

Research on the Relationship Between Remuneration Incentive System and Employee Performance ——Taking Haidilao Enterprise as an Example

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ABSTRACT

With development and reform of enterprises, the remuneration system has become the core issue of human resource management and development, and is also an important means to scramble for talents among enterprises. This article takes the Haidilao enterprise as an example, through official website information, the staff handbook and the related news report as the data collection source, uses the equity theory as a tool, explores the pay incentive system and staff performance intrinsic relations. This paper divides equity theory into subjective equity and objective equity, and suggests that enterprises should shape subjective equity and objective inequity when constructing remuneration structure, and give consideration to equity and efficiency.

Keywords: *remuneration structure, employee incentive, equity theory*

1. INTRODUCTION

With the human society entering the era of knowledge economy, human capital gradually becomes the core of enterprise management and operation, and the key for enterprises to gain competitive advantages lies in human resource management level. Among them, the remuneration structure of different companies has a great impact on employee performance, which reveals what kind of remuneration structure can effectively motivate employee performance.

In terms of motivating employees, remuneration is often a very important incentive resource. Remuneration is the compensation an employee receives for work or services provided by an organization. The broad sense of reward includes economic reward and non-economic reward, which refers to monetary rewards such as salary. The non-economic reward mainly refers to the employee's psychological feelings in the organization. Within the organization, the employee pays attention to the vertical change of the increase or decrease of economic reward but also compares the psychological feeling of such non-economic reward horizontally. Therefore, as an organization manager, only by scientifically designing the compensation distribution system and realizing the income balance and connection among different groups can the incentive effect of

compensation be effectively exerted and enthusiasm and cohesion of employees be enhanced. Based on this objective phenomenon, this paper combs the previous related research and theories.

The study of remuneration structure has a deepening history. Robbins originally classified remuneration structure into external compensation structures, that is, direct compensation structure, indirect compensation structure and non-financial compensation structure [1]. An Intrinsic reward refers to the sense of accomplishment or satisfaction that employees get from work itself. Lawler proposed a new compensation system, emphasizing the correlation between employee performance and firm performance, and ensuring that every element of compensation can improve firm performance to achieve strategic objectives [2]. In 2001, Topman proposed combining tangible wages, allowances and benefits with intangible promotion, development and employees' personal psychology, life and personal factors to build an overall compensation system [3]. The basic idea is that compensation must be performance-based and take into account a proper rebalancing of investment and incentives.

There are many classical theories about employee motivation, such as hierarchy of needs theory, two-factor theory and expectation theory.

In addition, equity theory as an analytical tool was developed by American behaviorist J. Stacy Adams, 1963 [4]. This is a theory of the process of social comparison. When a man gives effort and is paid for it, it is not only the absolute amount of his reward that matters to him, but the relative amount he receives. Engagement refers to any valuable contribution an employee makes to the job, while reward refers to whatever the employee feels he or she gets out of the job. The method of comparison is divided into two parts: longitudinal comparison between individual's input return ratio and others' input return ratio, and longitudinal comparison between one's own input income ratio and one's own historical input-output ratio. The conclusion drawn by the comparison is whether equity will affect enthusiasm for work. A person's judgment on equity is mainly related to his subjective judgment, personal equity standard, performance evaluation, and evaluation object. This theory mainly studies the equity and rationality of remuneration, and what kind of influence this equity will have on employees' working attitude. Equity theory has been widely applied in human resource management, affecting internal structure, decision-making and corporate culture [5].

Among the representative research on the relationship between remuneration system and employee motivation, Zingheim and Schuster put forward four important talent incentive factors that should be paid attention to win the talent competition in the future: attractive company development prospects, personal growth opportunity, good working environment, and overall remuneration strategy [6]. As mentioned above, Milkovich & Newman found through research that in order to better motivate employees, a large number of enterprises also adopted the performance-based income sharing compensation system [7]. In addition to performance, McKenna and Beech found in a study that many British enterprises are offering bonuses and stock options to senior executives to strengthen employees' sense of belonging and team consciousness [8].

In addition, Balkin and Gomez-Mejia pointed out that human capital pricing results can provide employees with relevant information about personal performance and development, employees' contribution to organizational goals, etc, and can also provide standards for the compensation definition of enterprises [9]. The traditional design process and method of remuneration system often lead to rigidity of remuneration system, insufficient incentive and low morale of employees [10].

Through sorting out the above research theories, it can be found that with the advance of research, research on compensation structure has developed from simple tangible and intangible, internal and external to more concrete, showing more diversified forms of diversity, customization and dynamics. Based on several classical theories, employee motivation is carried out in the ways of demand hierarchy, equity and reinforcement. In research of compensation structure and the combination of the two, the past has realized the importance of linking compensation with performance, and incentive is the binding of corporate benefits and managers' benefits. But few studies have looked at employees' psychological evaluations of these remuneration structures, which tend to be viewed from the perspective of the company's managers rather than the employees. This paper will try to start from the psychological level of employees, remuneration attention to employees' evaluation of the remuneration structure, so as to judge whether the remuneration structure can play a role in motivating employees. This paper will explore the impact of different compensation incentive systems on employee performance.

2. COMPREHENSIVE REMUNERATION STRUCTURE OF HAIDILAO COMPOSED OF REMUNERATION, BENEFITS AND ASSESSMENT

Haidilao hotpot, which started in 1994 in Jianyang, Sichuan province, is little more than a four-table shop. Fifteen years later, it has 36 branches in Beijing, Shanghai, Xi 'an, Zhengzhou and other places, and has become one of the country's well-known hotpot brands. Thoughtful service to customers and care for employees' families have always been the secret of Haidilao's success that has been widely spread in various news reports. Behind this secret lies the profound influence of its distinctive remuneration structure. Along the way, Haidilao has also experienced periodic changes in its remuneration structure, which has different influences on employee performance at this stage. The following article will introduce the remuneration structure of Haidilao in different stages.

2.1. A three-step compensation system

In terms of development of remuneration system, Haidilao has gone through three stages, from fixed salary plus performance salary, to profit sharing, and finally to simple piece rate wage, as shown in the following table 1:

Table 1 Haidilao remuneration system development table

| TIME SPAN | SYSTEM CONTENT | CONCRETE DETAILS |
|------------------------------|---|--|
| THE FIRST STAGE (1994-2003) | fixed pay + performance pay | fixed pay accounted for a large proportion; merit pay is less and is determined by the manager's evaluation. |
| THE SECOND STAGE (2003-2015) | fixed salary + performance appraisal + profit sharing | 3.5% profit sharing was added on the basis of the previous stage; for employees over one year |
| THE THIRD PHASE (2015-2021) | piecework pay | accurate to how much employees can be paid per dish; more pay for more work |

The Haidilao remuneration system from the first stage to the second stage of the transformation began in July 2003. Haidilao implemented the "employee reward plan", to the excellent staff allotment, Xi 'an East Fifth Road as the first pilot branch, the provisions of more than one year employees to enjoy a profit of 3.5% of the bonus. It is intended to reward excellent employees and promote their positive work. But since fixed wages are similar and fat, such changes will hardly widen the gap. So Zhang Yong, the founder, borrowed from the American tipping system and introduced piecework wages. The introduction of piece-rate pay not only effectively stimulated the enthusiasm staff reduced the number of shop assistants from 240 to 180 after two months. The company's store expenses have not changed, but the average employee income has increased by 30%. In the aspect of assessment, it avoids the subjective factors such as manager level management's manipulation and favoritism of remuneration.

The remuneration system of Haidilao has gone through three stages, from fixed salary plus performance salary, to profit sharing, and finally to simple piece rate wage directly. Profit sharing was initially added from the first stage to the second stage to further reward old and active employees on the basis of the existing reward system of performance pay. However, due to the large fixed salary which is common in these two stages and accounts for a large proportion of the total salary, the initial purpose of widening the final salary gap between employees has not been realized. When it comes to the third stage, it is completely transformed into a piecework wage, and pay and rewards are given solely on the basis of labor achievements. The pay gap between active employees and inactive employees can be reflected, and the purpose of "more work, more gain" is fully followed. Thus, it promotes enthusiasm of staff and realizes the efficiency of the enterprise.

2.2. Improve and innovate the welfare system in the forefront of industry

Haidilao recruits employees from the bottom of society, mostly for family is not too rich, the education level is not high migrant workers, many of them have to rely on a single person to raise their children and support the elderly. Therefore, Haidilao has a set of perfect and innovative welfare systems, so that these people at the bottom of society can take care of both home and work.

Haidilao's dormitories and stores are within a 20-minute walk from each other, and they are all two or three bedrooms in formal communities or apartments with full living facilities. And arrange special cleaning rooms, work clothes, quilt washing outsourcing to dry cleaners. If the couple works together in Haidilao, the store will provide a separate room. Provide complete accommodation conditions for employees, so that employees can devote themselves to work, without living conditions.

In addition, in order to take care of the family situation of the employees, Haidilao also pays the salary to the parents of each store manager. The better the children do, the more salary their parents will get, which will be directly sent to the parents by the company. If the employee is awarded as an advanced individual three times in a year or three times in a row, he will be entitled to a 3-day accompanying leave to welcome his/her parents to visit and enjoy a meal in the restaurant. In this way, Haidilao shares family burden of its employees, relieving their family pressure to a certain extent, so that they can work more seriously and improve work efficiency, which also reflects the humanistic care of Haidilao Company.

In terms of holidays, all employees are entitled to 12 days' paid annual leave each year, and the company provides round-trip train tickets home. Employees who have worked for more than one year can enjoy marriage leave and benefits, employees who have worked for more than three months can enjoy parental bereavement leave

and subsidies, and employees who have worked for more than three years can enjoy maternity leave and subsidies. Haidilao's vacation system has a certain number of working years. On the one hand, it gives more freedom and rewards to the old employees, and on the other hand, it ensures that the company has enough employees to work at all times and ensures the efficiency of work.

Haidilao has a complete, innovative and differentiated welfare system, which is relatively rare in the catering industry, and it is worth mentioning that this welfare system has been in use since the establishment of the company.

Haidilao has a deep understanding of the psychological needs of employees from the bottom of society, and accurately meets the needs of employees from aspects of personal life and family conditions, which reduces the pressure of employees from life and improves their work efficiency.

2.3. The assessment system has been reformed twice

Haidilao has undergone two major changes in its overall assessment and development. Before the first transformation, Haidilao had different evaluation standards for employees in different stores. The performance of each employee was mainly considered by managers such as foreman or store manager, which was subjective and arbitrary to a large extent. After the transformation in 2015, the company introduced the piece-rate wage and the last-place elimination system, which were implemented simultaneously in all stores. Piece rate increases the work efficiency of employees, but it also undeniably brings about a decrease in customer satisfaction. The last-place elimination system is conducive to the improvement in the performance of the stores where the employees are, and also increases the internal competition among the stores.

The employee promotion system is one of Haidilao's most efficient management systems, and "equity" is the most important reason that can motivate employees, according to founder Zhang Yong. However, in the system that has been in operation for many years -- the headquarters appraises the community, the community appraises the store, and the store appraises staff, it is easy to produce the phenomenon of "only on top" among the employees. In view of such problems, Haidilao has set a business target for each store manager in December 2016. If the target is not reached, the store manager shall bear the corresponding responsibility. Instead of a unified standard assessment, each store sets goals according to its own situation, so that store managers can be clearer about the goals.

In the two evaluation system reforms of Haidilao, the elimination of the last place and the introduction of piecework system in the first one improved employees'

sense of competition. The piecework system avoided the unfair subjective evaluation of management and simply followed the principle of "more work, more gain" to improve employees' work efficiency. However, the pursuit of the number of pieces also makes employees want customers to leave as soon as possible, so that they can sell more plates by increasing the sales/revenue rate, which is the negative impact of the piecework system. The second reform aims to stimulate personalized development of each store, not to restrict staff with unified tasks but also to avoid the phenomenon of "top only" the staff, so the staff can focus their experience on the work itself rather than on the performance appraisal. The two reforms highlight Haidilao's innovative spirit of constantly finding its own problems, and strive to improve the assessment system to be more and more fair, which can more and more promote enthusiasm of employees.

Haidilao has a widening of the final salary gap of employees, a remuneration system that reflects more work and more gain, a perfect and layered welfare system that has been in use since the establishment of the store, and an assessment system that is constantly changing and pursuing equity and efficiency. Although compared with the remuneration system and the assessment system, the welfare system lacks innovation in reform and seems to be different from the other two in terms of emphasis, Haidilao's welfare system is already relatively complete and at the forefront of its peers, so there is no need for reform in the short term.

Haidilao's remuneration system, welfare system and assessment system combine together to form an overall remuneration structure that fully respects human nature, not only meets employees' needs for survival and safety at the bottom but also fully enables employees to develop, respect employees, and enable employees to obtain strong self-driving force. Through far more than the same industry staff salary, welfare benefits and a good bonus plan, greatly meet the material needs of employees, stimulate enthusiasm of employees. At same time, it also greatly guarantees the stability of Haidilao staff team, reduces the turnover rate of employees, and ensures loyalty of employees to the enterprise.

3. THE RELATIONSHIP AND INFLUENCE BETWEEN REMUNERATION STRUCTURE AND EMPLOYEE PERFORMANCE -- BASED ON THE EQUITY THEORY ANALYSIS

The Equity theory was put forward by the American behaviorist J. Stacey Adams in 1963. It is a theory about the process of social comparison. When a man is paid for his effort, he cares not only about the absolute amount of his reward but also about the relative amount of his reward. This theory has been widely applied in human

resource management, affecting the internal structure, decision-making and corporate culture of enterprises [5]. Different from previous research perspectives, remuneration structure is not only objective but also subjective, and both of them jointly determine the level of employee performance. In other words, previous studies have always looked at the compensation structure from the perspective of the company's managers, rather than from the perspective of the employees. Among the existing theories, equity theory combines both subjective and objective perspectives, so it is chosen as the theoretical tool of this study. Equity theory mainly studies the equity and rationality of compensation, and what effects and influences such equity may have on employees' working attitude, namely, the objective equity of the overall compensation structure and the subjective equity of how employees view the compensation structure. The following will summarize and analyze the remuneration structure of Haidilao based on the equity theory.

3.1. The importance of objective inequity construction in equity theory

The first function of equity theory is to study the equity and rationality of compensation, that is, to evaluate the objective equity of the overall compensation structure. The salary of similar positions or employees should be basically the same, which is the interpretation of objective equity in previous studies. However, this interpretation ignores the gap between input and output among employees, so that employees with more input and output still can only get the prescribed salary for their positions without corresponding extra rewards. In this case, objective equity limits employees' enthusiasm, which needs to be broken to create objective injustice. Based on fixed salary, Haidilao joined the remuneration system of profit sharing and performance evaluation in the initial purpose to widen the salary gap between active and inactive employees, so as to stimulate employees' enthusiasm. But since the fixed salary is large and generous, led to the active employees also can rely on a fixed salary get higher pay, hit positive employee motivation, the original didn't reach, the purpose of the pay gap between active and positive employee has not been reflected, this phase of the remuneration system reflects objectively the fair.

Later, Zhang Yong, the founder, introduced the piecework wage system by referring to the tipping system of the United States, which avoided employees' excessive dependence on fixed wages and fully followed the principle of "more work, more gain", widening the pay gap between active employees and inactive employees and breaking the objective equity.

3.2. The importance of creating subjective equity in equity theory

The second part of equity theory is to study the possible effects and influences of the equity of remuneration structure on employees' working attitude, that is, how employees view the subjective equity of remuneration structure. The interpretation of subjective equity in previous studies is that the salaries of different positions or employees should be in direct proportion to their respective contributions to the enterprise. However, in fact, employees of the same position also have different contribution degrees to the enterprise, and from the perspective of employees, it is only fair to take such contribution differences into consideration in the design of the remuneration structure, that is, to shape the subjective equity.

Due to the large and generous proportion of fixed wages in Haidilao, the salary gap between active employees and inactive employees has not been reflected. Non-active employees can also get more with less work, which has caused subjective unfair influence on active employees who work too much. The inconsistent relationship between employees and store managers also leads to the unfair subjective evaluation of performance pay.

After the introduction of piecework wage system, the amount of labor achievement directly affects the amount of salary, enlarging the salary gap between active employees and inactive employees, creating employees' subjective sense of equity with the purpose of "working more and getting more", thus improving overall enthusiasm of employees.

In addition, the subjective arbitrariness of deciding performance pay by the store manager is banned, and the subjective equity of employees is shaped by focusing only on achievements rather than human feelings. Haidilao's welfare system has maintained its perfection since its establishment. It does not discriminate against employees because they come from the bottom of society. Instead, it treats all employees equally, provides perfect and considerate welfare returns, and builds a sense of confidence and subjective equity for those employees from the bottom of society.

3.3. The importance of combining objective inequity with subjective equity in equity theory

Equity theory mainly studies the equity and rationality of compensation, and what effects and influences such equity may have on employees' working attitude, namely, the objective equity of the overall compensation structure and the subjective equity of how employees view the compensation structure. The motivation of employees to work is not only related to how much they are actually paid, but also more closely related to whether people feel

the distribution of compensation is fair. In order to achieve the combination of objective inequity and subjective equity, it is necessary to break the rigid objective stipulation that the remuneration between employees at the same level is similar, and increase or decrease the remuneration according to the actual contribution made by employees to the enterprise, so that the contribution of employees is equal to the remuneration, so that employees can feel the subjective equity.

Haidilao's initial remuneration system was based on a fixed salary. It seemed that every employee could get a higher salary, which was objectively fair. However, it did not widen the salary gap between active and inactive employees, resulting in a subjective sense of injustice. Performance pay also has the subjective judgment factor of the store manager, and there is favoritism and operable space, which forms the subjective sense of injustice of employees. However, the implementation of piece-rate wage system breaks the objective equity of high salary per capita and the unified judgment of performance salary by the store manager. Instead, it simply adopts the principle of "more work, more gain" to shape the subjective equity of employees. It realizes the combination of objective inequity and subjective equity, and gives consideration to both subjective equity and working efficiency.

4. CONCLUSION

Through the summary of previous studies and the exploration of this paper, it can be found that the incentive effect of scientific and reasonable remuneration structure on employees does exist. The scientific and reasonable remuneration structure should be diversified, systematic, a matching enterprise industry characteristic, operation strategy, enterprise culture, enterprise development stage and characteristics of enterprise organization structure and so on remuneration structure to better motivate staff enthusiasm, improve labor productivity, enhance enterprise competitiveness, achieve comprehensive development of the enterprise. It is necessary to combine salary, performance and welfare, and make the best combination and collocation to achieve the maximum employee incentive. In addition, for different enterprises and different development periods and status quo of enterprises, different remuneration structures will also have different impacts on enterprises and employees. This paper aims to explore the relationship between objective equity and subjective equity by using the theory of equity. The objective equity often enables employees to have a high and equal salary, but ignores the difference between employees' efforts and achievements. Subjective equity, on the other hand, starts from the subjective psychological level of employees and takes into account the difference of effort and achievement among employees. Although it breaks the

objective equity phenomenon that employees all have high and equal salaries, it realizes subjective equity and takes into account work efficiency.

The shortcoming of this study is that due to the employee confidentiality agreement of Haidilao Company, there is no feasible way to collect appropriate first-hand data and truly judge the equity of the remuneration system from the psychological level of employees. Therefore, research can only be carried out through secondary data, which is not in-depth enough.

This paper provides a research direction for future research to separate objective justice and subjective justice, instead of treating the justice theory as a whole or using only part of it for research and analysis.

Combination of past research summary analysis can be found that the traditional remuneration structure more emphasis on importance of objective fair but neglected the subjective equity, namely appears similar to and every employee has a high pay, but the actual for employees more struggling is not fair, and therefore reduce enthusiasm of the employees, only do the fair but lost efficiency. Breaking the objective equity to shape subjective equity, although widening the salary gap between employees, encourages more work gain, not only achieve equity but also improves efficiency. For enterprises whose main goal is to make profits, equity is, of course important, but taking into account efficiency is the long-term way for enterprises to develop.

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