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THE EFFECTS OF AN INCENTIVE
MECHANISM ON BRAIN DRAIN IN
THE HOTEL INDUSTRY

TIIVISTELMÄ

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Opinnäytetyössä vaikutukset kannustavan mekanismin aivovuodon hotellialalla. Mitä miksi tämä aihe on valittu, se on suhteen tekijän aikaisemmat työkokemusta hotellialalla. Koulutuksen jälkeen käytäntö useissa eri hotelleissa, on huomattava, että Kiinan hotellialalla on vastassaan vakava ongelma työntekijöiden vaihtuvuutta. Vaikka normaali henkilöstöhallinnon vaihtuvuutta pitäisi pysyä välillä 5% ja 10%, keskimääräisen luku hotellin henkilökunta Kiinan kolmessa suurimmissa kaupungeissa, kuten Pekingissä, Shanghaissa ja Guangzhoussa, on saavuttanut 30% ja joissakin tietyissä hotelleja prosenttiosuuden vielä saavutettu 45%. Siellä keulassa, vaikka useita uusia hotelleja kasvaa nopeasti, laatu ser-vice voi ei voida taata.

Jotta Kiinan hotellialalla puuttava korkean työntekijöiden vaihtuvuus, opinnäytetyö vaikutuksia kannustavan mekanismin. Kautta kiekko-sion joidenkin työntekijöiden Hotelli Astor, voimme nähdä että kun hotelli voi tarjota työntekijöille tehokkaat ja käytettävissä kannustimia, se on omiaan lisäämään työntekijän tunnetta hotellin joten hotelli voi CULTI -vate uskollisempia työntekijät, jotka pystyvät auttamaan hotellin ylläpitää korkeaa palvelun maine.

Empiirisessä tutkimuksessa olemme hyödyntää sekä määrällisiä että laadullisia tutkimusmenetelmiä jos kyselylomaketta ja syvälistä haastattelussa käytetään keräämään tietoja. Kohdeyritys Opinnäytetyön on kansainvälinen ketjun hotelli, nimeltään Westin Hotel, joka kuuluu Starwood ja on rankattu viiden tähden hotelli. Tulokset empiirisen tutkimuksen tämän hotellin osoittautua että yleiset harjoittelija vastaa lähes 40% kokonaismäärästä hotellin henkilökunta ja liikevaihdon tähden harjoittelijoiden aiheutuu vakavia ongelmia hotellin palvelun maine. Tämän lisäksi nykyiset kannustin mekanismi hotelli ei näytä toimivan motivoijana auttaa hotelli pitää kokeneita työntekijätä Sen sijaan toiminta näyttää olevan hygienia mukainen tekijä Herzberg motivaatio teoria, koska sen puute johtaa suureen harjoittelija vaihtuvuus.

ABSTRACT

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This thesis studies the effects of incentive mechanism on brain drain in hotel industry. As for the reason why this topic is chosen, it is regarding to the author's previous working experiences in the hotel industry. After the training practice in several different hotels, it is notable that Chinese hotel industry is confronted with a severe problem of high employee turnover. While the normal human resource turnover rate should remain between 5% and 10%, the average figure for the hotel staff in Chinese three main cities, such as Beijing, Shanghai and Guangzhou, has reached 30% and in some certain hotels the percentage even reached 45%. Therefore, although the number of new hotels is increasing rapidly, the quality of service can not to be guaranteed.

In order to help Chinese hotel industry tackle the problem of high employee turnover, this thesis studies the effects of incentive mechanism. Through the discussion with some employees of Hotel Astor, we can see that when the hotel is able to provide employees with effective and available incentives, it is more likely to increase the employee's sense of belonging to the hotel and so the hotel can cultivate more loyal employees which are able to help the hotel maintain a high service reputation.

In the empirical study, we utilize both quantitative and qualitative research method where the questionnaire and in-depth interview are employed to collect data. The case company of this thesis is an international chain hotel, named Westin Hotel, which belongs to Starwood and is ranked as a five-star hotel. The results of the empirical study of this hotel turn out that general trainee accounts for almost 40% of the total number of the hotel staff, and the turnover of these trainees results in a serious problem to the hotel's service reputation. Besides this, the existing incentive mechanism in the hotel does not seem to work as a motivator to help hotel retain experienced workers. By contrast the function of it seems to be a hygiene factor according to Herzberg's motivation theory, since the lack of it results in a high trainee turnover.

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1 INTRODUCTION

In the first chapter a general introduction to the whole thesis will be presented, including the background of the study and why this study is important to the hotel industry. The research problem and questions which lead to the process of the paper, limitations as well as the outline of the study will also be shortly introduced.

1.1 Background of the Study

According to the Economic Impact of Travel & Tourism 2015, travel and tourism made a contribution to global GDP by USD 7,580.9bn which accounted for 9.8% of the global GDP in 2014. Also this industry provided 276,845,000 jobs which contain direct and indirect relations between employment and the industry. This number accounted for 9.4% of total employment. Moreover, the report of 2014 predicted that the total contribution of the industry to GDP will increase by 3.7% while the employment will increase by 2.6%. As the president and CEO of WTTC (The World Travel & Tourism Council) David Scowsill said, "Travel & Tourism's impact on the economic and social development of a country can be enormous". (WTTC, 2015)

While tourism plays a vital role in the global economy, accommodation is regarded as the core of the tourist industry, which means it plays a distinctive role in tourism infrastructure and the development of tourism. (Saxena 2008: 182) Referring to the hospitality industry, it has been regarded as a labor-incentive industry. Hotel industry, as one branch of the hospitality industry, which in China is still on the middle stage of rapid development, where there are many areas and details waiting to be improved. In China, currently most of people who are working in this area are from low-education background and with relatively low salary. Therefore, it is reasonable to find that this industry is confronted with serious trouble, due to frequent mobility and high turnover rate among employees. (Kaitrent 2013) In order words, the lack of loyal employees and severe brain drain makes it difficult for the hotel industry to establish and maintain a good reputation in the service quality. The importance of stable employees lies in the fact that they can be managed more easily and worthy of being fostered into a well-educated

professionals at hotel. Because aiming at loyal employees, hotels are more willing to invest capitals and human resources on back-up talent cultivation, thereby improving employees' level of fulfillment. (Kaitrent, 2013) Once employees are satisfied with their working environment, they are more likely to provide a better service to the customers, and so it has a direct impact on a hotel's reputation improvement.

Considering the importance of employees in the service industry, it is vital for the employers to give priority to the solution of frequent mobility and high turnover rate in employees, so as to address the brain drain in the hotel industry. Establishment of an optimal incentive mechanism enables employees to increase their working enthusiasm.

This paper selects a five-star hotel in Wuhan China to analyze how the positive impacts of incentives can help the hotel to maintain talents and cultivate loyal employees.

1.2 Research Problem and Objectives

This thesis is used to study the effects of an incentive mechanism specifically in the hotel industry. The objective of this study is to figure out how the brain drain in the hotel industry can be affected by enacting optimal incentive measures and so the case hotel is able to maintain a stable and reliable number of loyal employees.

The research problem is to what extent the impacts of proper and specific incentive mechanism can be used to tackle the problem of high turnover rate and frequent mobility in employees. In order to solve this problem, there are several research questions will suppose to be taken into consideration as follows:

- Among various causes of high employee turnover, what is the main factor?
- How do incentives work?
- What is the relation between an incentive mechanism and employee turnover?

1.3 Limitations of the Study

This paper is aimed at studying staff turnover in the Chinese hotel industry and how an optimal incentive mechanism can make a contribution to reducing high hotel staff turnover rate. However, this study does not include information about how to establish an optimal incentive mechanism, because the establishment of an incentive mechanism reduce staff turnover should also take hotel conditions into consideration, namely, the cost budget of the hotel and employer's willingness to invest into the system.

This study lays more emphasis on explaining the impacts of incentives on retaining hotel employees. There could have been some other solutions for tackling brain drain, but the paper focuses on only one of them, i.e. improving current incentive mechanism. Apart from this limitation, the case hotel being chosen is an up-scale and five-star international chain hotel, so the incentive mechanism in the study maybe not suitable for other small and medium size hotels.

1.4 Structure of the Study

This paper is divided into four main section, introduction, theoretical study, empirical study and the conclusion. The theoretical study contains several theories about the background of the hotel industry, reasons behind brain drain, and the effects of incentive mechanism on reducing brain drain, as well as the research methods which are used in empirical study. Then, the empirical study includes details about how the interviews and questionnaire are conducted and the analysis of the results.

2 THEORETICAL FRAMEWORK

In this chapter background knowledge about the hotel industry general will be introduced at first, and then the focus will be on studying the Chinese hotel industry with its current situation and prospects. Moreover causes behind serious brain drain in the Chinese hotel industry will also be discussed.

In order to slow down the high turnover rate in employees, improving and strengthening rewarding measures, namely an incentive mechanism, is an effective approach to help the hotels cultivate loyal and reliable employees. Therefore, theories about incentive mechanisms and the positive effects of rewards on brain drain will be presented in the following.

2.1 Background of Hotel Industry

According to a report on Internet before Starwood Hotel & Resorts was purchased by Marriott in 2015, there were three known Chinese entities presenting their interest for this acquisition and they almost succeed. Moreover, in the October of 2014, Beijing-based Anbang Insurance acquired New York City's Waldorf Astoria by a \$1.95 billion acquisition, which created the highest volume of American single hotel transaction. These two acquisitions provide information about China plays a vital role in the US hotel market. (Mest & C. Elliott, 2015)

China is introducing and establishing a great number of international upscale hotels into the domestic market. However, more employment opportunities are not able to solve high hotel staff turnover, which has limited the development of the Chinese hotel industry.

This chapter will firstly introduce the general background of global tourism, and then the features of hotel industry will be discussed before presenting the current situation of the Chinese hotel industry.

2.1.1 Impacts of Tourism on Global Economy

Tourism has been regarded as an economic and social phenomenon by World Tourism Organization. Through decades of development, tourism has turned out to be one of the world's fastest growing economic sectors, and currently when compared with the business volume of oil consumptions, food products, or automobiles, the trade volume of tourism is able to catch up or even pass them over. (WTO, 2015) Hence, it is obvious that tourism has turned out to be one of the vital players in international business and also it has been regarded as the main income source in certain tourism countries, such as Thailand and Maldives. The idea of tourism having a positive effect on economic growth of a developing country was firstly suggested by Kurt Krapf (1961), and two years later United Nations Conference on Tourism and International Travel in Rome announced that tourism was able to drive economic growth in the third-world countries. (Lanfant 1995)

Besides the developing countries, today, the developed countries also see international tourism as an essential way to accelerate their economical development. (Abbasali, Zahra & Mohsen 2012) If the number of elasticity substitution between manufacturing products and services provided by tourist is less than one, tourism is able to act as an powerful and important engine of economy growth. (Algieri 2006)

Although tourism has made a great contribution to the global economic growth, it is highly susceptible to the world's economical situation. (Chen 2015) The following Figure 1 provides information about the comparison between the growth of global tourism income and global gross domestic product. The chart presents the close relationship between tourism development and global economy environment. When the economic crisis exploded in 2008, the growth of global tourism income saw a sharp decline in the following year. However, while the global economy was getting better in 2010, there was an even more rapid increase in the growth of global tourism income in the same year.

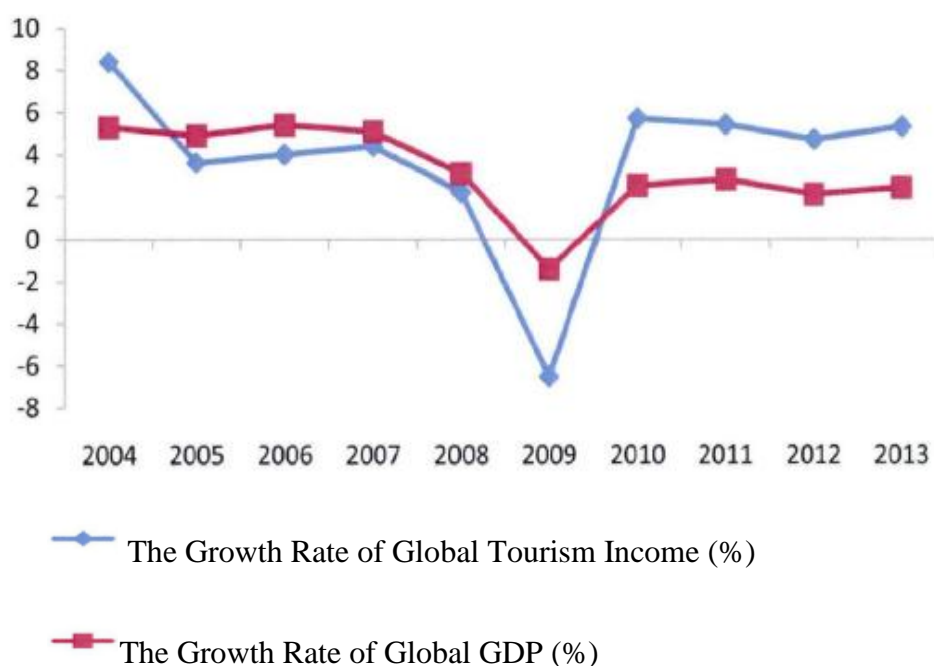


Figure 1. The Comparison between the Growth of Global Tourism Income and Global Gross Domestic Product. (Chen 2015)

Secretary-general of the United Nation's World Tourism Organization, Taleb Rifai, said that while the general price of commodities such as oil price declined in 2014, the income of international travel and tourism industry saw a significant rise. Therefore, it is supposed that the industry is not only able to accelerate economic growth, but also to provide a great number of employment and export opportunities. (UNWTO 2015)

2.1.2 The Feature of Hospitality Industry

According to Sandoval-Strausz's definition, hotel was regarded as an public institution, while hotel industry was consisted as various hotels. (2003) The tourism industry has made a great contribution to the global economy development, and it also drives the development of hospitality industry. There is a slight difference between hospitality and tourism industry. While tourism only provides services to tourists, hospitality is aimed at both travelers and non-travelers, namely, local customers. (Murray & Benny 2013) Moreover, among various definitions of hospitality industry, people generally recognize the industry as the corporations and insti-

tutions where guests away from home are able to obtain food, drinks or accommodations. (Murray & Benny 2013)

In Figure 2. among the four main categories (including travel, lodging, food service and recreation) which belong to the Hospitality and Tourism Industry, the hotel industry and food services have been named as the core sectors.

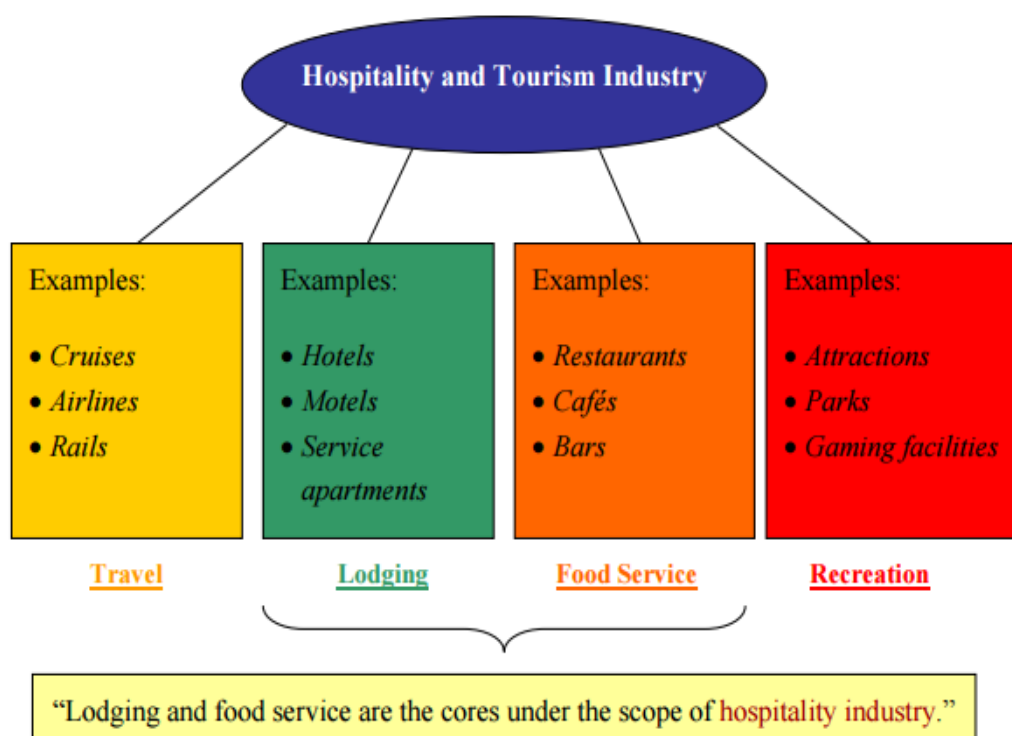


Figure 2. Scope of the Hospitality and Tourism Industry (Murray & Benny, 2013)

As one of the cores of the hospitality industry, hotel industry has been closely tied to the development of tourism, and while the size of tourism industry has grown incredibly, that of lodging has also developed rapidly. (Wayne, 2009)

2.1.3 Current Condition of China's Hotel Industry

The beginning of the Chinese hotel industry development took place relatively late. In 1978 the total number of Chinese hotels was 137, but the growth speed of the industry was dramatic, and in 2008 the number of hotel reached 14099, because thousands of international well-known hotel chains were introduced to China from 2005. This was after Jianguo Hotel introduced the first foreign hotel

group from Hongkong called Peninsula Hotel Group, into Chinese market in 1982, during which time the external hotel management group made a great progress and so attracted many other foreign hotel groups to invest in the Chinese market. Since then under the competition with foreign hotels, the Chinese hotel industry started to develop rapidly. (Li, 2013)

The biggest driving force of foreign hotels coming into the Chinese market that is the accelerating of Chinese urbanization process. (Chinese Hotel Industry, 2013) According to the latest statistic report of the State Statistics Bureau, the urbanization rate in China was 54.77% at the end of 2014, while the proportion for the world's average rate and developed countries was at 51% and 80% respectively. (National Bureau 2015; United Nations 2014; Chinese Hotel Industry 2013) Therefore, there is a huge potential in the Chinese hotel market.

After China entered WTO, Chinese hotel industry obtained plenty of benefits from it, such as hotels started to merge into hotel groups, economy hotels became popular, hotel technology management system was strengthened, as well as method of services turned standardization into differentiation. However, Chinese hotel industry is still confronted with many problems which can be attributed to the lack of human resources and capital. (Tan, 2006)

From human resource point of view, there are some problems existing in the talent structure of Chinese hotel industry, and the most prominent problem lies in the fact that there are too many basic employees with the lack of strong management skills in the hotel industry. Hotels belong to labor intensive corporations while the main product of this industry is service, and services are provided by the hotel staff. Therefore, human resources should be given the priority to hotel industry development. In order to survive in the global severe hotel competition, the Chinese hotel industry has to pay more attention on talent cultivation, and this is a urgent obstacle waiting to be tackled. (Tan, 2006)

From the capital prospect, compared with foreign hotels, the Chinese hotel industry has been exposing to impaired capital, low operational efficiency of assets and weak capital management which consists of asset reorganization, hotel mergers

and acquisitions and listings of the equity. These issues restrict the approaches for the Chinese hotel industry to extend their operation to a great extent. (Tan, 2006)

2.2 Analysis of Brain Drain in Chinese Hotel Industry

A statistical result presented by CASS (Chinese Academy of Social Sciences) shows that in Beijing, Shanghai and Guangdong, the average turnover rate in hotel staff is at around 30%, and the figure for some hotels even reaches 45% in these cities. According to a research conducted by China Tourism Association aimed at the human resources in 33 hotels which are ranked between two to five stars and located in 23 different cities in China presents that the average hotel staff turnover rate has reached up to 23.95% in the recent five years from 2009 to 2013. In comparison, the normal and general human resource turnover rate should remain at 5% to 10%. (Li, 2013)

The Hotel industry has been regarded as a labor-intensive service industry, so the importance of human resource lies in the fact that it is able to directly impact the hotel's development. After the Chinese economic reform in 1978, the high level of staff turnover rate has been restricting the growth of star hotel. (Li 2013) In recent years, this problem has become more and more severe, because of the rising number of the graduates who are not satisfied with their current working environment and employment system in hotel. In the following, the definition and the reasons behind brain drain will be discussed more detail.

2.2.1 The Definition of Brain Drain

Generally, brain refers to those people with high skills and competences as well as the academic and technological workforce and the term brain drain is used to describe a phenomenon where a country has lost many of its highly skilled and well-educated people via migration to other countries. This trend may pose a threat to the development of original country in which talents have moved out in order to chase for a better future and living conditions, because the remaining people in the original country may lack of know-how and ability to make a great contribution for country's progress. (Jennifer, 2015)

When it comes to the origin of the term "brain drain", it is likely to be dated back to the years after the Second World War. In the United Kingdom, the awareness of the loss in the British talent started to raise in the beginning of 1950s, and only after the Royal Society published a report about ' Emigration of Scientists from the United Kingdom' in 1963, the issue prompted a fierce public debate and much media attention toward ' brain drain' . However, it was the *Evening Standard* which created the term of ' brain drain' after the publishment of the report. (Balmer, Godwin & Gregory 2009; 339–353) At that period, the definition of brain drain was always described as an permanent directional migration of highly skilled human resources flowing from the developing to the developed countries. This human resource flow has been implicitly assumed as an irreversible process, thereby inducing a loss in talents in exporting countries. (Peter, 2005) However, this narrow definition has been argued by many scholars, considering the use of this term has been extended to various phenomena, such as the flow of scientists from one developed country into another one or from one city into another, which means the restriction of migration have no boundary any more. (Peter, 2005)

2.2.2 Impact of Staff Turnover in Hotel Industry

As mentioned in the above chapter, the hotel industry has been regarded as a labor-intensive industry and the core of this industry is talent competition. When it comes to the phenomenon of brain drain in the hotel industry, many fresh workers do not realize the reality-labor conditions of the hotel industry before they choose hospitality as a career. (Cot fleá & Dragolea, 2011) While from young people's point of view the tourism industry is able to provide them with opportunities to travel, get closer to the provision of food and lodging, as well as obtain direct access to the public, after really working in the industry they are rapidly confronted with a tough working condition which includes relatively low incomes, high staff turnover rates, high seasonality effects, unsocial working hours (including various working shifts and working at weekends as well as in the statutory holidays) (Anna, Kenneth & Bruno 2016 : 45-46), and a shortage of proper career path design. (ReyMaquieira, Tugores & Ramos, 2006) Because of these conditions many young people find it is difficult to settle down and have been looking for a better

work place. This has been called human capital flight or brain drain in the hotel industry.

From the economic prospective, human capital refers to an "estimation of a person's ability to produce income through work" (Cotîlea & Dragolea, 2009). Therefore, the loss of a skilled worker can directly affect the corporation's operations, especially in the hotel industry, where the quality of service is the most essential indicator to measure the success of hotel management and where the service quality relies highly upon the provider (namely, hotel staff), time and place of supply. (Cotîlea & Dragolea, 2011)

In an early article Huselid (1995) discovered a tight relationship between a decline in staff turnover and a rise in sales, market value as well as profitability after examining a huge variety of industries including a sample of 968 corporations. (Huselid, 1995) Moreover, Heskett, Sasser, and Schlesinger(1997) also announced that there is a strong link lying in the fact that employee retention is able to increase productiveness through their study of service-profit chain. (Heskett, Sasser, & Schlesinger, 1997) Besides these supports, Simons and McLean Parks through the examination of 76 hotels demonstrated that staff turnover was an exact driver to raise hotel profitability. (Simons and McLean Parks, 2001) According to Hinkin and Tracey's work on intangible expenditure related with staff turnover at hotels, the results showed that at most hotels if there are increases in encouraging staff retention they are able to decline turnover costs. (Hinkin and Tracey, 2000) A further study conducted by Simons and Hinkin found the precise approach to examine the link between turnover rate and gross operating profits (see **Figure 3.**) . As well as this, they also found the relationship between turnover costs and hotel's prices (see **Figure 4.**). (Simons & Hinkin, 2001)

Table 1. Descriptive statistics and correlation matrix of variables (Simons & Hinkin 2001)

Variable	Mean	St. Dev.	1	2	3	4	5
1. Hotel size (number of rooms)	269.16	123.49	-				
2. Number of employees	118.71	83.51	.75**	-			
3. Six-month employee turnover	47.35%	23.33%	-.36**	-.37**	-		
4. Average daily rate	\$76.94	\$21.65	.42**	.55**	-.48**	-	
5. Six-month gross operating profit	N.A.*	\$1,252,548	.71**	.69**	-.46**	.73**	-

* Mean GOP is not disclosed due to a confidentiality agreement.

** $p < .01$

In table 1, from the figure $r = -.46$ and $p < .01$ it is obvious that staff turnover has a strong relation with declined hotel margins. Moreover, from the figure $r = -.36$ and $p < .01$ as well as $r = -.48$ and $p < .01$ it is easy to conclude that staff turnover is mainly smaller at large properties and at properties with high average daily rates (ADR).

Variable	b-statistic (standard error)
Hotel size (number of rooms)	4762.87*** (582.30)
Employee turnover	-7551.53* (3515.68)
ADR	19880.75*** (4549.29)
ADR * Turnover	-525.244*** (143.19)
ΔR^2 for interaction term	.04
Partial F for interaction term	13.46***
Total R^2	.76
F	73.40***

* $p < .05$

*** $p < .001$

Is " ΔR^2 " the correct term?

Table 2. Regression of GOP on turnover and ADR (Simons & Hinkin 2001)

The results in Table 2. present staff turnover expenditure at high-price hotels as being much higher than that at moderate-tier hotels. When ADR increases one dollar, each proportion changes in staff turnover rate will cause an extra \$525.244 costs in annual GOP. (Simons & Hinkin, 2001)

2.2.3 The Reasons behind Brain Drain in Chinese Hotel Industry

According to the research conducted by Sheng L. in 2013, the causes leading to a high employee turnover rate at Chinese high-price hotels include a shadow understanding of hotel culture in hotel staff, a lack of equity in salary administration, a lack of specific career plan for employee development, and overlooking of employees' emotional satisfaction. (Sheng, 2014)

Hotels may lose some talents because in the process of management, employee's personal values are different from the corporation's values, and an employee does not feel a sense of belonging when working at the hotel. Moreover, the hotels are unable to provide their employees with enough help or concern when the employees are suffering tough problems, and there is little or even no team spirit and cohesion existing in different departments at the hotel, which poses a huge threat to the hotel management as well as employee retention. (Chen, 2007)

Besides this, there is another problem which is the lack of fairness in salary administration. Generally, at hotels a position where there is a shortage of employees, there is a high level of intensity of labor. Usually this situation belongs to basic work such as waitress/ waiter, kitcheners, receptionists, bellmen, as well as cleaners. Those employees who are working in these positions have to conduct a high working stress and intensity but with the lowest payment compared with the incomes of those who also work in the basic positions at other corporations. At Chinese hotels, an employee's position decides his or her salary level, without enough bonuses and extra rewards to those who have a better working performance. Under this unreasonable salary system, the only approach for employees to gain a higher salary level is by managing to obtain a higher position, however,

the management positions are very limited and fixed at hotels. Therefore, many basic workers would choose job-hopping as accessed obtaining a higher position at another hotel, thereby leading to a high turnover rate in the Chinese hotel industry. (Sheng, 2014)

Moreover, the hotels do not pay much attention to enacting employees' career planning, which is important to employee's future career development. Without a specific plan of employees' future development, those who are working in the basic positions are likely to get bored with their daily repetitive jobs. Especially for skilled and well-educated employees, after working in a basic position for one year without any promotion, they would choose to leave and this could be a huge loss for the origin hotel. Because of the lack of cultivation programs aimed at basic employees, the majority of them feel their abilities cannot improve in the hotels. However, the Chinese hotel market is expanding rapidly, which means there are plenty of employment vacancies. This external environment provides those experienced employees with more opportunities to change the employer of those who do not allow skilled and well-performed basic employees get promotion. (Chen, 2007)

The overlooking of employees' mental and emotional satisfaction toward the job also causes employees' leave. This can be attributed to incomplete management. As mentioned above, the number of hotels is increasing rapidly, while the matched management talents and experienced employees are very limited numbers. Thus, the shortage of human capital leads to a low quality of hotel management, because the lack of management experience leads to those managers not knowing how to deal with the followers' problems. Lack of skilled and experienced management personnel also makes it difficult to retain useful employees. (Sheng, 2014)

2.3 Motivation and Incentives Theories

This chapter will be divided into three parts. Firstly theories about motivation will be shortly introduced. These include needs motivation theories, equity theory,

Herzberg's motivation theory, expectancy theory of motivation as well as job characteristics motivation theory. (YourCoach, 2016)

After this the relation between motivation and incentives will be discussed, during which the tools to analyze the impacts of incentives on intrinsic motivation will also be presented. Moreover, the incentive measurement will be discussed at the final part of this chapter.

2.3.1 Motivation Theories

Among various definitions about motivation, such as " the reasons underlying behavior " (Guay, Chanal, Ratelle, Mars, Larose, & Boivin, 2010), " the attributes that move us to do or not to do something" (Broussard & Garrison, 2004: 106) and " a need or desire that serves to energize behaviour and to direct it towards a goal" (Myers 1996, 297), they all mention motivation as stimuli which energize or accelerate motivational process. (Kelechi & Temitayo, 2013) In this thesis motivation is defined as drivers that lead people to perform an action. (Motivation, 2016)

In the following motivation theories will be divided into content theories and process theories. While content theories include Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's two factor theory and McClelland's acquired needs theory, process theories consist of equity theory, and expectancy theory. (WikiofScience 2016, Stotz & Bolger, 2016)

Maslow	Alderfer	McClelland
Self Actualisation Needs	Growth	Achievement Motive
Esteem Needs		Power Motive
Social Needs	Relatedness	Affiliate Motives
Safety Needs	Existence	Avoidance Motives
Physiological Needs		-

Table 3. An Overview of Needs Theories (YourCoach, 2016)

As Table 3. presents these three theories consist of main and fundamental motivation theories. In 1943, Abraham Maslow developed the hierarchy of needs theory, which shows people's needs are satisfied according to a hierarchy order, from the bottom needs of physiological needs to the top self actualization needs. In order words, once people's safety needs have been satisfied, they will be motivated to accomplish social needs. When an employees' esteem needs have been accomplished, they will look for a higher need including competing for a better promotion. (Samson & Daft, 2005)

Alderfer's ERG theory, as presented in Figure 4., condensed and expanded Maslow's needs model into three categories, and ERG represents existence, relatedness, and growth. The existence needs are considered as Maslow's physiological and safety needs which provide people with fundamental material existence conditions, while the relatedness needs are similar to Maslow's social needs where desires can be satisfied only by the interaction with other people. The growth needs are regarded as Maslow's esteem and self actualization needs which can be seemed as an intrinsic motivation for individual development. (Schneider & Alderfer 1973: 489-505)

McClelland's acquired needs theory suggests that people's desire is acquired from their previous experiences and these needs motivated people to work. This theory introduced a different approach to distinct people's needs, which have been categorized into need for achievement where people are motivated to take more responsibility and chase for complicated goal, need for affiliation where people are motivated to complete work referring more social interactions and need for power where people are motivated to concentrate and control power and be placed on high position. (Stone 2008)

Apart from these three main needs theories, there is one Herzberg's two factor theory left in content theories. Frederick Herzberg developed this theory in 1968, and this approach demonstrated two factors, namely, motivators and hygiene factors, are related to people's job satisfaction. Some scholars referred motivators as

satisfiers and hygiene factors were regarded as dissatisfiers. (Pardee 1990) While motivators such as responsibility and recognition are able to increase employees' satisfaction, hygiene factors such as salary, fringe benefits, and working conditions enables discomfort and insecurity to be minimized. Herzberg said these two factors are working together and the combination of good hygiene factors and effective motivators leads to a good motivation. (Hartel, Fujimoto, Strybosch, & Fitzpatrick, 2007)

As mentioned above, content theories state the variety of motivation and what lead people to a certain behavior, while process theories describe how the behavior is motivated. (WikiofScience 2016, Stotz & Bolger, 2016)

John Stacey Adams' equity theory belongs to process theories and it gives an explanation about why giving someone a promotion or salary rise is likely to demotivate others who are working in the same condition. Since people always compare their conditions with others, especially in a work place, to see whether they have been treated fairly. If an employee's ratio of inputs to outputs is lower than that of his or her colleague's, he or she may think their efforts were not be treated equally. Thus, when confronted with inequity, the majority of employees are likely to cut down their efforts or leave their job. (Samson & Daft, 2005)

Expectancy theory of motivation was developed by Victor Vroom and this theory suggests when people are confronted with different choices, they would be motivated by the needs and expectations which are not difficult to be accomplished. Besides this, before putting their efforts people would evaluate the compensations or rewards to measure whether the outcomes are equal to the inputs. (Hartel, Fujimoto, Strybosch & Fitzpatrick, 2007) This theory has always been employed in the compensation sector and is related to the following discussion about incentive mechanisms. (Stotz & Bolger, 2016)

2.3.2 The Relationship between Motivation and Incentives

When the definitions of motivation are related with "initiation, direction, intensity and persistence of behaviors", incentives refers to extrinsic factors which are used to impact motivation and performance of people, or corporations. (Capacity, 2006)

Motivation has been widely categorized into two main types, which are intrinsic motivation and extrinsic motivation. (Ryan & Deci, 2000) According to the previous studies conducted also by Richard M. Ryan and Edward L. Deci in 1985, they stated the biggest difference between intrinsic motivation and extrinsic motivation is the former regards to the trigger of acting relating to its naturally interesting and enjoyable, while the latter refers to the trigger of acting because of a dissociable outcome.

Motivation is possible to divide into three levels, including individual motivations, which are individual's desires and believes, organizational motivation, which is organization's intrinsic motivation apart from organization's capacity, as well as social motivations, which refer to individuals' willing to integrate into society and have a sense of belonging. Thus, all of these levels are associated with internal motivational factors. In the following, incentives as external motivational factors will be introduced as to how they impact different levels of motivations. (Capacity, 2006)

Incentives toward individual motivation such as financial incentives and cash rewards are always related with better outcomes and performance of people, by contrast, it appears that the value of non-financial material incentives such as flexibility of working time, possibility of promotion, and chance of training is commonly perceived as "a function of psychological processes", which is based on people's "natural desires and moral believes" as well as "psychological benefits that is relevant to the status of power" (Capacity, 2006)

Incentives toward organizational motivations play a vital role in organizational development, because it can enable the employees to devote to their daily work and complete the tasks efficiently, and productively. It is fair to say that the suc-

cess of an organization closely links with the creation and establishment of efficient incentive systems so as to attract best employees for the positions and entice them to work with high performance. Beside this, an appropriate incentive system is able to cultivate loyal employees from those who are encouraged by the system. Therefore, there is no doubt that organizational incentives have a positive impact on employees' performance and so on development of organization. (Capacity, 2006)

Because incentives toward societal motivation are more concerned about "security, rule of law, climate of investment, payment of civil service or legislation conducive to citizen's engagement", this paper won't discuss this incentive in more detail. (Capacity, 2006)

2.3.3 Incentive Categories

As being cited by Dollman R. (1996), it is Chester Barnard who first figured organizations as "cooperative groups with mechanisms for distributing incentives to members". (Barnard, 1938) After this description came out, many different classifications were developed toward study of differences in the incentives to cause performance and attitudes. (Zald & Jacobs, 1978 p.403) Among a number of extensive categories, the incentive classifications of Clark and Wilson (1961) and Etzioni (1961) have been widely utilized. (Zald & Jacobs, 1978 p.405) While the former classified the organizational compliance system (namely negative incentives) into "coercive", "utilitarian" and "normative", the latter identified incentives as "material", "solidary" and "purposive" and details will be introduced in the following paper.

Material incentives are defined as tangible rewards which possess "monetary value" or are able to be exchanged into something that have monetary value. These can be "wages and salaries", "tangible benefits of taxpayer's union toward its members", the increase in "property values for a neighborhood redevelopment association" or "the rise in wages" and other concrete margin advantages which are acquired via a labor union. (Clark & Wilson, 1961 p.134)

Solidary incentives are regarded as intangible rewards which in comparison with material incentives, have neither monetary value nor the exchange alternative that has the value in solidary rewards. These inducements basically originate from the act of combining, and they consist of the rewards as "socializing", "congeniality", "the sense of group membership and identification", "the status rooting in membership", "the maintenance of social distinctions" and so on so forth. The common trait of these inducements is they are not depended on association's utter goal. (Clark & Wilson, 1961 p.135)

Purposive incentives is at the same as solidary incentives which belong to intangible incentives. However, purposive incentives root in the precise purpose of the associations instead of the processing act of the associations. These motivators are existing in organizational "suprapersonal goals" which means they are unable to provide beneficial effects to individuals directly and tangibly, and the goals refer to the organizational demands for the establishment of concrete policies or the adoption of specific measures. Therefore, these inducements can be "elimination of corruption from public service", "beautification of community", and "dissemination of information about politics". Compared with solidary incentives the most distinctive feature in purposive incentives is that "the ends system" has a significant impact on organization's incentive system. (Clark & Wilson, 1961 p. 135-136)

Nonetheless, although among extensive classifications of incentives Wilson's work is recommended by people more often than other works and it is recognized as "carefully done and more extensive than most efforts in this area", his classification is more relevant to political associations instead of business firms. (Zald & Jacobs, 1978 p.406)

2.4 The Effects of Incentives on Brain Drain of Hotel Industry

It has been argued that various types of incentives are able to result in different degrees of effects on performance. Thus, in this paper in order to study the impacts of incentives on employee turnover, the types of incentives are identifies into "monetary incentives", "non-monetary but tangible incentives", and "non-monetary and intangible incentives". (Condly, Clark & Stolovitch, 2003, p.4) Ac-

According to the suggestion of psychology of performance there is a "two-stage process", that is, in the real world the value of increased motivation is provided by incentives and it will force an increase in performance by employing related knowledge and skills. (Clark & Estes, 2002)

As noted in chapter two the reasons behind brain drain in the hotel industry, this chapter focuses on the study of incentive effects. Before the discussion about the impacts of incentive programs on employees retention, we will start by the study on incentives and performance in the following paper.

2.4.1 Incentives and Employee Performance

The study of meta-analysis conducted by Steven Condly, Richard Edward Clark, and Harold D. Stolovitch Ph.D claims that appropriately implemented incentives are greatly able to increase employee's performance. (Condly et al, p. 58) As cited in Executive White Paper, the results of the study proved that if the incentive programs can be conducted precisely they are able to "boost performance by anywhere from 25 to 44 percent". (Stolovitch, 2010)

According to the research, it is notable to conclude the well-designed incentive programs can improve performance by tangible rewards and team incentives. (Stolovitch, 2010) From Table 4. it can be seen that there was a marked 48% gain for team performance after being provided with incentive programs, compared with only 19% performance increase in individuals who are rewarded by individually incentive programs. The result of this sector proves in comparison with individual incentives that team incentives are able to drive a higher performance increase with a lower cost. As showing in Table 5, the study claims that if the costs of these two incentives are almost the same, then it is reasonable to state that monetary incentives have a better impact on work performance than non-monetary tangible rewards such as presents, holidays and meals, since the gains in monetary incentives is at 27%, being almost twice the number for non-monetary tangible incentives (13%).

Participants	% Gain	Effect Size	Lower	Upper	# of Studies
Individual	19	0.55	0.50	0.59	55
Team	48	1.40	1.27	1.53	9
Mean (Total)	22	0.65	0.60	0.69	(64)

Table 4. Effects of Team and Individual Incentive Programs on Performance (Condly el at. p 55)

Incentive Type	% Gain	Effect Size	Lower	Upper	# of Studies
Monetary	27	0.79	0.73	0.85	52
Non-monetary tangible	13	0.38	0.31	0.46	12
Mean (Total)	22	0.65	0.60	0.69	(64)

Table 5. Effects of Type of Incentives on Work Performance (Condly el at. p 52)

Besides that, Stolovitch said that incentive programs are able to engage participants. (2010) As can be seen from results being showed in table 6, it seems that the effects of incentives on starting a new job do not work significantly as motivation outcomes of persistence and mental effort, because the incentives in the choice drive only 15% performance increase while the figures for persistence and mental effort are at 27% and 26% respectively. Although incentives are provided, the costs of being rewarded for starting a new job overweigh that of persisting as well as working smarter at a familiar job, considering the lack of experience for a new job.

Therefore, through the findings in the research, Stolovitch made a further suggestion that incentives enable the work to be more interesting. While people are motivated by incentive programs for starting a job, there will be a 15% performance increase, the programs aimed at encouraging employees to retain in a position are

able to trigger 27% performance increase. Moreover, if the programs are employed to encourage employees' creativity and innovation, work performance of people can increase by 26%. (Stolovitch, 2010)

Motivation Outcome	% Gain	Effect Size	Lower	Upper	# of Studies
Choice	15	0.43	0.35	0.50	7
Persistence	27	0.79	0.73	0.86	42
Mental Effort	26	0.76	0.64	0.88	15
Mean (Total)	22	0.65	0.60	0.69	(64)

Table 6. Effects of Incentives on Three Types of Performance Motivation Outcomes. (Condly el at. p 57)

As presented in table 7, the longer program term is able to boost a higher performance increase. When long term (namely over six months) incentive programs can produce 44% performance increase, followed by the 29% increase from intermediate term (between one month and six months) incentive programs, the lowest performance increase occurs in short term incentive program, namely less than one month incentive programs at 20%. Although the study cannot explain the trend, there is one possible argument that long term programs allow specialists to change and adjust the incentives to fit both the employees' desires and the organizations' goal. (Condly el at. p 54)

Term	% Gain	Effect Size	Lower	Upper	# of Studies
Long	44	1.28	1.08	1.48	5
Intermediate	29	0.85	0.72	0.98	13
Short	20	0.58	0.53	0.63	46
Mean (Total)	22	0.65	0.60	0.69	(64)

Table 7. Effects of Incentive Program Term on Performance Increases (Condly el at. p 54)

2.4.2 Incentives and Employee Retention

Brain drain can lead to a lack of skilled and well-educated talents. In order to address this problem, those countries which are confronted with severe brain drain should lay emphasis on improving their local labor-market conditions for retaining and attracting skilled workers. In comparison with enacting compulsive measures to restrict emigration, providing incentives for staying would be the best way, according to the previous experiences. (OECD, 2016)

In order to retain talented and skilled employees, a great number of organizations would choose to utilize financial and non-financial incentive programs, since incentives have been widely recognized as an inducement that is able to encourage motivate employees to perform or act in an expected approach and achieve a desired goal. (Chand, 2016)

In the study of Impact of Financial and Nonfinancial Incentives on Business-Unit Outcomes, Suzanne J. Peterson and Fred Luthans claimed that both of these two types of incentives have notable and positive effects on employ turnover.(2006) Furthermore, the theoretical premise of the study was derived from the previous meta-analyses, which was conducted by Stajkovic and Luthans, which proved that these two inducements do have a beneficial impact on people's behavior, while individual performance will impact organization outcomes, including "employee turnover, profits and customer services". (1997, 2003)

When it comes to the financial or monetary incentives, money has been recognized as the essential motivator for a long time. (Mitchell & Mickel, 1999) The main benefits of this incentive is to help an organization attract and retain talented and skilled employees, and it is able to reinforce staff work performance. (Stajkovic & Luthans, 1997, 2003) Furthermore, it has been argued that talented and skilled employees with high work performance are more likely to leave the original workplace and seek for another employment when their incomes are not

perceived as equal to the outcomes. The findings provided by Sturman and Trevor also indicated that if rewards are not possible to be recognized as available on performance, there will be a high turnover intention among skilled employees. (2001) About this phenomenon, one explanation was suggested by Gerhart and Milkovich in 1992, indicating that there is a positive correlation between the desire of changing jobs and reward inequity, in other words, when there is an increase in reward inequity, there is an increase in the desire of changing jobs, since high-performers may think their efforts will not be treated with sufficient respect and equity. Thus, it is reasonable to say that low reward availability may lead to a high talents turnover. In order to retain the best employees, organizations should give importance to the financial incentives. Also the research conducted by Trevor, Gerhart and Boudreau (1997) indicated that an effective pay-to-performance is able to reduce valuable staff turnover. Moreover, among numerous contingent financial incentives, such as vacations, retirement benefits, housing facility, stock option, commission and so forth, lump-sum bonuses have been widely employed to retain employees.(Sturman & Short, 2000; MBA 2016) According to the description of Dulebohn and Martocchio, these bonuses belong to extra cash payment that is apart of base salaries and so this will not be counted into fixed labor costs from long operating point of view.(1998)

By contrast, nonfinancial or monetary incentives mainly consist of social recognition and performance feedback. (Peterson & Luthans, 2006) The recognition is closely associated with informal appreciation, concern, affirmation, or praise (Luthans & Stajkovic, 2000), while the performance feedback is based on previous experience and provides useful information for future performance maintaining or improving. (Prue & Fairbank, 1981) Moreover, the research of the effects of incentives on business-unit outcomes found that while incentives intervention has a positive impact on reducing turnover, financial incentives present a notably greater influence on employee retention than nonfinancial incentives do. To be more specific, the data show that after 9 months incentives intervention the turnover rate saw a decrease of 13% and 10% respectively, for between financial incentives and nonfinancial incentives. (Peterson & Luthans, 2006)

2.5 Research Methodology

According to the study of Rajasekar, Philominathan and Chinnathambi (2013), research methodology has been described as a scientific approach to tackle a problem and a framework of systematic research process. To be more precisely, research methodology is mainly constituted of :

- selecting optimal research methods for the research problem
- explaining the types of the collected data

Among numerous research methods, this paper selects qualitative and quantitative research methods to analyze the impact of incentive mechanisms on brain drain, namely high employee turnover.

2.5.1 Quantitative Research

According to Given Lisa M.'s description, quantitative research refers to a scientifically practical investigation of aimed objects through statistical or mathematical technique. This research method is related with the questions of "how much" and "how many" and the collected data is generally in the form of numerical numbers or percentages. (Given, 2008) Moreover, by analyzing numerical data, researchers are able to generalize and employ the results into a larger sample. In addition to that, while qualitative research can produce a hypothesis, quantitative research is able to verify the reliability and validity of the hypothesis by a large sample test. (Wikipedia)

This paper will employ a questionnaire survey to collect quantitative data, and to verify the hypothesis produced by the qualitative research. To be more precise, after the in-depth interviews of a small but purposive samples, a hypothesis can be made about whether the suitable incentive mechanisms have a significant impact on reducing employee turnover, and then through quantitative research, it is possible to verify the reliability of the hypothesis and then make the final, precise conclusions.

2.5.2 Qualitative Research

In contrast, qualitative research is concerned about the problems associated with "why", "what" and "how". The data of the method is generally in the form of words rather than numbers. Moreover, researchers would choose to start the research by qualitative method, if the underlying information is vague and unclear, because this method is able to help them to generate hypothesis and so to study the hypothesis by conducting quantitative method and collect more reliable data. (Patton & Cochran, 2002)

Considering this paper is studying the effect of incentives, we will start by employing this method to select purposive samples and collect useful data for generating reliable hypotheses of the research problem. In addition to data collection, the most popular tool is interviews which can be divided into structured, semi-structured and in-depth. (Savin-Baden, Major, 2013) This paper selects in-depth interviews for research tool, because compared with semi-structured interviews which are conducted with topic guides, this tool also named as unstructured is able to encourage interviewee to tell more perceptions and explanations about the given questions. (Patton & Cochran, 2002)

2.5.3 Reliability and Validity

Reliability in quantitative research refers to the degree of result's consistency and the extent of result's representation among a large population. In this definition, the reliability is associated with repeatability of the research results. (Joppe, 2000) Besides this notion, Kirk and Miller also suggested that reliability in quantitative research is able to be identified in three types, including the selected measurement after being test repeatedly remains the same result, the stability of the measurement in a certain period, as well as the similarity of different measurements under a certain period. (1986 pp. 41-42) As for the reliability of this paper's quantitative research, the same questionnaire will be sent to different departments in the hotel at the same time, and this questionnaire can be used in different hotels but within the same hotel scale. It believes that the results will be the same.

When it comes to validity in quantitative research, Joppe gave his description in 2000, that is, validity is able to determine if the measures of the research truly achieved its original aims and how reliable the results are. In this paper, in order to test whether the questionnaire items can be answered in the expected direction, the questionnaire will be sent to a small group and test the validity of it, before sending it out to the hotel. Therefore, to sum up, the reliability and validity in quantitative research can be identified as the replicability of the results and the accuracy of the measurements of the research respectively. (Golafshani, 2003)

In contrast, in order to ensure reliability and validity in the qualitative research, conducted interviews, it needs to be made sure that the collecting of data can also be generated by another researcher and employing the same topic guide, and asking the questions should be credible, as well as transparent when collecting data and analyzing it. (Patton & Cochran, 2002)

3 EMPIRICAL STUDY

In order to study the effects of incentive mechanisms on brain drain in the hotel industry, the paper selects a five-star and an international chain hotel as a case company to study. Considering its scale and reputation, the brain drain in this hotel reflects the general situation in similar size and scale hotels. In addition to that, compared with dominating family hotels and economical hotels, international chain hotels have a better scientific and systematic management mechanism, as the development of hotel industry in western country has surpassed that of China for dozens of years. When the international hotels came into the Chinese hotel market, their advanced management methods toward employees were also introduced and then popularized in other local hotels. Therefore, it is not difficult to obtain useful information about the incentive programs in the case hotel for further study.

In this chapter, after the introduction of the case hotel, the paper will present and analyze the research results from the in-depth interviews and the questionnaire. Through the in-depth interviews of four different employees, the results found that according to different working age and working position the interviewees have

different perspectives toward their existing incentive mechanism. Thus, in order to test a larger sample, the paper chose the questionnaire as a quantitative method. Moreover, the questions in the questionnaire are mostly derived from the interviewees. Before analyzing of the results, there will be an introduction of the case hotel.

3.1 Introduction of Case Hotel(Westin Hotel)

According to the statistic data on the official website of West Hotels and Resorts, the company was more than 200 hotels and resorts around the world, among them, there are 14 hotels and resorts located in China, while one is in Hong Kong, and 13 are placed in mainland the China. Furthermore, our case Westin hotel in Wuhan was opened in July 2011, and it is ranked as a five-star hotel by the local tourism committee. The hotels and resorts are recognized as modern in design, as having instinctive service and a rejuvenating atmosphere. (Westin, 2016) The ownership of the Westin Hotels & Resorts has belonged to Starwood Lodging since 1997, before the acquisition, Westin Hotels & Resorts Worldwide was regarded as the oldest hotel management company in North America. (Fundinguniverse).

Among all important events in the development of Westin Hotel, there are three typical milestones, including the introduction of service express in 1994, as the first upscale hotel which created this special telephone service so the customers are enabled to enjoy all the services provided by the hotels via a call. Next, the introduction of Heavenly Bed in 1999 also changed the traditional cognition toward top experience of sleep, and the introduction of Heavenly Bath which is able to provide the customer with perfect bathing experience. (Westin, 2016)

3.2 Interviewee 1

The first interviewee is an assistant-manager of the concierge department and he has worked in The Westin hotel for around four years. The interview was conducted in-depth, so during the conversation a topic guide was not used, instead the interviewee was asked to share his working experience and what he thinks about the high turnover in the Chinese hotel industry.

During the conversation, he expressed that hotel industry in China is a very difficult industry, especially for those students who just graduated, because the salary of the basic employee in hotel is regarded as the lowest level position compared with that of other industry's basic employees. Moreover, if you do not have previous working experience, even though you are a postgraduate student, you still need to start from a very basic position, such as a bellman, a waiter/waitress, a housekeeper or other basic work, thus many young graduates think they deserve a better work position. In addition to that, the low salary of basic employees also contributes to a high turnover in well-educated employees.

When it comes to incentive programs, from this interviewee's management representative point of view, he holds a very positive attitude to the talents and the promotion cultivation program of hotel, since before obtaining the position of an assistant-manager, he had been cultivated by Starwood career for almost two years. According to his introduction, the Starwood career is an approach to help a basic employee get a promotion step by step. In the promotion process, all basic employees will be ranked into different levels from 1 to 6 regarding to their working age as well as daily performance. Then, aimed at different level employees, there will be different promotion classes, to be more precise, those who are ranked as level one to three are able to apply for the class of representative of basic employees, which provides the basic employees a chance to learn what the task and responsibility of a representative is. In this class, the basic employees will be guided by their direct manager to achieve six modules of study, including core function, leadership ability, project management, compulsive cultivating program, as well as two optional complementary skills training programs. Each class contains a 12-month study process, and after the whole cultivation program, there will be a final test to assess their ability and decide which of them is able to obtain the promotion of a representative of basic employees. That is why it took the interviewee two years to get the position of an assistant-manager.

As a result of this, the interviewee said that the hotel has indeed provided employees plenty of opportunities to develop the employee's ability, and during the foster programs employees are able to learn much more than expected. Moreover, it is

the cultivating process which increases his sense of belong to the culture of hotel. However, as he mentioned, the general situation is that most graduates are unwilling to start from the very beginning and be paid the lowest salary. So, that is the reason why even though the hotel has an effective incentive programs most well-educated employees still choose to leave after several months of working.

3.3 Interviewee 2

The second interviewee is a female who has worked in this hotel for almost three years. She also holds a positive attitude toward the hotel's incentive programs. The first thing she emphasized is about the hotel's material gifts. Whenever there is a festival, the hotel will send out special gifts to every regular employee. According to her description, this incentive is able to increase her sense of belonging to a great extent. Beside this, she mentioned that every year the company will organize a spring excursion, all working staff are able to take part in this activity, including the trainees. She said that this activity provides an perfect opportunity to shorten the distance between the management and the basic employees and get to know colleagues in a new way, thereby fostering a better working atmosphere after the excursion.

Moreover, this interviewee experienced that currently only in their Front Office Department, employees are able to move on to different job, so they are allowed to learn various skills in different job positions. However, this talent cultivating program only aims at those who have worked in the hotel for at least one year, thus most trainees who will stay in hotel for less than six months are unable to benefit from this motivator. Referring to this interviewee's personal experience, it is fair to say that the exchange learning opportunity has notably increased the employee's sense of fulfillment through acquiring useful and practical knowledge, as well as the sense of belonging to the culture of the hotel. This interviewee is now working at the secretary department in the Front Office, and after five months exchange, she will return to her previous working position as a protocol.

When she was asked how does she think about the effects of incentive programs on brain drain in their hotel, she indicated that this might also depend on the per-

son. For herself, the company's special incentive program can be one reason for her staying, but more important is about her working preference. Because she does not like changing the working environment, although the salary is relatively not so high, she thinks that is enough for her to make a living. Moreover, compared with other colleagues she has a relatively fixed working time, from 7 am to 4 pm, and without either evening or night shifts, because she has the highest working age in comparison with others at the same position in hotel. From her experience, it can be concluded that if you are a loyal and an active employee, the existing incentive program is able to help you make further progress and provide you with the possibility of obtaining promotion. ww

3.4 Interviewee 3

The third interviewee is a trainee who has worked in the hotel for almost nine months and she said she will stay in this hotel for three more months, after which she will resign and seek for another job in bank. This interviewee was recommended by the manager of Front Office, because of her excellent selling capability and work performance.

However, during the in-depth interview, it became apparent that this trainee is eager to leave the hotel mainly due to the lack of effective financial incentives as well as reasonable human resource management. To be more precise, as she mentioned, before she started her training in the bellman's position, she has applied for the receptionist job. Nonetheless, the hotel did not take her desire into consideration and arranged her into a position where there was a shortage of staff. Even though she was dissatisfied with the company's decision at the beginning, during the interview, she admitted that the decision actually was reasonable from a general and the company's point of view, since it is obvious that the hotel has to give priority to company's regular operations. Therefore, after the interviewee recognized this situation, she managed to work even harder so as to attract the management's attention. In addition to that, she helped the company earn more than dozens of thousands of China Yuan by selling Heavenly Bed which is the main

hotel product. While the market price of a bed is 18000-19000 CNY, the employees are able to obtain 1% of the price as a commission when they sell out each bed.

According to the argument of this interviewee, the amount of the hotel's sale commission is unable to increase general employees' working performance. Apart from this, when the interviewee was asked about the hotel's non-financial incentives such as specific career development plan and talents cultivation program, she held a very objective attitude. She argued that for most of the general trainees these program did not work at all, since the premise of applying for these programs is at least one year of working experience. Taking herself for instance, she has worked in this hotel for almost nine months, the management did not give her any chance to exchange to another department even though she has made a great contribution to the company's income. Thus, from her point of view, the trainees are not being treated with enough respect and the only function of them is to provide cheap manpower. The only motivator to drive her high performance is accumulating working experience and so to seek for a better workplace.

When she was asked about under such a disadvantaged working environment why she would choose to keep staying with this hotel, she said she has to achieve one year internship in this hotel before being able to graduate from school. Moreover, she also mentioned that after this working experience she won't choose to work in this industry anymore.

3.5 Interviewee 4

The last interviewee is a management trainee who has worked in this hotel for almost one year after her graduation, and she explained when her working contract (which has only for one year) expires she will leave this industry and seek for a different job. Because of through almost one year of working, she found this industry is different than her expectations. Before working in this hotel, she thought with the rapid development of Chinese standards of consumption, international up-scale chain hotel would have a very bright and potential career prospect. Moreover, in her expectations people are more willing to be looked after and protected when they are under a huge stress, thus this fully-functional and up-scale

hotel might be the best choice for them to get relief and enjoy a happy moment. Besides this, from the company's point of view, Starwood is one of the most famous hotel groups worldwide, so it seems to be an amazing choice, especially for a graduate if being able to work in there. With these wonderful expectations, she went into the hotel industry as a management trainee, due to her excellent educational background. Although the position belongs to management, she still has to start from a very beginner position..

Because of the special characteristics of her position, she was able to work and learn in different departments, including the Front Office department, Marketing department, Human Resources department, as well as Food and Beverage department. However, after almost one year training on the job, she mentioned that this industry in China is confronted with a severe problem about the quality of customers. Since the Chinese economic boom is accompanied with the expectation consumption of the numerous nouveau riche, generally, they are very arrogant and look down upon service providers. Besides this kind of low quality customers, particularly in the night shift, she has met plenty of unexpected trouble with unfriendly customers. Interviewee 3 also emphasized the problem of unreasonable working times which can be one of the reasons explaining the high turnover in basic employees.

When she was asked about the reasons of high turnover rate in employees, the first thing she adverted was the high pressure of daily work. Since you cannot control the emotion of customers, there are countless reasons for them to complain of your service and this could be the biggest challenge for most new workers, particularly for graduates or someone who has acquired a higher education. After this she talked about various complicated personnel disputes as well as lawsuits, and whenever there is a bigger problem, all punishments will be finally aimed at basic employees, even though it is not their fault. Because of that most general trainees and basic employees feel they have not been treated with respect. The last, but not the smallest reason was referring to the low salary. Although the economical contribution of the service industry has been widely recognized in China, the industry itself is still at a disadvantaged stage. There is a severe wealth inequality

between the management and the basic employees, while the latter has a much heavier workload, they receive the lowest salary. Therefore, they always think their efforts have not been compensated equally, thereby leading to a high employee turnover.

Furthermore, when she was asked to tell about her personal opinions of the company's incentive mechanism. She adverted that the most important thing for the company to retain well-performed employees through considerable financial incentives considering that the basic salary is relatively low, so if the company is able to increase its financial incentives, such as a higher sales commission and monetary bonus rewards, a considerable percentage of basic employees would think about twice before choosing to leave the hotel. Besides this, she also mentioned that the hotel should lay more emphasis on the cultivation of general trainees. Based on her rough calculation, around 85% trainees will not stay in this hotel for more than six months and the number of trainees account for around 40% of the whole number of company's full-time employees. As for why the company hires such a huge proportion of young trainee, the interviewee said that it is mainly due to the low cost, and the hotel does not worry the turnover of those trainees, since the company has not invested too much in them. However, they are able to satisfy and compensate the staff shortage of the company. In addition to that, although most general trainees will choose to leave the hotel in one year, there are a large number of new incomings provided by the company's cooperative schools. Because this interviewee has worked in the human resource department of the hotel, the statistic data provided by her is reliable and validily.

3.6 Analysis of the In-depth Interviews

According to the statements of the four interviewees, the recognition of the company's incentive mechanism might be different referring to different positions, working ages, or even gender. The results of interviews show that those people who have a longer working age are more likely to hold a positive attitude toward the company's incentive programs, while the general trainees might hold an oppo-

site opinion. Moreover, compared with these four interviewees' expressions, it is notable to conclude that those who are able to acquire benefits from the company's incentive programs are more likely to retain in the hotel and develop into an loyal employee, while those trainees without receivable and effective extrinsic motivators are more likely to leave the hotel.

Overall, through the statements of these small but typical interviewees, it is to propose a hypothesis that the company's incentive programs have a positive impact on the retention of regular employees while those who are unable to obtain the benefits from the incentive programs are more likely to leave the hotel.

3.7 Analysis of the Questionnaire

The respondents of the questionnaire are mostly working employees in Westin Hotel, as well as also some previous trainees who have left the hotel. This can explain why the number of trainees is almost the same as that of regular employees. While the total number of respondents is 260, the figure for regular employees and trainees is 132 and 128 respectively. Besides this, among the all respondents, there are 202 basic employees and 58 management.

In Figure 3, the respondents are categorized by working age in Westin Hotel. Light blue represents a working age of less than one month; yellow represents working age between one to six months; green represents working age between six to twelve months; pink represents working age between one to three years; dark blue represents working age more than three years. Moreover, the left five columns belong to regular employees, while the right five columns belong to trainees.

Figure 3 shows that 58% regular employees have worked in this hotel for over three years and 17% have worked there for around one to three years, in contrast, most trainees have worked in this hotel for just less than six months, among them 48% have one to six months of working age and 33% have less than one month of working age, which means most trainees are either just starting their work in this hotel or have left the hotel within a very short time. These proportions of

trainees indicate that the high turnover rate of this hotel, mainly because of the turnover in trainees.



Figure 3. Comparison between regular employee and trainee in working age in Westin Hotel

In Figure 4, light blue represents strongly willing; yellow represents willing, blue represents neutral; pink represents unwilling; dark blue represents strongly unwilling. Moreover, the left five columns show to management, while the right five columns present the basic employees consisting of a part of regular employees and trainees. The results show that over a half of the management respondents are willing to stay in this hotel in the following year (53%) and 29% of them are strongly willing to stay in this hotel. However, when it comes to basic employees, just around 44% of them express the willingness to work in this hotel for the next year. In addition to that, around 32% of employees precisely expressed their unwillingness and plan to leave the hotel in one year. Moreover, the left 24% of the basic employees choose neutral, which means they have not decided yet whether to stay or leave.



Figure 4. Comparison between managements and basic employees about to what extent they are willing to stay in this hotel for one more year.

In table 8, all the possible reasons which are provided by the four interviewees are listed to explain why some employees are willing to stay this hotel. The following items consist of reasonable salary, cozy working environment, friendly colleagues, being treated with respect, good conversation with management, being cultivated by the hotel, the sense of working fulfillment, attractive financial incentives, without better work chance, working contract has not expired, accumulate working experience, to acquire a training certificate for graduation, as well as personal working preference.

Among the positive reasons for employee retention, the top three are friendly colleagues (63%), cozy working environment(55%), as well as reasonable salary(49%). However, the percentage of reasonable salary would not be such high, if the questionnaire can be sent to a larger proportion, since there are 58 management respondents in this questionnaire. Moreover, as mentioned by the interviewee, the hotel industry in the Chinese market has a severe wealth inequality between the management and the basic employees. In contrast, the figure for attractive financial incentives accounts for the lowest proportion at 25% of positive reason to retain employees. Therefore, compared with the non-financial incentives such as the following being treated with respect and cultivated by the hotel, the company should improve its financial incentives.

选项	小计	比例
reasonable salary	93	48.95%
cozy working environment	104	54.74%
friendly colleagues	120	63.16%
personal preference to service industry	80	42.11%
being treated with respect	78	41.05%
being cultivated by the hote	77	40.53%
having a sense of fulfillment	70	36.84%
attractive financial incentives	48	25.26%
without better working choice	24	12.63%
working contract is not expired	7	3.68%
accumulate working experience	53	27.89%
complete school's requirement	9	4.74%
personal preference	22	11.58%

Table 8. Reasons of employee retention

In the previous question, the respondents are asked to choose whether they are willing to stay working for the hotel for the following year. Among the 260 respondents, there are 70 choosing to leave. Hence, in this question, these people are asked to choose which of the following causes can explain their leaving. The listed reasons are also provided by the interviewees, including low salary, unreasonable working hours, heavy workload, do not like service industry, not being treated with respect, the lack of effective monetary incentives, difficult to obtain promotion, being tired of tedious job, hotel industry is different than their expectation, and having a better work choice.

Figure 5 presents that 87% of the respondents choose low salary, followed by the number of the lack of monetary incentives. (74%) Moreover, the figure for without being treated with respects accounts for 66% of the respondents, and 57% of them choose unreasonable working times. Among all of these listed items, without being treated with respect, the lack of effective monetary incentives, and difficult of obtaining a promotion are relevant to the incentive mechanism of the company, while the low salary, unreasonable working times, heavy workload are related to the objective drawbacks of the hotel industry. Therefore, from this chart we are able to conclude that for those who are leaving the company, the most rea-

sons is the company's incentive programs the inability to motivate employees to overcome the disadvantaged working conditions of the hotel industry.

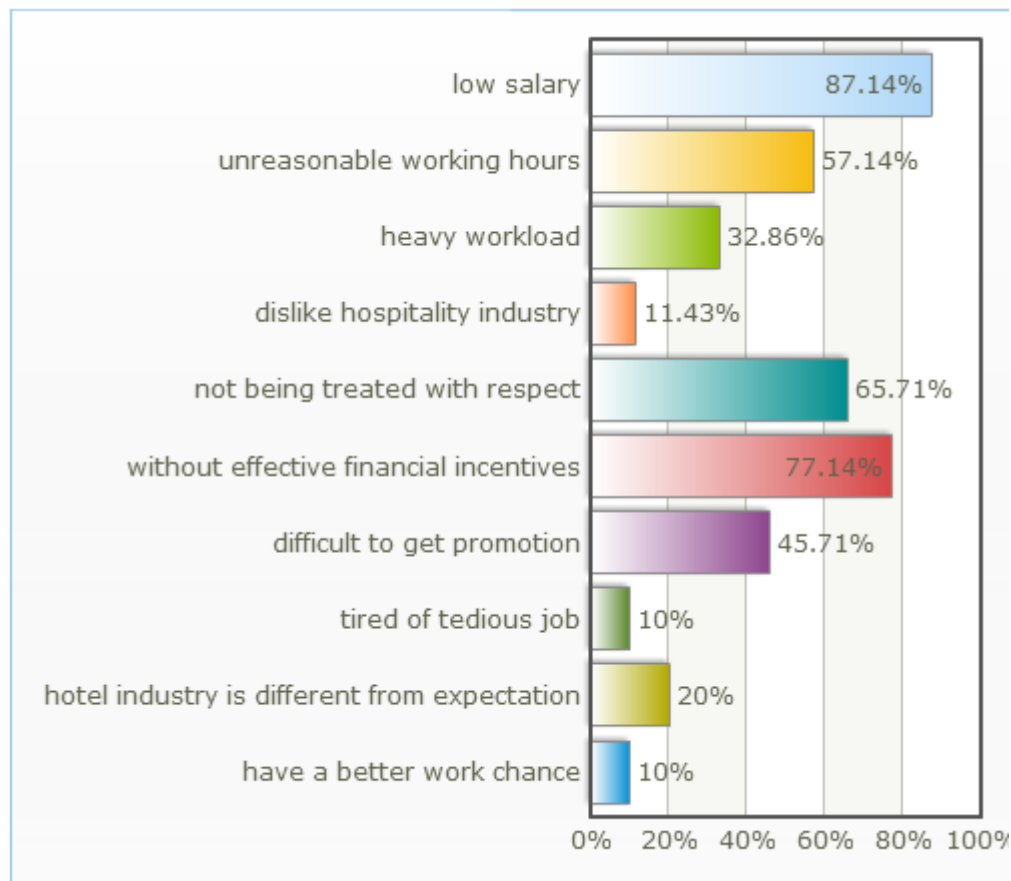


Figure 5. Possible reasons of the out flow of employees

In table 9. light blue represents "still choose to stay in hotel industry but change to another hotel"; yellow represents "will not stay in hotel industry anymore and will change to other industries"; green represents "will choose to go back school and after acquiring higher education will come back to hotel industry" and pink represents "other personal reasons". Therefore, the results show that the majority of the respondents (60%) will choose to leave the hotel industry, while 20% of them will seek employment in another hotel. It indicates that the brain drain in this company refers to employee turnover from the hotel industry to other industries.

选项	小计	比例
still staying in hotel industry but changing to another hotel	24	19.51%
won't work in hotel industry and will look for other jobs in different areas	74	60.16%
acquiring higher education to improve management ability	17	13.82%
others	8	6.5%

Table 9. The next choices for the employees who choose to leave the hotel

According to the record of the interviews, the hotel's incentive programs consist of special discounted employee prices for all the hotel products, promotion cultivating program (namely Starwood Career) aimed at those who have more than one year of working age in this hotel, special skills cultivation projects for the basic employees, sales commission management system, department exchanging program, special material gifts for every employee whenever there is a festival as well as commendatory letter to those who have excellent working performance.

In Figure 6, 1 to 5 represent a different level of the respondents' feeling, 1 refers to the lowest level, while 5 refers to the highest level. To be more precise, in this chart, there are seven different incentive programs, and each program has five different levels from 1 to 5.

From Figure 6, if when comparing just the pink columns (4) and dark blue columns (5) in all listing incentive programs, it can be concluded that while 73% of the respondents think special skills cultivation projects for basic employees can increase their sense of belonging to the hotel, 69% of the choose promotion cultivating program (namely Starwood Career), 63% of the respondents choose sales commission management system, 60% of them choose department exchange learning project. These four incentive programs are regarded as the most important motivators to increase the employees' sense of belonging to the hotel. However, the least effective motivator is a commendatory letter, since there are 64% of the respondents choosing the level of less than 4.

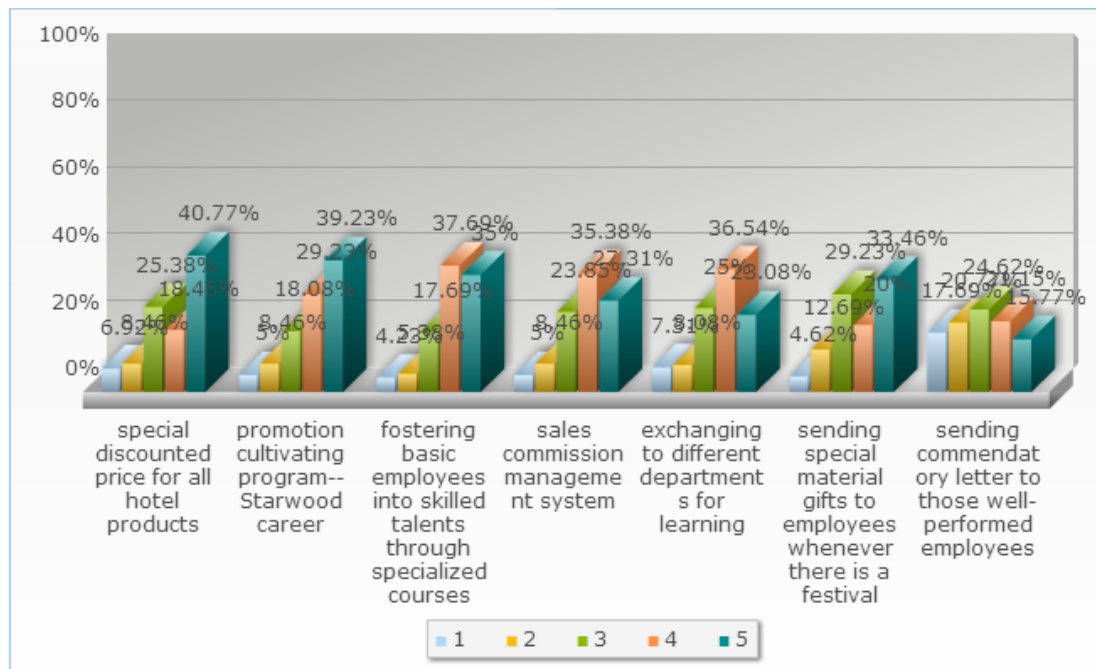


Figure 6. To what extent can these existing incentive programs increase employee's sense of belonging?

In order to figure out the impact of different positions on the attitudes toward whether the existing incentive programs can help to retain employees, the respondents are categorized into two groups, management and basic employees, as well as regular employees and trainees. In Figure 7 and 8, blue represents the incentive programs which can help employee retention, while yellow represents the incentive programs which cannot help employee retention.

Therefore, the results in Figure 7. show that 67% of the management support the incentive programs which can help retain employees, while 55% of the basic employees think the incentive programs cannot help retain employees. By contrast, in Figure 8. there are 55% of regular employees who believe the incentive programs have a positive impact on employee retention, whereas 55% of the trainees hold an opposite opinion.



Figure 7. Comparison between management and basic employees about whether the existing incentive programs can help to retain employees.

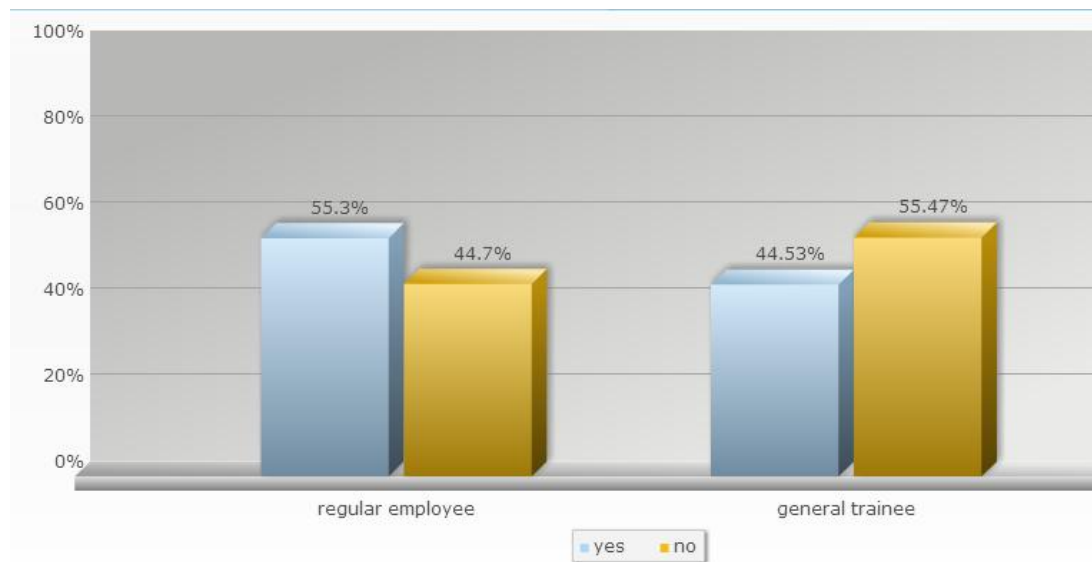


Figure 8. Comparison between regular employee and trainee about whether the existing incentive programs can help to retain employees.

Followed by the last question, those 130 respondents who choose that the existing incentive mechanism is unable to retain employees are asked to select concrete explanations from the following possible items, including that the promotion training project does not work systematically, the lack of scientific skills cultivating process, the sale commission is too small, it is difficult to apply for a department exchange, management do not lay emphasis on the implementation of the incentive mechanism, as well as some other personal reasons.

The results show that there are two typical and common reasons which are related to the implementation of the incentive programs (69%) and the amount of sale commissions (63%). Besides these two, when it comes to the contents of other incentive programs themselves, the respondents do not show a strong dissatisfaction. It means except for the sales commission, most employees think it is because of the overlooking of the management toward the implementation of the incentive programs that leads to an outflow of employees. Moreover, from the basic employee's point of view, when the management do not pay attention to the implementation of the incentive programs, employees might think their efforts are not be paid equally and have not been treated with respects by the company.

On the other hand, for most general trainees, the sales commission is the only approach to acquiring extra monetary bonus. However, there is only a 1% of sale commission, which makes them feel that the company just regards them as a profit earning machine. Therefore, the majority of trainees think the existing incentives for them are ineffective and the incentives cannot motivate them to stay in their jobs at all.

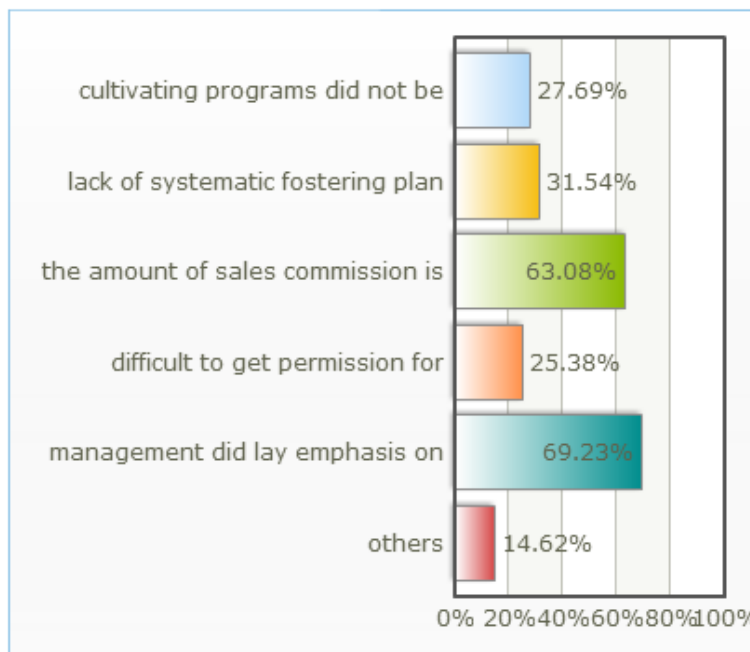


Figure 9. Why the existing incentive mechanism is unable to retain employees.

4 CONCLUSIONS

After the interviews and the questionnaire research, it was found out that although most employees who choose to keep working for this hotel do not do so only because of the company's incentive mechanism. However, the majority of trainees who choose to leave the hotel do mainly so because of the lack of incentive motivators. Moreover, the research shows that the high trainee turnover is the main reason explaining the hotel's high employee turnover rate, especially in the case hotel where the number of trainee accounts for almost 40% of the total number of employees.

Furthermore, the research results show that the management, the regular employees, and the general trainees hold different views about whether the existing incentive mechanism is able to help the company retain staff. When the hotel's wealth inequality has been taken into consideration, it is easy to understand why most of the management support their company's incentive programs while the basic employees, especially the trainees, hold a very opposite attitude toward the existing incentives.

In conclusion, on one hand the positive and practical incentive mechanism is able to help the hotel employees overcome the drawbacks of working in this industry, such as unreasonable working times, low basic salary, as well as a heavy workload, thereby helping the industry to develop loyal employees. On the other hand, the lack of an effective and accessible incentive program will lead to a high employee turnover. Therefore, in order to reduce the brain drain in the hotel industry, most content of the incentive programs needs to be improved, it is of significant importance for all the management to realize the characteristics and status of the incentive mechanism and make sure it can be implemented effectively.

5.1 Future Study

After the discussion about how the positive incentives can reduce brain drain in the hotel industry, it is notable that effective incentive programs are able to retain and cultivate loyal employees. Therefore, in further study, when hotels are estab-

lishing incentive programs we should think about what strategies should be taken into consideration in order to yield expected outcomes and deliver a meaningful and effective performance.

Based on different hotel conditions, different strategies will be laid emphasis on. Moreover, we can learn from the existing Eight-Event Performance Improvement By Incentives Model developed by Stolovitch, Clark, and Condly as this model has given an excellent example of how a company is able to design success incentive programs by the following the eight processes of assessment, program selection, work value, established training and communication, support, emotional appeal, measurement & analysis and feedback.

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APPENDIX 1

QUESTIONNAIRE

1. Are you a regular employee or trainee?
2. How long have you worked in Westin Hotel?
less than one month
one month to six months
seven months to one year
one year to three years
over three years
3. Are you a management personnel or basic employee?
4. To what extent are you still willing to stay in the hotel for next year?
strongly willing
willing
neutral
unwilling
strongly unwilling
5. If you choose to stay and keep working in the hotel for next year, which of following choices could be the possible reason(s) for your stay? (if you are leaving in one year, please skip this question and move to the next one)
reasonable salary
cozy working environment
friendly colleagues
personal preference to service industry
being treated with respect
good conversation with management
being cultivated by the hotel
attractive financial incentives
without better working choice
6. If you plan to leave this hotel in one year, which of following will be your next choice?
still staying in hotel industry but changing to another hotel

won't work in hotel industry and will look for other jobs in different areas
acquiring higher education to improve management ability
others

7. Why will you choose to leave the hotel?

low salary
unreasonable working hours
heavy workload
too many low quality customers
not being treated with respect
without effective financial incentives
difficult to get promotion
tired of tedious job
hotel industry is different from expectation
have a better work chance

8. To what extent can the following existing incentive programs increase your sense of belonging to the hotel?

special discounted price for all hotel products
promotion cultivating program--Starwood career
fostering basic employees into skilled talents through specialized courses
sales commission management system
exchanging to different departments for learning
sending special material gifts to employees whenever there is a festival
sending commendatory letter to those well-performed employees
none of above

9. Do you think whether the existing incentive programs are able to help hotel retain employees?

yes
no

10. If the above question you choose "no", please select following possible reasons one or more.

cultivating programs did not be implemented properly

lack of systematic fostering plan

the amount of sales commission is too small

difficult to get permission for department exchanging

management did lay emphasis on incentive programs

others