today, there are several forms of economic incentives for managers at the strategic level of management. The main ones are presented in table 4.

The presented forms of economic incentives for managers of the strategic level of management show that stimulating the work of top managers can't be effective enough without the use of modern forms and methods of economic incentives. These include all types of cash benefits and material benefits used in the enterprise. Yes, from table 4 It is obvious that today the most common are the following forms of economic incentives: wages, bonuses, participation in the distribution of profits, additional payments and participation in share capital.

## Forms of economic incentives for managers of the strategic level of management

Form	The main content
Salary	Remuneration, including basic and additional wages
Bonuses	One-time payments from the company's profit
Copartnership	Profit sharing is not a one-time payment. In this case, the share of profit from which the incentive fund is formed is set. The share of this profit correlates with the rank of top manager in the hierarchy and is determined as a percentage of his income (salary).
Participation in share capital	Purchase of shares of the company and receipt of dividends: the purchase of shares is carried out either at reduced prices or free of charge.
Additional payments	Payments in the form of gifts from the company, subsidizing business expenses, covering personal expenses that are indirectly related to work.
Payment of transport costs (maintenance of own transport)	Allocation of funds to pay for transportation costs or purchase of transport; transport service with driver.
Catering	Allocation of funds for the organization of food to the enterprise or payment of food subsidies.
Training programs	Reimbursement of costs for the organization of training.
Medical care program	Allocation of funds for the organization of medical care or concluding agreements with medical institutions.
Housing construction programs	Allocation of funds for the provision or construction of housing.
Programs for the upbringing and education of children	Allocation of funds for the organization of preschool and school education of children of the top manager of the enterprise, granting of privileged scholarships.
Flexible social benefits	The company sets a certain amount to provide the necessary benefits and services. The top manager within the established amount has the right to independently choose benefits and services.
Life insurance	Life insurance of a top manager at the expense of the enterprise.
Temporary incapacity benefit programs	Coverage of expenses in case of temporary incapacity for work.
Contributions to the pension fund	An alternative to the state supplementary pension fund. It can be created both at the enterprise, and under the contract in a certain fund.

Today, the most relevant component of management strategy and the basis of enterprise development is to stimulate management, which motivates them to achieve the goals facing them and the organization, is the most important reserve for improving production efficiency, optimizing human potential and efficiency.

Unfortunately, in Ukraine, which has significant human and intellectual potential,

companies do not sufficiently use tools related to increasing staff motivation. In today's market conditions, which are characterized by uncertainty, dynamism, risk, increasing competition, traditional methods of personnel management no longer meet the requirements of today. Thus, there are questions, search and development of modern tools to stimulate top managers and create conditions for improving the efficiency of the enterprise.

Today, the management staff is seen as the main resource of the company, which primarily determines the success of the entire organization. At the same time, the problem of stimulating managers is insufficiently considered from the standpoint of a strategic approach, while the practice of management puts forward new conditions for enterprise development. Personnel management and the development of the concept of management by objectives, as the interaction and interaction in the system of labor motivation of personnel, are essential for both staff and enterprise development.

In order to determine the state of labor productivity management, identify reserves for its growth and compare the assessment of the existing system of economic incentives, it is necessary to analyze our survey of managers at the strategic level of management.

The questionnaire of managers of the strategic level of management on economic incentives at the enterprise has 8 questions. The survey was conducted anonymously, the results are provided in a generalized form.

The survey was attended by 50 respondents, namely top managers of domestic enterprises. The results of the survey of top managers on economic incentives are presented in table 5.

Table 5

The results of the survey on economic incentives for top managers of enterprises

№	Question	Answer options	Number of answers
1	2	3	4
1	How long have you been working as a top manager?	a) More than 2 years	31
		b) More than a year	9
		c) Less than 12 months	10
2	Does the level of remuneration increase your motivation?	a) Yes	46
		b) No.	2
		c) Not sure	2
3	Are you satisfied with the economic incentive system you have?	a) Yes	21
		b) No.	13
		c) Not sure	16
4	How do you assess the level of payment for your work?	a) Completely satisfied with the level of wages	8
		b) Satisfied rather than dissatisfied.	28
		c) Dissatisfied rather than satisfied with its level	14



1	2	3	4
5	Choose the main economic incentive for you:	a) Permanent part of the monetary reward	16
		b) A variable part of the monetary reward	27
		c) Social package	7
6	What types of material rewards do you receive?	a) Prizes	20
		b) Surcharges and allowances of various kinds	24
		c) Share of profits	10
		d) Participation in income	5
		e) Other (specify)	0
7	What influences the receipt of your monetary reward:	a) Implementation of the annual plan	12
		b) Performance on time, and its complexity, intensity and high quality	19
		c) Advanced training, professional skills, high permanent work results	12
		d) Performing additional functions, work	14
		e) Working overtime	5
		f) Other (specify)	2
8	What are the main problems of the bonus system at your company?	a) Weak relationship of communication goals	15
		b) Lack of understanding of bonus principles	9
		c) Unattainability of the set goals	8
		d) Conflict (contradiction) of goals	6
		e) No problems	17
		f) Other (specify)	0

According to the results of the survey, which are presented in table 1, 31 respondents, more than 60% of respondents, have been working as a top manager for more than two years (Fig. 1).

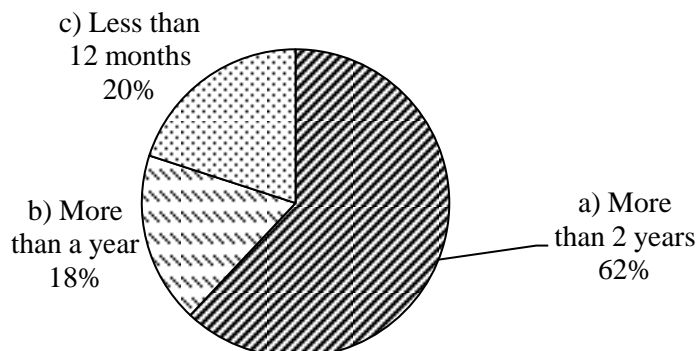


Fig. 1. The results of the survey on the first question of the questionnaire

More than 90% of respondents noted that the level of wages affects their motivation. The

results of the answers to the second question are presented in fig. 1.

Does the level of remuneration increase your motivation?

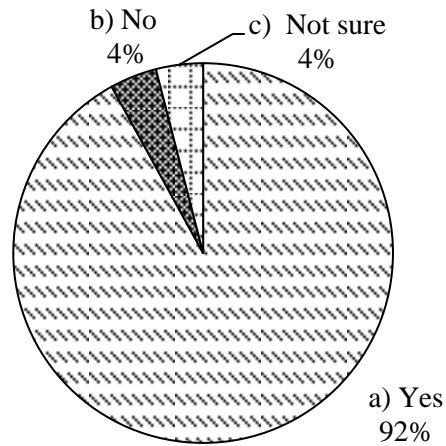


Fig. 2. The results of the survey on the impact of the level of wages on increasing motivation.

Most of the surveyed top managers are dissatisfied or unsure of the economic incentive system they have. The results of the questionnaire on the existing system of economic incentives at the enterprise are shown in fig. 3.

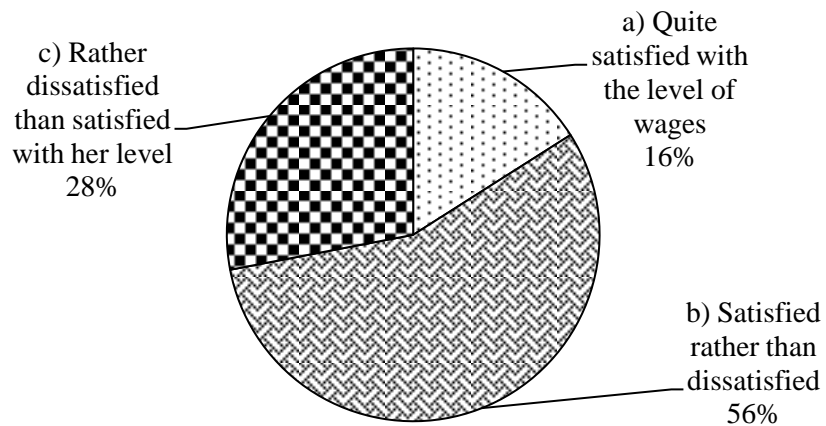


Fig. 3. The results of the survey on the question «Are you satisfied with the economic incentive system you have?»

Most respondents are more satisfied than dissatisfied with the level of remuneration they have, but about 30% of top managers are more dissatisfied with the current level of their remuneration. The results of the assessment of the level of remuneration of top managers are shown in fig. 4.

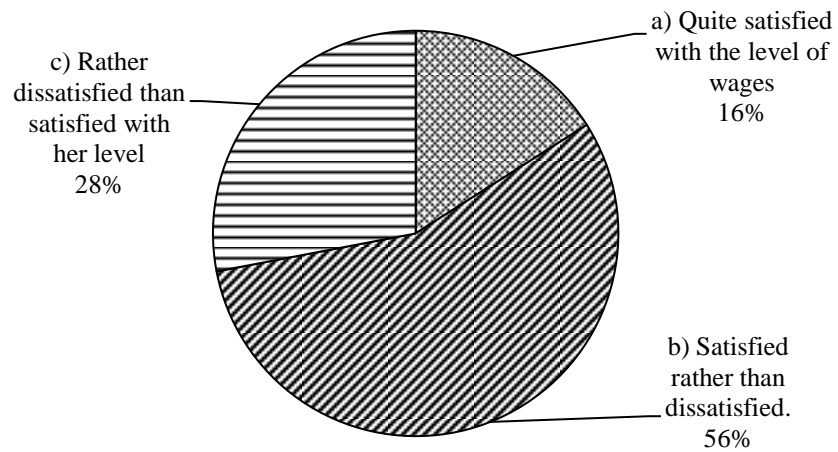


Fig. 4. The results of a survey to assess the level of remuneration of top managers.

The main economic stimulus factor tom managers note the «variable part of the monetary reward» – 54%, the least motivating aspect is «the social package» – 14% (fig. 5).

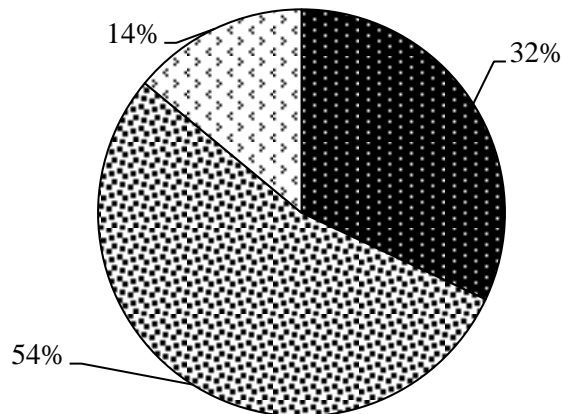


Fig. 5. The results of the survey on the main economic stimulus factor of top managers.

Surcharges and allowances of various kinds, as well as bonuses are the main types of material rewards for managers of the strategic level of management (fig. 6).

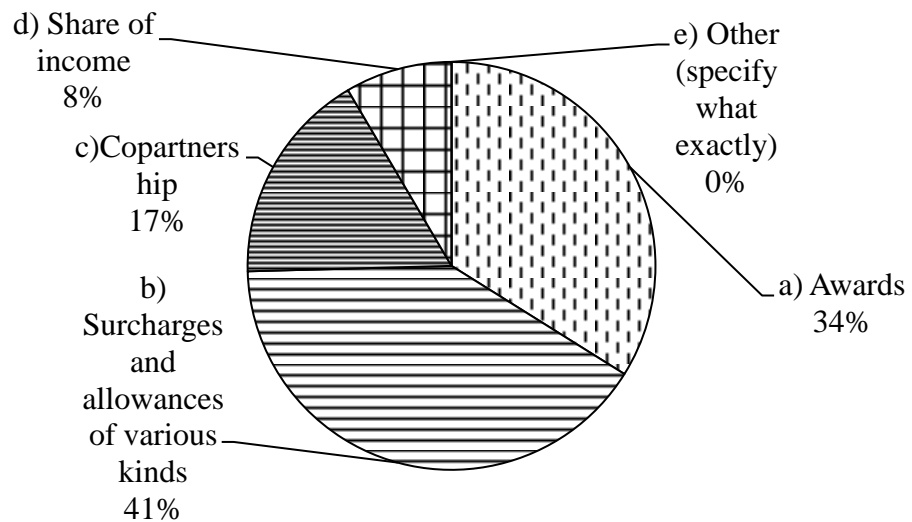


Fig. 6. Results of answers to the question «What types of material rewards do you receive?»

The biggest impact on receiving a monetary reward for top managers is the performance on time, and its complexity, intensity and high quality. Also an important element that affects the receipt of monetary remuneration is the performance of additional functions, work, implementation of the annual plan and training. Top managers noted that their receipt of a monetary reward is also influenced by such factors as the fulfillment of the global goals of the international company by all divisions and the size of the company's profit. The results of the survey are shown in fig. 7.

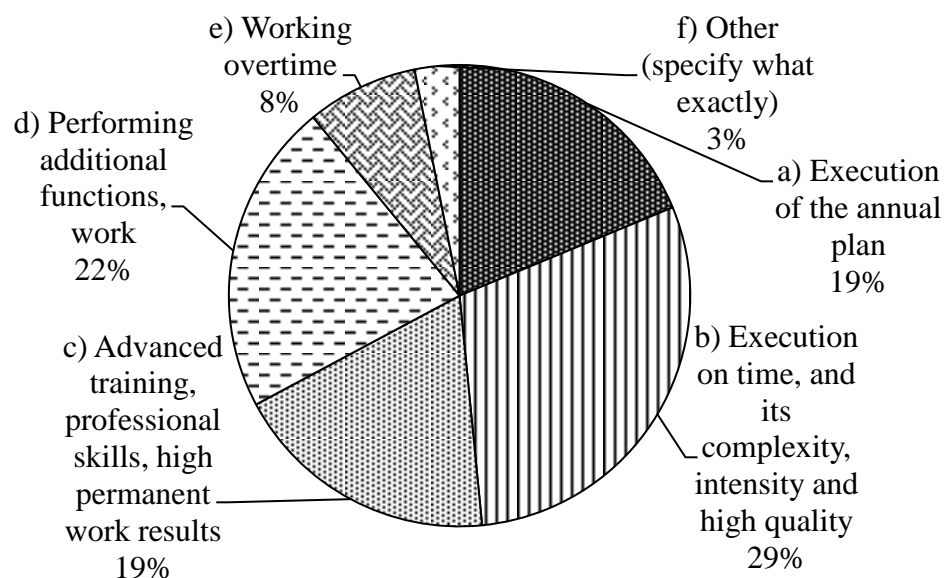


Fig. 7. The results of the survey question regarding the elements that affect the receipt of

monetary remuneration of top managers.

About 30% of respondents say that the problems of the bonus system in their company are absent, but 27% of top managers say that there is a weak relationship between communication goals (Fig. 8).

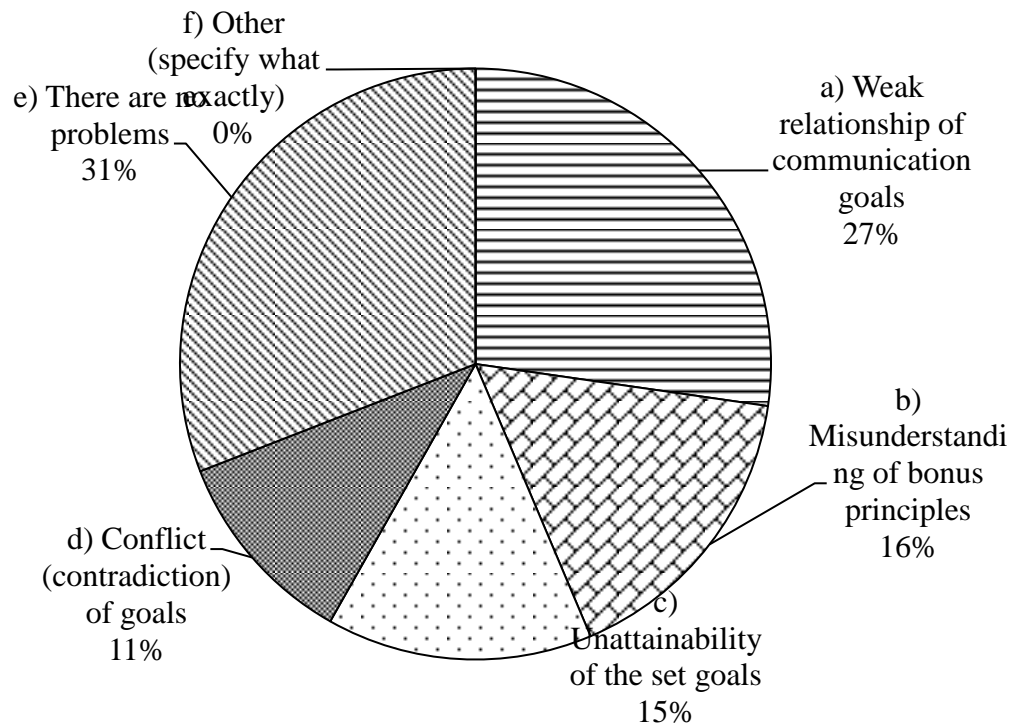


Fig. 8. The results of a survey on the main problems of the bonus system of top managers in enterprises

Thus, the survey allows us to conclude that various economic incentives have a direct impact on increasing the level of motivation of managers at the strategic level of management. Obviously, one of the main motivational aspects of effective work of managers of the strategic level of management is a variety of monetary incentives. Thus, the main economic incentive, according to most of the top managers surveyed, is the variable part of the remuneration. The most common variable part of remuneration is bonuses, surcharges and allowances of various kinds, profit sharing, and income sharing. The greatest influence on receiving economic remuneration is performance in terms of work, its complexity, intensity and high quality, performance of additional functions of work, performance of the annual plan, advanced training, professional skill, high constant results of work, and also work in overtime. Despite the fact that

the vast majority of respondents note the lack of problems of existing systems of economic incentives, which are involved in their enterprises, still a significant percentage of top managers emphasize the weak relationship of communication goals, misunderstanding of bonus principles, unattainable goals and their inconsistency. .

The survey allows us to conclude that in the modern system of economic incentives there are certain problems that negatively affect the effective performance of managers at the strategic level of management. Poor quality system of economic incentives for top managers leads to a loss of interest in the quality of their work, which in turn negatively affects the effective operation of the enterprise as a whole. Thus, according to the results of the survey, the main proposals for strengthening the economic incentives of top managers are as follows: focusing primarily on the variable part of the monetary remuneration of senior managers, as it is dominant among the main economic rewards; development of a clear and transparent bonus system to solve the main problems of economic incentives for top managers,

In general, we can conclude that there is a need for further study of economic incentives for managers of the strategic level of management enterprises.

#### **4. Discussion**

Economic incentives are one of the main factors motivating managers at the strategic level of management. The success of companies largely depends on how much the manager of the strategic level of management is interested in the results of their work. In this regard, the priority of any company is to develop a comprehensive system of incentives that will not only retain key employees, but also guide them to achieve the desired results.

The modern system of economic incentives for senior managers contains monetary and non-monetary instruments, which are aimed at long-term stimulation and retention, especially of top managers. Existing tools allow you to take into account the difference between incentives for managers and other employees. The main monetary instruments of economic incentives for top-managers are stock options, deferred bonuses, long-term bonuses based on key performance indicators, partnerships, a bonus plan for project work and a bonus for years of service. Non-monetary instruments of economic incentives for top managers include corporate pension programs, payment for classes in sports and health clubs, purchase of enterprise products at discounted prices, as well as payment for education.

A significant problem of stimulating the work of managers of the strategic level of management is the objective and reasonable calculation of the variable part of the salary and its distribution, which will help create the appropriate conditions for highly productive work. This determines the need for further research on the peculiarities of the formation of an effective system of economic incentives for managers of the strategic level of enterprise management. The

use of an effective system of labor incentives allows to mobilize the labor potential of top managers, increase the level of implementation of targets and achieve economic growth.

## **5. Conclusion**

The paper analyzes the views of domestic and foreign scientists on the concepts of «incentives» and «economic incentives». With the help of content and morphological analysis, a refined interpretation of the definition of economic incentives is proposed. Thus, the studied concept is proposed to be understood as the encouragement of workers through the use of material incentives to improve production efficiency. For a deeper disclosure of the essence of incentives, one of the elements of economic incentives for top managers is considered - material rewards, in particular, long-term bonuses and existing types of long-term bonuses for top managers. The paper presents the main types and forms of economic incentives for managers of the strategic level of management, the main components of the classical scheme of economic incentives, as well as its advantages and disadvantages.

Also, the differences between the system of incentives for top managers and other employees of the enterprise are considered, namely, top managers can directly influence the final results of the enterprise, also for managers of the strategic level of management is characterized by a longer period incentive system for top managers, it should be focused on achieving the goals set by business owners, the amount of remuneration to a senior manager, it should be sufficient, due to high professional qualifications and available business, personal qualities of top managers.

The modern system of economic incentives for senior managers contains monetary and non-monetary instruments, which are aimed at long-term stimulation and retention, especially of top managers. Existing tools allow you to take into account the difference between incentives for managers and other employees. The main monetary instruments of economic incentives for top managers are stock options, deferred bonuses, long-term bonuses based on key performance indicators, partnerships, a bonus plan for project work and a bonus for years of service. Non-monetary instruments of economic incentives for top managers include corporate pension programs, payment for classes in sports and health clubs, purchase of enterprise products at discounted prices, as well as payment for education.

A survey of managers at the strategic level of management was conducted in order to determine the state of labor productivity management in domestic enterprises, identify reserves for its growth and compare the assessment of the existing system of economic incentives.

As a result of the survey, the following results were obtained: one of the main motivational aspects of effective work of managers of the strategic level of management is a variety of monetary incentives. Thus, the main economic stimulus, according to most surveyed top

managers, is the variable part of the remuneration. The most common variable part of remuneration is bonuses, surcharges and allowances of various kinds, profit sharing, and income sharing. The biggest impact on receiving economic remuneration is performance on time, its complexity, intensity and high quality, performance of additional job functions, implementation of the annual plan, training, professional skills, high permanent work results, as well as overtime work. Despite the fact that the vast majority of respondents note the lack of problems of existing systems of economic incentives involved in their enterprises, still a significant percentage of surveyed top managers emphasize the weak relationship of communication goals, misunderstanding of bonuses, unattainable goals and their inconsistency.

The survey allows us to conclude that various economic incentives have a direct impact on increasing the level of motivation of managers at the strategic level of management. Obviously, one of the main motivational aspects of effective work of managers of the strategic level of management is a variety of monetary incentives. Thus, the main economic stimulus, according to most surveyed top managers, is the variable part of the remuneration. The most common variable part of remuneration is bonuses, surcharges and allowances of various kinds, profit sharing, and income sharing. The biggest impact on receiving economic remuneration is performance on time, its complexity, intensity and high quality, performance of additional job functions, implementation of the annual plan, training, professional skills, high permanent work results, as well as overtime work. Despite the fact that the vast majority of respondents note the lack of problems of existing systems of economic incentives involved in their enterprises, still a significant percentage of surveyed top managers emphasize the weak relationship of communication goals, misunderstanding of bonuses, unattainable goals and their inconsistency.

The survey conducted in the study allows us to conclude that in the modern system of economic incentives there are certain problems that negatively affect the effective performance of managers at the strategic level of management. Poor quality system of economic incentives for top managers leads to a loss of interest in the quality of their work, which in turn negatively affects the effective operation of the enterprise as a whole. Thus, according to the results of the survey, the main proposals for strengthening the economic incentives of top managers are as follows: focusing primarily on the variable part of the monetary remuneration of senior managers, as it is dominant among the main economic rewards; developing a clear and transparent bonus system to address key economic incentives for top managers, such as the weak relationship between goals and communications and the lack of a clear understanding of bonus principles.

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