

# ***A Study of the Incentive Theory Embodied in the Operation Process of "Haidilao"***

YueWu<sup>1,a,\*</sup>

<sup>1</sup>*School of Economics and Finance, Queen Mary University of London, London, E1 4NS, UK*

*a. Jose.Roberts@students.clatsopcc.edu*

*\*corresponding author*

**Abstract:** This paper examines the issue of motivation theory embodied in the operation process. Taking Sichuan Haidilao Company as the object of study, the paper examines the use of motivation theory in management to analyse and outlook on Haidilao's operation mode, and puts forward rationalised suggestions. The core of an enterprise's development lies in the cultivation of talents, and scientific motivation theory, "people-oriented" and valuing employees, is favorable to enhancing employee engagement and increasing the company's development benefits in order to create a situation that is profitable for both parties. In order to adapt to the changing and complex competitive market environment, the incentive theory of Haidilao should be determined from a variety of directions and different areas to determine the incentive scheme and countermeasures. However, in order to maximise the company's benefits, the most important thing is for the managers of the company to pay attention to and motivate the talents. Companies should develop their own incentive schemes to suit their employees, to stimulate their efficiency and to promote their rapid development, according to their own development and the changing environment of market competitiveness.

**Keywords:** management, motivation, motivation theory, Haidilao

## **1. Introduction**

The purpose of this paper is to examine the application and embodiment of motivational theory in management in the Haidilao enterprise. Firstly, the background of the study is analysed. Through the analysis of the current development of China's food and beverage industry, it is found that China's food and beverage industry will become more diversified, and the hot pot market has great potential, but due to the epidemic, the rebound period may be longer and later [1]. The analysis of Haidilao's operating model and its disadvantages reveals that the company's operating model is "people-oriented", but the disadvantage is that its corporate culture is not innovative enough. The staff culture is low, the reward and punishment mechanism is differentiated, and the staff lack a sense of competition. Secondly, the weakness of this paper is that the previous literature only reflects the superiority and achievements of the incentive theory of haidilao and advocates other companies to learn from haidilao Loh, but does not analyse its shortcomings in depth, which is also the breakthrough point of this paper. Again, the research theme of this paper is to analyse and outlook on the operation model of haidilao using the incentive theory in management, combining the incentive theory with the operation of the company and proposing a reasonable plan for the

future development of the company. Finally, the structure of this paper is to first introduce Haidilao and its operation model, then point out the shortcomings and deficiencies of its operation model and the specific areas that need to be improved, and finally analyse how Haidilao applies the incentive theory and which points of the incentive theory are reflected in its operation model. It also provides an overall outlook on the development of the company.

## **2. Business Model of Haidilao**

### **2.1. Introduction of Haidilao**

Established in 1994, Haidilao is a chain of Sichuan-style hot pot restaurants, a well-known brand in the industry with unlimited development potential [2]. In terms of management style, to increase the value of its employees, Haidilao promotes developing a fair and just work environment for them as well as implementing a humanistic and loving management style [2].

### **2.2. Haidilao's Business Model**

To ensure the timely supply of ingredients and guarantee the quality of raw materials through the supervision of food safety, Haidilao has set up six sizable, contemporary logistics facilities and one base for the manufacturing of raw materials [3]. By establishing vegetable growing bases and purchasing through agreements with farmers, Haidilao is able to purchase vegetables [3]. In 2013, Haidilao truly achieved a nationwide network of platform services, centralised purchasing and centralised processing in the central kitchen. The Haidilao distribution centre has reduced costs and improved efficiency through a standardised distribution chain. The Internet of Things (IoT) platform technology, which enables both online and offline services, is the foundation of the new e-commerce model known as OTO (Online To Office), or Haidilao [4]. In 2003, Haidilao used the internet to begin its takeaway service. As its business gradually grew, it improved its corporate image with the aid of user feedback. Through the usage of social networking sites, the Haidilao platform has amassed a sizable user following, enhancing fan interaction and continuously enhancing services based on user feedback. In terms of differentiated services, differentiated services not only refer to the differences in the form and quality of services, but also emphasise the satisfaction of different consumer needs in the service process [4]. In the face of the different characteristics of customers, Haidilao continues to build its brand image through differentiated services, ensuring that the company is in an advantageous position in the industry. Haidilao's excellent service provides consumers with the ultimate comfortable user experience and respects them at all times by being attentive and using details to 'quasi-monopolise' them.

In terms of staff management, the company has been adhering to the "people-oriented" corporate culture from the actual starting point of Haidilao Hot Pot. The company has been adhering to the corporate culture of "people first", and has been paying close attention to and respecting each and every employee. The specific forms of employee welfare include not only rewards in terms of salary and bonuses, but also spiritual incentives and incentives that are more humane in form and content and relevant to employees' needs [3]. In terms of specific work competencies, the company's main approach to employee development is through the "master-apprentice" approach, which provides employees with the right to make their own choices in the process of growth. Haidilao has set up a staff appraisal system to ensure that each employee is motivated to work and provide quality service to customers. Haidilao is not only concerned with its employees, but also with their families, creating an environment where employees can truly stay with the company through its employee management system [3].

### **2.3. Current Situation of China's Food and Beverage Industry and Haidilao's Business Outlook**

There is an old saying in China: "Food is the order of the day for the people". It is well known that the catering industry, as a sunrise industry in China, has brought huge economic benefits to China [1]. Since the 21st century, with the prosperity and development of China's economy, the catering market has huge potential and its structure will show a more new pattern, the variety of food and beverage will be more abundant, therefore, the role of management and talent will also be more prominent. 2020, with the new crown epidemic - this sudden public health event, caterers are forced to close their shops, in addition, consumer demand for takeaway food is shrinking. The trend is for the restaurant industry to shrink. This has exacerbated the overall sluggishness of the restaurant industry. Although some experts predict that the restaurant industry will rebound in a "spurt" after the end of the outbreak, a full recovery of the restaurant industry is expected to be delayed until afterwards due to the extensive and prolonged nature of the outbreak [1]. In order to provide a more in-depth outlook on the operations of Haidilao, a SWOT analysis model is used [4, 5].

The strengths of Haidilao are: continuous innovation in services and products, advanced management model with a rotational system and better compensation and benefits for employees, and a rich service model that is difficult to replicate. Its weaknesses are: single operation, small coverage and the disadvantages of the chain approach. Its opportunities are: increasing competition in the same industry and the growing proportion of hot pot in the popular diet structure. Threat analysis: imitation of the same industry, consumers prefer fast food and buffet [5].

In response to the above analysis, to make it more difficult for the industry to copy, Haidilao should keep innovating its products, creating new training techniques, hiring top-notch management staff, and expanding its operations as quickly as possible. And employ new goods to counteract the effects of both domestic and foreign catering businesses in order to lead China's catering sector [5].

## **3. Shortcomings of Haidilao's Operational Model**

### **3.1. Corporate Culture**

Haidilao is a typical restaurant chain. For restaurant management, harvesting hearts and minds and creating a family culture is one of the major focuses [6]. Haidilao pays special attention to staff and customer satisfaction, service first, customer first and "people first" is the corporate culture of Haidilao. At Haidilao, reasonable motivation, full trust and proper delegation are also features. Once the leader finds that the staff has done a good job, he will motivate them, and authorisation is also a sign of trust in the staff, but the corporate culture of humane management needs to be adjusted to a degree, in between humane and institutionalized [6]. For example, the many hard and fast rules used to test whether employees are passionate about their work will undoubtedly make them resist, and the excessive service at Haidilao has, at times, made customers feel bored. In addition, since the establishment of Haidilao, its corporate culture has not changed and there is a lack of innovation. The low literacy level of the staff, the differentiated reward and punishment mechanism, and the lack of competition among the staff are also problems of the corporate culture.

### **3.2. Leadership Style**

Haidilao has an efficient and relationship-oriented leadership style [7]. This is mainly reflected in the standardisation of products and the humanisation of management. Haidilao's leadership style is determined by the philosophy that service comes first. Training at Haidilao is apprenticeship-based and reflects a more harmonious relationship between people. In terms of the work and life of employees, it reflects Haidilao's relationship-oriented leadership style and the company's respect for

its grassroots staff and its focus on maintaining the relationship between the company and its employees. However, the corporate governance structure is not reasonable, with the managerial level responsibilities being performed by the company's chairman. As Haidilao is a private company, which was initially developed from its shops, the act of acting on behalf of the chairman of the board is a distraction and could lead to a situation where there are multiple leaders and ultimately no one is in charge. In addition, the lack of a supervisory department also leads to excessive management power and no one to monitor it. Moreover, the company's employees are mostly introduced by acquaintances, and the harmonious atmosphere is bound to bring about a weak control environment, which is not conducive to the formation of a rigorous and standardised internal control environment.

### **3.3. Employee Management**

The distinctive human resource system of Haidilao makes it competitive in its primary markets. People are the most crucial component in the service sector, particularly in a sector like catering where the employment model directly affects client perceptions and, consequently, the success or failure of the business [8]. Senior management of Haidilao to oversee service The majority of the personnel at Haidilao are from rural areas, and a key rule of employment is that all new hires must start as waiters. As a result, the crew at Haidilao has a strong sense of duty, and the leadership is familiar with the psychology of the service staff. Additionally, the crew has been well-managed, creating a group of outstanding workers. Haidilao's staff believe that if they work hard, they can control their own destiny, so they see Haidilao as a way to change their destiny and do their part wholeheartedly. At the same time, Haidilao also provides regular and occasional training to its staff so that they can better integrate into the society they live in. However, this unique management model also has its shortcomings. The unique management of staff is a matter of scale, how the core competencies built up by Haidilao's master and apprentices can gain a foothold in foreign markets, and how to build a service team in a different cultural environment are all issues that should be considered. It is difficult to bring domestic staff abroad and adopt a completely Chinese model. The localisation of waiters and whether they can truly serve customers as they do in China is then an issue that must be considered, so Haidilao must study how to effectively graft its original business characteristics onto overseas markets and cultures [8].

## **4. Applications and Recommendations Based on Motivational Theory**

### **4.1. Introduction to Motivation Theory in Management**

The term "motivation" as a management tool typically refers to the use of various management tools by managers, utilizing the objectivity of human needs and the regularity of satisfying them, to stimulate the stimulation of those managed, in order to stimulate their motivation, mobilize human motivation and creativity, and prompt the movement of the need-satisfying behavior toward the achievement of organizational goals [9]. As a perennially popular research area for management scientists, psychologists, and sociologists, motivation theory can be generally classified into three categories based on the perspectives of the research: A motivation theory that treats human needs and psychological motivation as its research topic is content-based motivation theory, which primarily investigates the psychological needs and nature of employees. Maslow's Hierarchy of Needs and Herzberg's Dual Factor Theory of Motivation and Health serve as examples of these ideas [9]. The content-based motivation theory serves as a model for management practice because it emphasizes the importance of accurately identifying and directing motivation in order to accomplish desired outcomes given the complex and hierarchical nature of employee requirements. Theory of process motivation. The theory of motivation known as process motivation is based on a

dynamic system in which psychological and behavioral functions of people interact. The most representative ones are Fromm's Expected Valence Theory and Adams' Equity Theory [10]. Process-based motivation theory tells managers to choose motivation methods from the practical point of view, to choose items that are of interest to employees and are highly valued, and to focus on fairness in the implementation of motivation. The Skinner's reinforcement theory is a representation of behavioral modification motivation theory, which focuses on changing the manager's behavior. According to the principle of reinforcement, managers may assist employees naturally reinforce positive behavior and diminish undesirable behavior by using rewards, penalties, and timely feedback.

## 4.2. Reasons for Using Motivation Theory

The first reason is that Haidilao has its own unique insights and concepts in terms of practical motivation, for example, the low staff turnover rate is the result of the use of the corresponding motivation theory [10]. The grassroots staff of Haidilao are generally less educated and have poor overall quality, but on the contrary, Haidilao provides them with food and accommodation and benefits according to their work performance, so they work harder to realise their self-worth and maximise profits for the company. The employees will be able to devote themselves to their work, which is the embodiment of the demand incentive system, by knowing their wants and helping them with their problems. The promotion incentive system is the second. In addition to developing career goals for employees and providing the necessary welfare benefits, Haidilao has its own special promotion incentive program. To be eligible for the promotion incentive system, employees of the organization must continuously better themselves and master their jobs. The empowerment incentive system once more. According to the "people-oriented" system policy, Haidilao manages its workers in a very humane way so that they can fully trust them and have the freedom to always recognize their own worth. Additionally, certain rights are given to employees. Each person at Haidilao approaches their work as if they were the company's management and incorporates their own creative ideas, genuinely assimilating into the corporate culture and enabling both themselves and the business to grow quickly. When faced with this enterprise incentive system, Haidilao's employees will feel appreciated by one another and will undoubtedly succeed in living up to the enterprise's confidence in them, accelerating the development of their own skills and boosting the core competitiveness of the company to meet the empowerment incentive system. Additionally, the target incentive system is included. Employees in Haidilao firms will each have their own short- and medium-term objectives. To fulfill the target incentive system, the employees will continue to achieve their objectives, build their self-confidence, and improve their learning capacity through their own initiatives. It is also a system of motivation based on role models. The main responsibility of the shop manager is to coordinate work among the personnel as well as to ensure the smooth operation and management of the business. Shop managers frequently encourage staff members and boost their self-confidence via their actions. After the employees have received help from their superiors, the motivation of the employees is enhanced to a greater extent to meet the role model incentive system [10].

The second reason is that the role of motivation in business management is mainly manifested in the following aspects: effective motivation is an important way to improve business performance. In order to seek development, enterprises need to carry out effective motivation to maintain and promote their work motivation and creativity. Through effective motivation, improve employee satisfaction, but also help employees themselves to improve their ability, if, underwater employees work with enthusiasm, it means that underwater employees have an advantage in carrying out respect as well as self-fulfillment needs, their other needs are very stable. In addition, effective motivation helps to improve the quality of employees. Haidilao still uses a unique incentive system



in its employees' salaries, i.e. dividends. The "bonus" is, in a sense, more attractive than the "bonus", and secondly, Haidilao offers a unique promotion model [10]. An employee with good performance will be given the right to intern in a higher position, and after a period of good performance in this position, he/she can proceed to the next higher position. Finally, effective motivation helps to strengthen the cohesiveness of the company, as Haidilao gives its employees a sense of belonging to a "family", so that they can serve Haidilao with dedication. The people who work at Haidilao put a lot of effort into their personal life and work environment, as well as their interpersonal relationships. Compared to most employees in the catering industry, Haidilao employees are treated very well.

### 4.3. Suggestions for Relevant Incentive Theory for HaiDilao

Firstly, management should provide low-energy incentives to employees [9]. If bonuses can be reduced in proportion to fixed salary increases, then management should only set rewards for tasks that can be easily evaluated. At the same time, tasks that are not easily assessable will be perceived by the staff. In order to balance long-term and current interests, we can set the main evaluation indicator as long-term profitability and use short-term, for example, quarterly or monthly service attitude as a reference item for performance evaluation. As we all know, the long-term interests of the company are determined to some extent by the service attitude, so we can also use the long-term profitability of each shop as a performance indicator.

Secondly, management selects the best assessment metrics to manage by choosing the trade-off between costs and benefits. For example, rewarding good employees. Haidilao focuses more on the spiritual pursuits of its employees and rewards them greatly. The majority of employees who are eager to receive praise and appreciation from management are from rural areas. They are conscious of their own reputation and strive to achieve titles such as 'standard bearer' and 'advanced worker', for which they are extremely enthusiastic. These awards enable employees to define their own goals and thereby maximise the benefits for both the company and the individual. The company also places a high value on the achievements of its employees. The key word is "people", and the company is committed to "encouraging every employee to participate in innovation". Haidilao gives its employees a great deal of power and at the same time attaches great importance to them and, of course, they are willing to take on more tasks [9].

## 5. Conclusion

The incentive mechanism of Haidilao is advanced, fully trusting the staff and giving them the relative rights, which plays a good incentive effect [11]. Different incentive theories will have advantages and disadvantages for the enterprise, and the enterprise should use the incentive theory according to the actual development of their own situation and realistically [12]. Incentive mechanisms play a significant guiding role in the development of businesses. To ensure that the enterprise's quality policy and goals are met, to comprehend the needs and expectations of its employees, to gauge employee satisfaction with the organization, to strengthen the cohesiveness of the workforce within the organization, and to encourage the cognitive motivation and quality consciousness of all enterprise personnel for product quality and technology, and a culture of self-improvement will be created to enable staff members to contribute to the accomplishment of the organization's quality objectives. Additionally, a climate of self-improvement will be established to give employees the opportunity to contribute to the achievement of the organization's quality goals. On the whole, some businesses' current incentive systems are rather subpar. This is primarily due to the fact that the focus is not clear, the object is unclear, there is no personal consideration for the employees of the business, and the enterprise managers lack a certain level of

strength. These systems are made up of a few straightforward, single incentive systems. Some businesses prioritize employees' actual interests, but because their roles are unclear and they frequently act unjustly one on another, employees are essentially excluded from the decision-making process. Therefore, the enterprise's assistance is minimal. To ensure the smooth and quick operation of the enterprise, a good incentive mechanism must be balanced. By using a full, easy-to-use mechanism, the enterprise staff will continue to struggle for a better tomorrow.

## References

- [1] Wang, C.F.: *Analysis of the development status and trends of China's catering industry*. *Jiangsu Business Theory* (6), 35-36 (2007).
- [2] Liu, S.F., Li, Z.F.: *An analysis of Haidilao's service marketing strategy*. *Knowledge Economy* (15), 104-104 (2013).
- [3] Xu, W.J.: *An analysis of Haidilao's humanized business management model*. *Mall Modernization* (25), 79-80 (2014).
- [4] Liu, J.Y.: *Research on the internal control environment of Haidilao* (Master's thesis, Hebei University of Economics and Business) (2020).
- [5] Chen, S.Q.: *SWOT analysis of Haidilao*. *Modern Marketing: Academy Edition* (10), 52-53 (2013).
- [6] Jin, G.M.: *A study of Haidilao's corporate culture management* (Master's thesis, Northwest Agriculture and Forestry University of Science and Technology) (2012).
- [7] Kong, L.: *A study on the process of leadership style on employees' work attitude and behavior* (Master's thesis, East China Jiaotong University) (2015).
- [8] Zhao, Y.X., Zhang, X.: *Rational thinking of corporate employee management - A comparison based on McDonald's and Haidilao*. *Statistics and Management* (2), 166-167 (2017).
- [9] Zeng, X.Y.: *Exploration of the incentive theory of "Haidilao"*. *Chinese and foreign entrepreneurs* (7), 68-71 (2014).
- [10] Wang, S.: *The modern application of behavioral science management thinking: An example of Haidilao restaurant employee management thinking*. *Science and Technology Wealthy Guide* 6, 15-16 (2013).
- [11] Li, X.Y.: *A study on the application of incentive theory in human resource management of modern enterprises. taking Sichuan Haidilao Catering Co. as an example*. *Taxation* 13(8), 224-225 (2019).
- [12] Guo, S.Y.: *Research on the application of motivation theory in corporate human resource management: the case of Haidilao*. *Modern Business* 26, 76-77 (2020).
- [13] Guo, S.Y., Lai, H.Q.: *A study on the application of motivation theory in corporate human resource management. A case study of Haidilao*. *Modern Business* 26, 76-77 (2020).
- [14] Li, X.Y.: *Research on the application of incentive theory in human resource management of modern enterprises. an example of Sichuan Haidilao Catering Co.* *Taxation* 13(8), 224-225 (2019).
- [15] Wang, S.: *The modern application of behavioral science management ideas. An example of Haidilao's employee management ideas*. *Science and Technology Wealthy Guide* 6, 15-16 (2013).