



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

INTERNAL RECRUITMENT IN THE HOTEL INDUSTRY

-A case study of how internal recruiting affect
employees' motivation.

Master Thesis

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ABSTRACT

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Title: Internal recruitment in the hotel industry – a case study of how it affects employees' motivation.

Background and problem: Two years ago, we made a small case about the Hotel Scandic Rubinen. We became very impressed with the manager, who had worked his way from being a doorman to becoming the manager of the hotel. With this in mind, we wanted to examine whether internal recruitment could be a key factor to success, and if it solely could motivate employees to a large extent. This led us into two questions that we wanted to answer:

- *Is a well-known internal recruitment strategy sufficient as an incentive compensation system in hotels?*
- *Is there a discrepancy between the managements and the employees' view of the incentive system in the hotel industry?*

Purpose: The purpose of this thesis was to get an insight of the hotel industry, and examine whether internal recruitment solely could motivate employees.

Methodology and delimitations: This thesis is based on two approaches. One of them is a qualitative approach based on interviews, and the other one is a quantitative approach conducted through a survey. They are both included in a case study that we made in two different hotels in the Gothenburg area.

Results and conclusions: The conclusions that we found two different types of employees, where one type of them were young and eager to do a carrier in the company, and the second one were those mainly concerned about job security and a stabile income. For the first-mentioned, promotion could solely work as an incentive compensation system. Regarding the second group, they simply did not care about promotion, but would rather appreciate a higher salary, or chances to receive a higher salary. We could see a discrepancy between the managements' and the employees' view of the incentive system, where the employees were not aware that an incentive compensation system existed.

Keywords: *Internal recruitment, incentive compensation systems, promotion and hotel industry.*

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1. INTRODUCTION

In this section of the thesis, the background is first presented, followed by a problem analysis and further on a description of the purpose. The final part contains the disposition of our thesis.

1.1 BACKGROUND

Two years ago, we made a small case about Hotel Scandic Rubinen. We were very impressed over the manager, who started his career as a doorkeeper and then with good work and internal education, achieved to become the manager over Hotel Scandic Rubinen. We were wondering what effects an internal recruitment strategy, can have on employees.

The world is rapidly changing. The globalization effects all companies worldwide, but some more than other. One of the fastest growing industries is tourism, expected to grow at an annual rate of 3 % worldwide. The highest rate of growth will take place in developing countries. (Stutz 2005) Tourism industry got potential but the competition is crucial. Hotel companies need to adapt quickly and develop their knowledge, in order to be able to offer what the customers want. According to Kaufmann (2005), motivated employees perform better and have a stronger sense of belonging to an organization. One key factor to do is, is to motivate employees so that they are able to offer such services the company needs in order to succeed. Further on, Ljusenius & Rydqvist (2001) consider employee motivation and a high level of satisfaction among the employees aligned with competence to be the main factors of success. When knowing what the key factor of success is, how do one implement a successful strategy to reap the benefits of it?

Companies use incentive systems to motivate employees. Every company has its own incentive system, which could be a combination of different systems. Incentive systems exist in different forms and consist of these four basic processes: Performance measures, Level of targets, measuring performance and rewards. (Merchant & Van der Stede 2007)

Internal recruitment is one of the most popular incentive systems and has an old tradition in the hotel industry (Ahrnborg 1997), and is also mentioned by Merchant & Van der Stede(2007)as one of the non-monetary rewards. Looking back at our old case on Scandic Rubinen made us curious to see how the manager achieved to climb the ladder and makes it interesting to examine if internal recruitment solely could stimulate and motivate employees.

The hotel industry has a relative high labour turnover and is characterized by lack of academic education (Jäghult 2005). High labor turnover is a problem for companies, because new recruitments and learning processes cost money and companies also lose competence and productivity. But high labor turnover can also help companies to cut costs for employees, by giving them the minimum salary (Jäghult 2005). This makes it interesting to examine whether it is possible to stimulate and motivate employees solely through internal recruitment.

1.2 PROBLEM DISCUSSION

What we wanted to examine if there is a connection between internal recruitment and motivation, and if this motivation could be the main factor that really motivates employees in the hotel industry. We thought of the doorman, who with good work and internal education, achieved to become the manager over Hotel Scandic Rubinen. We felt that it was impressive, but even if it is impressive, we were wondering if it is something that employees take in consideration when performing their tasks and if it affects their motivation. This led us into our first question;

Question 1; *How can an incentive compensation system be designed in the hotel industry?*

It is not enough that the employees are motivated, they also have to be motivated for the right things, which means that their motivation is connected to the company's goals and visions. (Ahrnborg 1997)

Here we expect that the hotels we were examining, had profitability as vision. Further on, we felt that in order to draw any relevant conclusions or see any patterns, we wanted to get a wider perspective of the employees' view about their situation, and what truly motivates them. From being internally recruited different aspects follow, such as: increased salary and increased responsibility and recognition. (Merchant&Van der Stede 2007) It is important that the management knows how to motivate their employees with rewards. But it is also important that the employees know how they are judged and how they should act to get these rewards. In order to do this, we performed a survey for the employees in two different hotels where we tried to answer our second question, and then compare the answer with the manager's view of what drives and motivates employees. And if we should come to a conclusion whether there exists an opposition between the employees and the management's view of motivation, how shall the management act to develop their internal recruitment strategy? This led us into our second question;

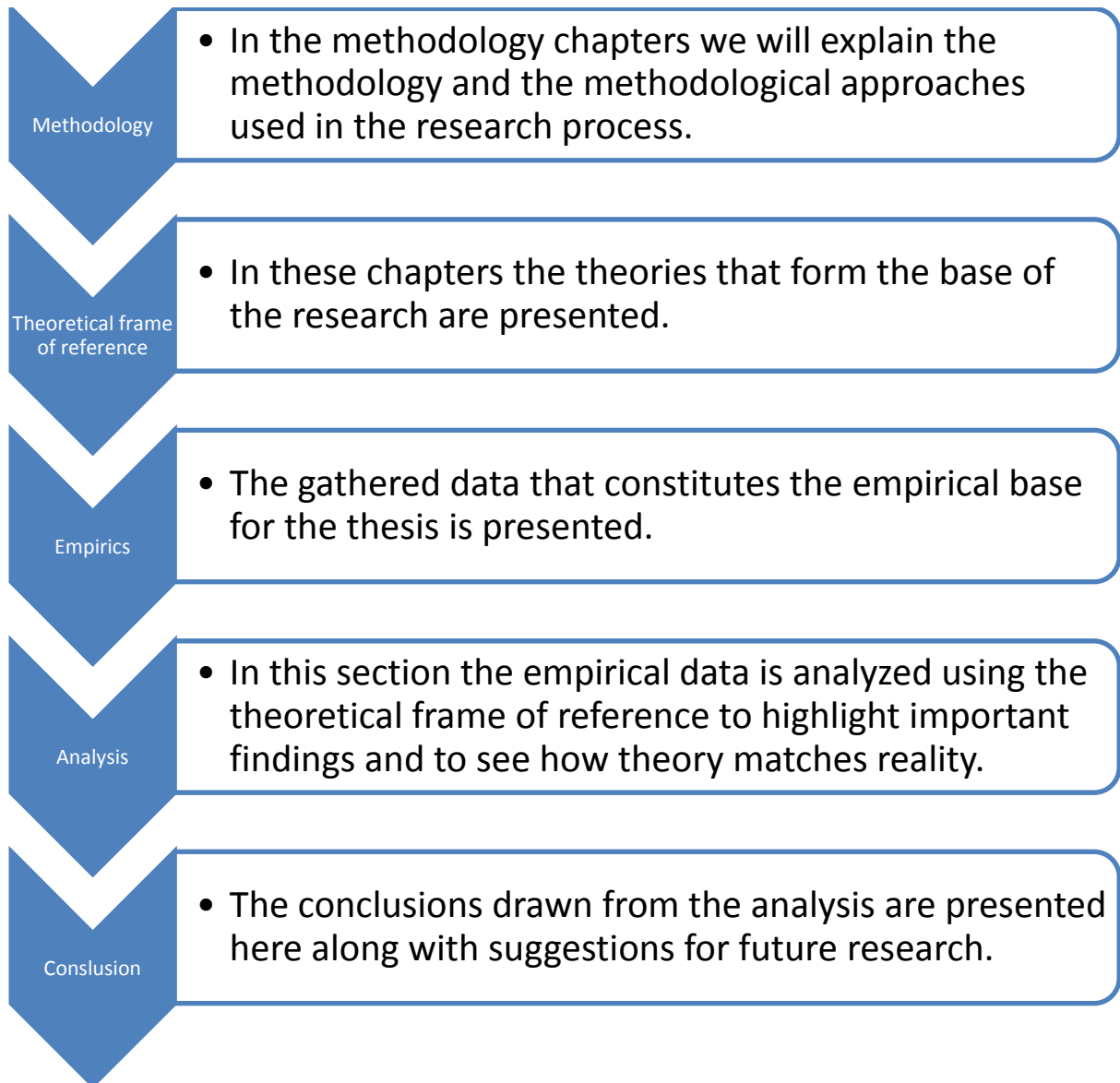
Question 2; *How does the staff consider the incentive compensation systems used in the hotels examined?*

1.3 PURPOSE

The purpose of this thesis was to get insight of the hotel industry and its incentive systems for employees. We wanted to examine whether internal recruitment is sufficient to motivate the employees and if it could be the key factor for success. Further on, we wanted to examine a field of topics where little research has been made. With this in mind, we wanted to answer our key questions, which are shown above.

1.4 DISPOSITION

Here the disposition of the thesis is presented briefly in an easy to view manner. This disposition was constructed after researching both literature and other theses and we felt that it would enable a more logical flow throughout the paper.



2. METHODOLOGY

This section starts with a presentation of how we chose to perform our study, and each part is explained more in-depth in the following sections.

2.1 RESEARCH PROCESS

Basically, there are two ways of acquiring data, the quantitative or the qualitative method. Depending on what study you make, the two options differ in usefulness. (Halvorsen 1992) With regards to how this study was performed, our research process was chosen from different methods to suit our need of a high level of flexibility in order to change current questions and fact, depending on what information we found accessible and interesting to continue or study. Ejvegård (2003) explains the duality of methodology, where a high level of flexibility seems to be necessary because of different circumstances affecting the accessible information and the other view where one should, as much as possible sticking to the original plan. We felt that with such a general topic, this approach seemed necessary in order to carry out our intended study of the hotel industry.

2.2 QUALITATIVE RESEARCH

Qualitative research is described as examining a smaller sample of objects more thoroughly. (Wallén 1996) It is recommended by Trost (2005) to use a qualitative approach when you are trying to depict, describe, find patterns or simply try to understand a phenomenon. This is what we are trying to accomplish in this study, which led us into performing a case study of two different hotels in the area of Gothenburg. A case study is described as collecting and presenting a particular small group from a population, and throughout that small group trying to depict the whole population as close as possible. (Ejvegård 2003) In order to correctly answer our problem formulation, we came to the conclusion that a case study should be performed, which would suit our time limitation well. The main benefit with this approach is that we do not have to examine every company in the hotel industry, but still might be able to draw relevant conclusions from this small sample. The greatest disadvantage is, of course, that we need to be very careful with the conclusions we will draw, and interpret them more as indices that hopefully might point in a certain direction. (Ejvegård 2003)

2.3 QUANTITATIVE RESEARCH

Quantitative research is described by Denscombe (1998) as a way to use numbers instead of words as a base for the analysis. The main objective with a quantitative research is to gather data and convert what has been gathered to quantifiable units. He further claims that it is usually associated with analysis, instead of a description, and it is especially good when it comes to comparing data. Normally in statistics, the higher the population of a sample is, the higher the validity will be. This thesis though, will be based on a small scale sample of surveys, conducted at hotels in the area of Gothenburg, in order to search for discrepancies between used incentive systems and the floor staffs ideas about what truly motivates them to stay in the company.

Denscombe (1998) further stresses the importance of isolating variables, which is to set them free from their correlation with other variables, and study their independent affection of the problem aligned. The main objective with a quantitative study is, according to Denscombe (1998) that the object studied will have a high level of objectivity. Another important detail about quantitative studies are that they have a predetermined research design, that is, that the design of the research process is designed before the study is conducted.

Taking quantitative research in mind, our surveys were performed in line with Denscombes hints. Although we did not consider it to be a pure quantitative research, due to its lack of respondents and small scale, but rather a more qualitative study performed as surveys.

2.4 TYPES OF DATA

It is important to know what kind of data you use when you perform your study. Some techniques work better than others, and some are not relevant enough. In our survey, we found it most suitable to use;

- *Data on a nominal scale level* – The lowest level of measuring, such as, man/woman.
- *Data on an ordinal scale level* – Graded answers, such as, agree completely, do not agree at all. These kinds of scales are graded in numbers, and are usually called the Likert scale.

Source: Denscombe (1998) A further description of our surveys is shown in the appendix. Our results will be showcased in diagrams in the empirical evidence part of the thesis.

Denscombe (1998) states that good science is often based on both quantitative and qualitative sources and that there should be a distinction as to where the focus of the approach lies. In our study, it seemed more relevant to conduct qualitative interviews for the management, in order to get more thorough answers. Regarding the floor staff, a survey was chosen in order to sort out all the task differences between the personnel.

2.5 THE INTERVIEWS CONDUCTED

In order to get an in depth understanding of the situation at the different hotels, we aimed to interview employees at suitable hotels in the area of Gothenburg, and later decided that two hotels, not owned by the same chain would suit our study. Both of the hotels were subjects to both our qualitative study, through interviews, and our quantitative study, through a survey of the floor staff. The employees at the two hotels that we chose to interview were those responsible for recruiting. The choices of interviewed employees were in line with Trost's (2005) suggestion that we should aim for a level of saturation in the answers given. By a level of saturation, he means that when the interviewed persons give quite similar answers to the questions asked, a sufficient level of saturation is reached, and the validity of the study should be considered high.

2.6 THE STUDY'S RELIABILITY AND VALIDITY

Reliability is about the trustworthiness of the measuring instrument that is used to conduct the study. (Ejvegård 2003) In our case, it is about keeping a high level of trustworthiness in the interviews we perform, not to draw any conclusions that we cannot back up with relevant theory and empirics and to keep it as unbiased as possible. One way for us to increase our level of reliability was to create the questions that we used at the interviews with a strong base from the literature where we tried to apply the research that has been made into the questions, in order for them to be more up to date, and relevant. Besides that, we decided to use semi-structured interviews where the respondents were given open questions where they could talk more describing about the topics instead of asking structured questions with mainly "yes or no-questions". That is something that is recommended by Ejvegård (2003), in order to get more in-depth explanations of the questions asked.

To ensure us that the answers we were given should be trustworthy and reliable, we chose employees with a high level of expertise in the certain areas we wanted to examine.

"Good reliability is a necessary, but not sufficient criterion for good validity" source: Ejvegård (2003)

Validity is described by Trost (2005) as to what extent a measuring instrument really measures what it is intended to measure.

2.7 SELECTION OF COMPANIES

When we looked into the subject internal recruitment, we discovered a certain business area where internal recruitment was widely used; the hotel business (Freedman, Kosova, 2010) Our own experiences from the hotel business were slim to none, besides a small case study in marketing at our fourth semester at Gothenburg school of Economics. In order to receive a high reliability, which is necessary in order to keep the scientific level of our thesis high, we decided to pick two different hotels in the area of Gothenburg, which were not owned by the same company. We chose this selection of hotels because we wanted to get a wider perspective than just one hotel chain would give us.

- **Scandic Rubinen**
- **Radisson Blue**

2.8 METHOD CRITICISM

When we chose to perform a case study, we knew that by taking a small sample from a large industry, our results might become a bit biased, and the results would consist of indications rather than actual results. Regarding the survey, a small sample was made from both hotels, where the personell had to answer the same questions, even though the hotels differed in certain areas. Our intention with the survey was primarily to answer our second question, which was whether we could find a discrepancy between the managements way of motivating the staff, and the staffs' thoughts about motivation and the way the hotels used incentive compensation systems to motivate them. One of the questions that was answered was: "do you feel motivated". One can discuss if the employees felt urged to answer what the manager wanted to hear, in order to avoid reprisals from the management, even though we wrote explicitly that they were 100% anonymous. Another question in the survey was: " If promotion was the only reward in the company, would it motivate you?" The question is hypohthetic and we are now afterwards being self-critical, feeling that the question was not described clearly enough.

A stratified sample could not be made, due to the low numbers of respondents, and we could therefore not use a statistically secure answer from the different categories of employees. Although a stratified selection could not be made, the answers given, aligned with the two deep-interviewed respondents' answers gave us a a hint that is mentioned in the analysis as well as in the conclusions.

The reason why some of the respondents chose not to answer the questionnaire could be different. Either that something came in between when they were supposed to answer it or that they simple did not want to contribute to our thesis when not giving them any kind of award when answering it.

Regarding the sample of respondents in the survey, a mere half of the distributed surveys became actual results. One could discuss that lack of answers from employees would affect the result in a certain direction, but on the other hand, it might as well affect it in another direction, or simply not at all. Therefore, the authors have decided not to draw any conclusions from the lack on answers, but rather just mentioning it.

2.9 DELIMITATIONS

The area we have examined, internal recruitment in the hotel industry, contains a wide variety of different parts. We chose to narrow it down, and as objectively as possible to select those parts that seemed to be the most relevant. After browsing through different sources, such as the browser disposed by the University of Gothenburg Gunda, and relevant literature, we determined that in our frame of reference, to focus on the topics of; internal recruitment, incentive compensation systems and motivation. Of course we had to mention other relevant areas as well such as value drivers and the hotel industry in Sweden. They seemed relevant to get a better understanding and a better overlooking picture, in order to build a strong foundation for our questions and the empirical part.

2.10 LITERATURE

When we chose our topic, we first searched for relevant key words at the different data bases in Gothenburg's university library, then searched for books regarding recruitment, motivation and controlling. The key words we searched for were; "internal recruitment", "the hotel industry", and "incentive systems in the hotel industry".

2.11 A BRIEF SUMMARY OF THE METHOD

First we chose our topic and made a small background research. We gathered sources for our frame of reference and started preparing questions for the interviews. Then we collected the information into the empirics, and by analyzing the empirics with the frame of reference in the analysis, we came up with our conclusions.

3. FRAME OF REFERENCE

Through this section follows the underlying frame of reference used to conduct our empirical evidence part. It is divided into mainly three part: the Swedish hotel industry, incentive compensation system and finally motivation.

3.1 THE SWEDISH HOTEL INDUSTRY

The hotel industry in Sweden is a large industry, which in the year 2009, had 2028 hotels and approximately 35 million available rooms, where 48% of them were used during that year. (SHR 2010) The hotel business is characterized as a capital intensive industry, where most capital is tied up in tangible assets. Further on, it is associated with four different factors; high fixed costs, big fluctuations in demand, huge problems with capacity and the fact that they operate in the service sector. (Law 2002) SHB (2010) divides the customers into two segments and separates foreign from native customers. Each one of them accounted for the following percentage during 2009;

- Business travelers 63%
- Private guests 37%

- Swedish guests 77%
- Foreign guests 23%

Above was the overall picture of Sweden's hotel industry presented, but in order to narrow it down and make a relevant comparison, the Gothenburg region that we examined had 62 hotels and approximately 2.6 million available rooms. The region is very close to Sweden's numbers in terms of ratios of foreign/native guests and likewise business/private guests, with 63% of the customers belonging to the business segment and 28% being foreign customers. (SHR 2010)

3.2 THE LABOR FORCE IN THE HOTEL INDUSTRY

The hotel industry is characterized as an industry with a large work force, which often lack academic education and is considered low-paid. Due to its lack of qualified tasks for the employees, it is also characterized by a high labor turnover. (Freedman & Kosová 2010) Freedman & Kosová's paper, a survey that was made by the American Hotel Foundation between 1995 and 1997, showed that the average annual turnover among line-level employees was about 40% in the US.

(Freedman & Kosová, 2010)found in their study that franchise-owned hotels have stronger incentives to monitor their employees than company owned hotel, since they

are residual claimants due to their franchise structure. While managers in company managed hotel chains are less willing to monitor their employees to a high extent, because they are not completely tied to the incomes from their properties, but instead have the chance to channel money between hotels. One of the main reasons to monitor their employees was the risk of theft, due to the fact that the hotels are open 24 hours per day, and that they are characterized by a high labour turnover. They also found a “spirit” in the franchise-owned hotels where managers who had invested their own capital in their hotels tended to be more hard-working and caring about their investments. (Freedman&Kosová 2010)

3.3 INCENTIVE COMPENSATION SYSTEMS

The main purpose with incentive compensation systems is to tie rewards to performance valuations. They inform and remind employees about what results are important, and motivate them to achieve these results. (Merchant & Van der Stede 2007) In order for the compensation to be classified as a compensation, it must be a direct link between results or accomplishments and the compensation, it cannot be based on arbitrary factors. (Jäghult 2005) Incentive compensation systems are important for a firm, in order to provide information for the employees. They also work as incentives to motivate employees, and put an extra effort into their work. They are also personnel-related in terms of attracting the right person for the spot. When linking high payments to rewards, they tend to attract less risk-averse managers with more entrepreneurial skills. (Merchant & Van der Stede 2007)

What constitutes the rewards in an incentive compensation system, is described in two categories; monetary and non-monetary rewards. What we have focused on in this thesis is the use of non-monetary rewards, which is the part that is the most interesting for us in order to answer our problems. Non-monetary rewards often consist out of the following rewards; promotion, rising in rank or position, autonomy, personal independence, recognition- that someone notice your good behavior and getting the chance to participate more in discussions(Merchant & Van der Stede 2007)

3.4 GROUP OR INDIVIDUAL BASED PERFORMANCE MEASURES

Rewards based on collective achievements encourage what (Merchant & Van der Stede, 2007) mention cultural control. These rewards could come in many forms, but are usually stated in monetary terms, and work as incentives to motivate and create a feeling of participation, and make employees think in the same terms as the owners. Group rewards compared to individual rewards have a smaller link between individual effort and the results being rewarded. (Merchant & Van der Stede 2007)

An important factor for an incentive compensation system to work properly is its ability to be affected by the efforts of the employees. If the employees are not able to affect the results that are being measured, then it has to be considered as a rather pointless incentive compensation system. The main problem with group rewards is this low level of affection, where employees in large groups might feel that their performances only

have a small effect on the overall performance. Another problem is of course the free rider effect, where some employees tend to slack, and ride the luxury train on expense of others. (Merchant & Van der Stede 2007)

3.5 THE USE OF NONFINANCIAL MEASURES

Today, many firms tend to use non-financial measures such as; market share, customer satisfaction or product quality, in order to work as indicators for future financial performances. (Banker et.al 2000) Merchant & Van der Stede (2007) describe the use of non-financial measures as something that is frequently used in combinations with financial measures, in order to hedge long-term goals with short-term goals, and overcome investment myopia, and provide better information about future outcomes. It is also stated that non-financial measures could provide more penetrating control by going beyond the limits of aggregated financial measures. (Vaivio 1999) He further states that the use of non-financial measures will focus the top management's interactive control over specific targets within the organization, and leads to a gain in most objects which have strategic relevance.

Banker et.al (2000) found, on average, in their study, a direct link between the customer satisfaction and future financial performances. In this direct link it existed a lag of six months between the customer satisfaction and its affection on future financial performances in the hotel industry.

3.6 THE USE OF FINANCIAL MEASURES

The primary objective of for-profit organizations is to maximize shareholder value or as it is called, firm value. The term financial measures are divided into two categories:

- *Market-based measures* such as; changes in stock prices, dividends and shareholder returns.
- *Accounting-based measures* such as; operating profit, residual income, return on investment, return on equity or return on net assets. (Merchant & Van der Stede 2007)

These financial measures are easy to measure, but harder to influence, and apparently they are also hard to tie towards performances. In a study by Lawlor, cited in Baker (1988), he found that even though many companies claimed to be frequent users of merit increase salary systems, the connections between performances and payments were on average very low.

3.7 INCENTIVE COMPENSATION SYSTEMS IN THE HOTEL INDUSTRY

The hotel industry is as previously mentioned belonging to the service sector. Companies in the service sector are strongly dependent on their staff to deliver high quality services, and therefore need to motivate them somehow. One way of doing so is through incentive compensation systems, where the managers can design individual programs to motivate, retain and help attracting employees. (Namasivayama 2006) Because the work in a hotel is characterized by low salaries, intensive tasks, low status and few chances to get promoted, motivation is one important tool to affect the behavior of the employees. (Chiang & Jang 2008)

According to an article of Simon & Enz (1995) the four most important factors to achieve motivated employees in the hotel industry are; a good salary, a safe workplace, possibilities to get promoted and a good working atmosphere. What is considered to be the least important factor for motivation is the relationship to the boss. (Simon & Enz 1995)

Meudell & Rodham(1998) consider monetary rewards as the most important factor for motivation in the hotel industry, but stress that consideration to other factors as age, gender, length of employment and national culture has to be made. (Kovach, cited in Meudell & Rodham 1998) found in his survey a significant discrepancy between employees in different ages, whether what factors make employees work and work harder. He examined one thousand employees in the hotel industry, and asked them to rank twelve categories that make you work and what makes you work harder. He could clearly see a pattern and therefore divided the employees into different age categories. The 18-24 year old age group prefers money and bonus. The 25-34 year old age group ranked most of the categories as being significant. The 35-44 year old age group was more concerned with the threat of job loss. The 45-54 year old group was most concerned about a good working atmosphere. He also find a difference when it comes to how long time the employees have been working in the company. Those who had been working from up to six month tended to place most of the emphasis on money and bonuses. Those who had been working for seven to 12 months placed most of the emphasis on the promotion part. Those who had been working for more than one year ranked promotion and chance to competition as being significant in of making them both work and work harder. (Meudell & Rodham 1998)

Weaver(cited in Meudell & Rodham 1998)tells that hourly paid employees have smaller affection to their work and that monetary rewards sometimes is the only factor they care about. He continues by saying, that where work in its own is not a satisfied work, the best incentive compensation system is through monetary rewards.

Anthony and Govindarajan stress one problem when developing an incentive compensation system in a company belonging to the service sector and it is that the company cannot inspect the quality of the product before it meet customers, as a

producing company can do. This means that the quality can only be judged in the “moment of truth” when the customer is meeting the staff.

Grönroos(2002) states that it is important that the design of an incentive compensation system in a service company is made, so that it shows employees that the company notice and appreciate a good service minded behavior.

In a study of compensation systems in the American hotel industry, Namasivayama Et. al Ippolito (1997) found lower turnover rates in hotels who had pension plans. Worth mentioning is that the learning cost of employee turnover is negatively related to consumer satisfaction and organizational performance. Hinkin and Tracey (2000), cited in Namasivayama (2006).

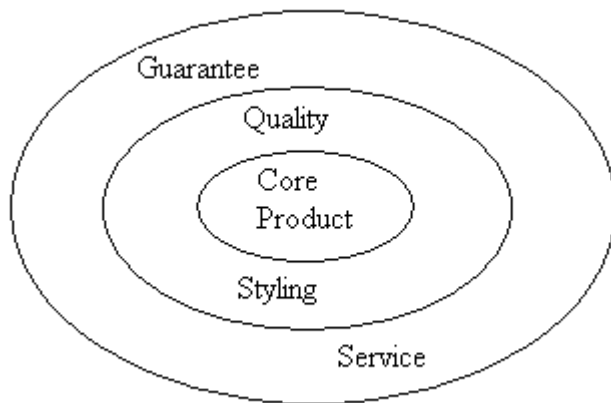
3.8 VALUE DRIVERS IN THE HOTEL INDUSTRY

“What you measure is what you get” (Merchant & Van der Stede 2007 p. 539)

In order to better understand the hotel industry and the important factors regarding measuring performances, value drivers are important to explain. According to a research in the American hotel industry conducted by the HSMAI Foundation, the core offering of a hotel; price, location and room, accounted for 70% of the choice criteria. (Graff 2002) Depending on what kind of clients examined, they showed different attitudes towards different value drivers. In their study, they divided them into two segments, business and leisure travelers.

The critical value drivers for the business travelers segment seemed to be core amenities, location, price and loyalty programs. Regarding the leisure travelers, the main value drivers were the amenities and the price. (Graff 2002)

Hotels offer services through renting out rooms and providing comfort to customers. A service is something that is being consumed at the same time as it is being produced and can therefore not be stored. Therefore a new ownership will not take place. (Kotler 2008) But by looking at the hotel business through a product perspective, it is easier to understand the hotel industry’s important factors. By looking into each component and seeing them as value drivers, you can analyze what makes the benefits and analyze how to make them competitive. Successful companies first identify what the core consumer needs that the product or service will satisfy. Then, they design the actual product or service and finally find ways to augment it in order to create the bundle of benefits that will satisfy consumers. (Kotler 2008) Today, most competition takes place at the product augmentation level. Successful companies add benefits to their offers that will not only satisfy but also delight the customer. (Kotler 2008)



Core product:

A room and a bed

Expected product:

TV, sheets, nice room (design), cleaning

Extended product:

Something that stick out, experience

(Picture from Kotler, 2008)

In order to be able to delight the consumer and offer something extra, different hotels use different methods. But according to the article “*Practices of excellent companies in the hotel industry*” by Ropeter & Kleiner (1997) the key factor is about basic common courtesy. They state, that if a hotel treat each customer, regardless of circumstances, as a king or queen, pay basic courtesy and attention to each customer, the overall impression the customer receives will be positive. It only takes one bad experience to turn a customer off, but several good ones to make him happy. Indeed, a dissatisfied customer will tell ten people, compared to a happy customer telling only three. (Ropeter, Kleiner, 1997)

3.9 THE IMPORTANCE OF SELECTING RIGHT EMPLOYEES

The manager normally considers recruiting and attracting right persons and then keeping them, as the most important key factors for a company in a longer term. Because when a company does this, they are able to solve their problems and take advantage of possibilities in a better way. (Hessner 2009)

It is extra important for service companies to have service minded employees, because they are “the front” and important marketing tools. They are the ones who serve the customers, and who will be remembered. Therefore it is important to carefully analyse if the potential employee is ready to focus on quality and motivated to work in a service minded way, before recruiting a new employee. (Zeithaml & Bitner 2003)

Duggan, B., Croy, G. (2004) states that a company has two different choices, when recruiting a new employee. Either, they hire a person internally or externally. If they choose to hire externally, they can either hire one with already sufficient skills or with potential skills where they have to educate the employee.

3.10 INTERNAL RECRUITMENT

Internal recruitment is when a company selects existing employees that already work in the business rather than employing someone external.

The advantages with internal recruitment are that companies gain a lot of advantages by using their existing staff, given that the staff know their tasks, understand the company and are competent. Molander (1996) states that the main advantage of internal recruitment is its ability to create a culture of loyalty and job security among the employees, which could be hard to achieve otherwise. Another advantage could be the saving of time that it otherwise would be spent through advertisements and also a way of cutting training costs that an outside employee would need to become familiar with the company. (Molander 1996)

An employer who chose to recruit internally also know more about the employee's abilities which means a reduced risk of selecting an inappropriate employee. (Lockyer & Scholaris 2004) Further on, by applying internal recruitment, the employees will have incentives to stay in the company in order to climb the carrier ladder. This should fuel their incentives for effectiveness and improve their productivity. (Molander 1996)

Internal recruitment has of course some disadvantages as well as advantages. Its main disadvantage is, logically, the limited supply of candidates to choose from. (Ahrnborg 1997) She states that internal recruitment could be a problem for sluggish companies, due to lack of new influences, and the fact that they maintain their sluggishness and limit their opportunities for development. This lack of development and new ideas can cause problems for companies to maintain their market shares, due to threats from competitors and new products. Another disadvantage is that the person, who fills the vacancy, is leaving its position and therefore a new vacancy will be created. (Ahrnborg 1997)

According to the Lockyer & Scholaris (2004) another aspect of recruiting internally is that employees may feel that they should be recruited because of their experience although they are not qualified enough. Further on, in case of a recession in the economy, a phenomenon that might occur is that companies want to maintain their staff, and take internal recruitment to far, and move their employees to positions they are not qualified for. (Ahrnborg 1997)

3.11 EXTERNAL RECRUITMENT

The definition of external recruitment is when a company is recruiting staff outside of the organization. Normally a company is using another company for hiring new staff. The advantage of doing this is that the company then can focus on their essential task and not spend time and energy on searching for new staff. Companies can also search and hire new staff by themselves. They can do it through different tools, as for example advertising. (Ahrnborg 1997)

The biggest advantage of external recruitment is that the company has no limited supply of candidates and can choose employees all over the world. According to Duggan & Croy (2004), a problem with external recruitment is that it can be hard to put words on what specific skills the company needs, and in this way cause problems because the consultants misunderstand and hire a person who does not fit for the task. Another disadvantage with external recruitment is that it could reduce the efforts of existing employees, due to lack of the possibility of promotion. (Chan 1996) Further on, Chan (1996) claims that it does not have to be a disadvantage when a combination of internal and external is used and in fact could make it an advantage by boosting the employees' motivation, due to fear of external recruitment.

3.12 THE IMPORTANCE OF KEEPING THE RIGHT EMPLOYEES

“A MAN WAS WALKING DOWN THE STREET, CARRYING A HEAVY STONE. A PASSER-BY ASKED HIM WHY. HE REPLIED ‘I’M A SLAVE; I HAVE TO DO IT; I AM ORDERED TO.’ ANOTHER MAN WAS WALKING DOWN THE STREET, CARRYING A HEAVY STONE, AND WAS ASKED WHY. ‘I’M BUILDING A CATHEDRAL,’ HE REPLIED.” –ANON

Motivation determines why or even if, we get up in the morning. It is hard to measure, and cannot easily be viewed. Motivation concerns the incentives which make people act in a certain way. Companies with effective approaches to motivation seek to synchronize the aims of individual employees with the broader goals of the business. (Whiteley 2002)

Companies use reward systems for different reasons. One of them is to motivate the employees. But what is the definition of motivation? And what does the manager need to consider, when optimizing the reward system and motivating the employees at the same time? The Business dictionary gives the following definition of motivation:

Motivation are internal and external factors that stimulate desire and energy in people to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal. Motivation is the energizer of behavior and mother of all action. It results from the interactions among conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her significant others.

Management normally considers clear goals, right organization and planning as the most important factors for achieving profitability in a group. But because of the huge competition nowadays, many companies are gradually looking more similar in terms of what they produce or offer. And because of this, soft values are getting more important. *“How we do things is more important than what we do”*. (Hessner 2009) But the problem with soft values is that it is harder to see a direct result from investing in it. For example, when comparing investments in leadership development with a marketing-campaign, the results from the marketing campaign will have a higher grade of visibility. (Hessner 2009)

The perspective of Human Resource is focused on the qualities of humans and organizations and how the relationship between them is shaped. Already in the 1930's Hawthorne discovered, that when employees feel appreciated they work harder. This was developed by McGregor into his theory X&Y. Where theory X assume that the employees are lazy and therefore have to be forced to work and theory Y assume that the employees are motivated and wants to work but get lazy when their needs are not satisfied. The companies should therefore strive to give their employees possibilities to come up to their needs when they are working in the organization. (Bolman & Deal 2005) In this way, the employee remain motivated and stay in the company.

4. EMPIRICS

This section is the part where we use the information gathered from interviews and our survey, combined with second hand sources from the annual reports and information balance sheets. We chose to divide the section into different parts, where one part represented the management's view, and the second was taken from the survey, which aim to showcase the employees's view.

4.1 A BRIEF OVERALL INTRODUCTION TO THE HOTELS WERE THE INTERVIEWS WERE CONDUCTED

Scandic

In the year of 1963, no one knew that within forty years the simple motel Esso would develop into Sweden's leading hotel chain, Scandic. A lot has happened since 1963, and the company has established a strong and well recognized trademark throughout Scandinavia and some parts of Europe, with altogether 152 hotels. (Scandic annual report 2009) Scandic was owned by the Hilton Group until the year 2007, when they were acquired by the equity firm EQT. After this, an expansion plan was adopted, to increase the number of Scandic hotels from 140 to 200 in a five year period. (Scandic Annual report 2009)

Scandic's business idea is to help our guests recharge their batteries, in a simple and accessible way." This applies to all their guests and hotels, every day. But it also determines the way they do business. They want to do business in a good business sense, with ethical responsibility and environmental consideration. These values help Scandic to make smart decisions and feel good, as a business and as people. Scandic Rubinen is situated in the heart of Gothenburg, on Avenyn. This four-star hotel is a Swan labelled hotel with 194 rooms. (www.scandichotels.se)

We made our interview with the hotel Manager, Linda Abrahamsson, who has been working as Hotel manager since march this year, and is responsible for recruiting personnel and has the highest responsibility for the hotel's operative decisions. Her position in Scandic Rubinen could easily be compared with a ceo-position if Rubinen would have been a private hotel, instead of an integral part in a large hotel chain. Before that she has had different positions in Scandic on different hotels around south western Sweden. She is a good example of an internally recruited manager. She started as apprentice during the summers and continued after that to educate herself through Scandic Business School, ending up with a top position as a hotel director. Linda's experience and position made her suitable for our interview.



Radisson Blu Hotels & Resorts belongs to the Rezidor Hotel Group which currently have over 155 hotels in Europe, the Middle East and Africa. The Rezidor Hotel Group is writing in their annual report from 2009 that they are one of the fastest growing hotel companies in the world with 47 projects under development. Radisson Blu is a first class full service hotel brand with key differentiators such as the 100% Guest Satisfaction Guarantee and the “Yes I Can!”-spirit of service. Radisson Blu Gothenburg is a four-star deluxe hotel and offers 349 rooms. It is located nearby Gothenburg City and the Central Rail Station. (<http://www.radissonblu.com/hotel-göteborg>)

We made our interview with the HR manager Laila Minfors, who has been working on Radisson Blu since 2003 where she has had different positions. She started in the restaurant where and advanced to become the kitchen manager. There she noticed how much more interested she was in educating employees, an interest that she wanted to extend and therefore applied for the position as HR manager. Together with some education provided from Radisson Blu, she managed to get the job. Laila is highly responsible for the task of hiring people, and is active through the job interviews.

OVERLOOKING TABLE OF EXAMINED HOTELS

	Rubinen	Radisson Blu
Number of stars	4/5	4/5 deluxe
Number of rooms	194	349
Turnover	70 Millions SEK*	140 Millions SEK*

*approximated numbers told by the respondents

4.2 INCENTIVE COMPENSATION SYSTEMS IN THE HOTELS WERE THE INTERVIEWS WERE CONDUCTED

Radisson Blu

Incentive compensation systems could be described in many ways, and there are no standard systems that are applicable to every company. Laila Minfors describes Radisson as a company with a strong “company culture” where tokens of gratitude are handed out among employees. She states that service and attitude towards customers are the key factors to success, and in order to do that, they have to make sure that their personnel are motivated to delight the consumer and offer quality service. And that the employees should bear in mind that it only takes one bad experience to turn a customer off, but several good ones to make him happy. Indeed, a dissatisfied customer will tell

ten people, compared to a happy customer telling only three. What they want to accomplish with their incentive compensation systems is therefore to motivate the staff to behave in these desirable manners.

To concretize Radisson Blu's incentive compensation system, it is based on non-financial performance measures, and is stated in monetary rewards. The monetary rewards consist out of two different systems; The "Yes I can"-rose, that is handed out to an employee that has performed more than well towards customers, and is therefore handed out the sum of 300 SEK on their next salary. The second, larger compensation is the "Employee of the year", which is based mainly on attitude towards fellow employees, in order to stimulate the right behavior among the personnel, but also on behavior towards customers. The employee who will receive this is rewarded with a sum of 5000 SEK extra on his/hers salary. (Laila Minfors)

Laila Minfors state that the employees felt like a part of the company, and that they enjoyed their tasks. The motivation of the staff is measured through an annual survey, made by an external company. (Laila Minfors)

Radisson Blu used to have a piecework system, where workers were paid extra due to extra services provided. They chose to remove this system, due to decreased quality in the services. A good example of this was the house keeping section, where the cleaners' payments depended on how many rooms they could clean. The results from these incentive systems were that the cleaners became burnt out, the sick listings went up and the quality of the cleanings plummeted. The employees were thinking more about their self and about the potential bonus and the competition between them were making them reducing their cooperation. Consequently, the quality to the customer was in this way reduced. (Laila Minfors)

Scandic Rubinen

Scandic Rubinen differs from Radisson regarding incentive compensation systems. Rubinen mainly focuses on smaller monetary rewards, based on non-financial measures, adjusted for the hotel industry. The most common were; small bonuses paid for every time the personnel in the reception managed to book up every room and a sort of competition for the kitchen staff who managed to sell the most menus. Other mentioned measurements were customer satisfaction, which is measured through surveys. (Linda Abrahamsson)

Whereas Radisson removed their piecework system, Rubinen uses something that resembles that kind of incentive compensation system, but instead of measuring exactly how many rooms cleaned, or how many customers served, they use more of a hunch to decide which workers that will receive an extra payment. This extra payment is derived from the collective wage agreements raises, HRF, where some percentage is the raise that everyone receives, and the rest of it works as a built up pot, where those who performed extraordinary receive those extra percentages. (Linda Abrahamsson)

The factors, used for distributing the sum of money, in a fair way are: attitude to customers, ability to cooperate and keenness to educate themselves. How the manager

evaluates the employees' achievements are subjective, which Abrahamsson mentioned made it hard to objectively divide the sum of money in a fair way.

Abrahamsson told us, that the key factor for success is to give a high quality of services to the customers, otherwise they would lose customers and sales. To be able to provide this quality it is important that the employees feel that it is fun to go to work (Linda Abrahamsson). If Linda notices that someone in the crew is not being motivated, she tries to speak with the person and solve the situation as soon as possible. The reason why someone is not feeling motivated is almost always the same and because the person has been doing the same task for a too long time. Then, it is important to give them new opportunities. Either in the hotel with new tasks or at a new one.

Bar chart 1.



$\bar{X} = 1,846154$ with a standard deviation of $\sigma = 0,880559$ (Appendix)

As we can see from the survey, with a mean of 1,86, where 1 is the highest value, the staff seem to be highly motivated, which was also stated by the management¹. Both hotels have a strong company culture, and soft values have become more important. Linda Abrahamsson stated that the employees at Rubinen felt like a part of the company, and that they enjoyed their diversified tasks. The same results were found in Radisson, where they do annual surveys of the staff through an external company. (Laila Minfors)

4.3 INTERNAL RECRUITMENT IN THE HOTELS EXAMINED

Internal recruitment in the hotel industry is something that is frequently used in large hotel chains, where the supply of workers is large, and most positions are rather standardized. At Radisson Blu, internal recruitment comprises approximately 90% of all recruitments, which is part of their strategy. (Laila Minfors) When a position is vacant, Radisson Blu announce for eligible applicants through an internal webpage. Worth mentioning is that it usually at the same time goes to an external supply as well, but as previous statistics tells us, almost 90% of the positions are filled up with internal applicants. (Laila Minfors)

Scandic Rubinen resembles Radisson Blu in terms of internal recruitment, where a majority of the vacancies are being filled with internal candidates. (Linda Abrahamsson) Most job advertisements go through an internal and external portal, where both internal and external applicants have a shot at getting the job. Even though they also advertise externally, most positions are filled with internal candidates, which could be explained by the size of the company, and the high supply of candidates. (Linda Abrahamsson)

Laila Minfors further described the main advantage with internal recruitment as being a cost- and time saver. The employees recruited internally already know the company, its culture and philosophy, have been through the internal educations and get a carrier opportunity. Linda Abrahamsson describes it also as time- and cost saving, due to the fact that they will save time and money to skip most of the introduction and learning phase. She also mentioned the fact that they already are familiar with the culture and the concepts that characterize Scandic Rubinen, and of course the fact that they offer their employees a carrier opportunity.

Regarding the disadvantages, both respondents gave quite the similar answer. They described the main disadvantage as a lack of new blood, where most of the candidates hired share the same beliefs, and have the same internal education, and lack new ways of thinking, and experience from different hotels, where they could have brought successful strategies and new ideas. Linda Abrahamsson also mentioned that it would be good to attract certain personnel from different areas, where they were specialized in certain tasks, and could bring knowledge and experience from those areas and implement them in Scandic Rubinen.

Laila Minfors told us, that recruiting internally is not enough, because the company is expanding and in the need for more employees. Linda Abrahamsson told us, that the best way is a mix between internal and external recruitment. She explains that she tries to be open minded when it comes to an open position that shall be filled and states that it depends on what position you search. As an example for that, she tells us about when when they needed a receptionist for the night and over 300 applications came to the hotel. It took a lot of time sorting these applications. So, sometimes it can be better searching for a postion only internally. On the other hand, when coming to recruiting a new barkeeper, and someone in the crew heard rumours about a good fellow working in another bar then maybe the best solution would be hiring him.

4.3.1 INTERNAL RECRUITMENT AS AN INCENTIVE COMPENSATION SYSTEM

In large hotel chains, the career opportunities are large, and even international. With 390 hotels spread out through Europe, Africa and the Middle East, Radisson tells us that they can offer a wide variety of job possibilities (Radisson group annual report 2009). And taking in consideration that most positions are being filled internally, the opportunity to a career within the company definitively exists. But in order for internal recruitment to work as an incentive compensation system in Radisson, the employees have to be prepared to move. Laila distinguished between two groups of employees, those who are driven and really want to climb the career ladder, and those more concerned about their family and everyday life. For the first-mentioned group, internal recruitment works as the main factor for motivating and staying in the hotel. (Laila Minfors)

Scandic is in the same situation, being a large hotel chain with altogether 152 hotels in ten different countries, though the most mainly in Scandinavia, the career opportunities are large as well. (Scandic annual report 2009) Linda Abrahamsson divided the personnel into the same two categories as Laila Minfors did, the young and career hungry, and those mostly concerned about the safety of a stable income and job security. For those in the first category, internal recruitment is considered as the main incentive to motivate the employees, under the condition that they are willing to relocate. She said that for the second group, smaller tokens of gratitude, and the knowledge of stability should be sufficient. Scandic also differs a bit from Radisson regarding personnel, in that they are a concept hotel, with a build up story about the hotel. The story was developed by the advertising agency Stylt and has its origin in the story of "lady ruby red", a mysterious Latino girl. The hotel staff wear uniforms with small strains of red, not too explicit, to increase the mysticism. And the rooms all have names connected to red and the bar has a Latino theme. This has had the effects that they were trying to recruit younger staff, and therefore the labour turnover raised. In order to keep the driven personnel, Scandic tries to shift their positions, and make them shift positions, to get a better overall picture of the hotel. This goes in line with their internal recruitment strategy, where the driven ones will get the opportunity to advance in positions. (Linda Abrahamsson)

4.4 EMPLOYEE EVALUATION OF THE INCENTIVE COMPENSATION SYSTEMS USED

This section is based upon the survey that was created. It was performed at the two examined hotels and we did not distinguish between the two hotels. For further information about how the survey was conducted, see Appendix for a more in-depth explanation.

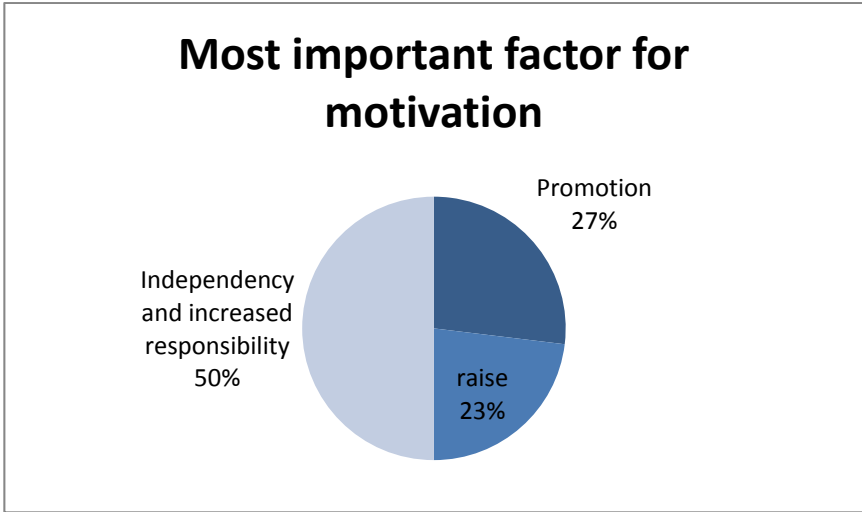
The survey that was conducted was what we based our employee evaluation on. One has to bear in mind that the sample is relatively small, and that there are two different

hotels, even though they have quite similar reward systems. According to Barchart 1, the staff at both hotels seemed to be well-motivated, with a majority of them that answered high motivated.

4.4.1 FACTORS FOR MOTIVATION

When answered what the most important factor for motivation was, they were given three options; promotion, raise or increased responsibility and independency. On an overall sample we could see that 50% of the respondents answered that independency and increased responsibility was the most important factor. Regarding raise, most personnel did not consider it being one of the main factors for motivation.

Pie chart.1



4.4.2 THE INCENTIVE COMPENSATION SYSTEM

When looking at bar chart 2 at the next page, one could see that most respondents either did not care about the way they were rewarded, or thought it was quite poor. When looking at this bar chart, one has to take in consideration that there were two different hotels, and that the incentive compensation systems were not exactly the same, even though they resembled each other to a high extent, since both hotels premiered good attitude towards customers as the main factor.

Bar chart.2

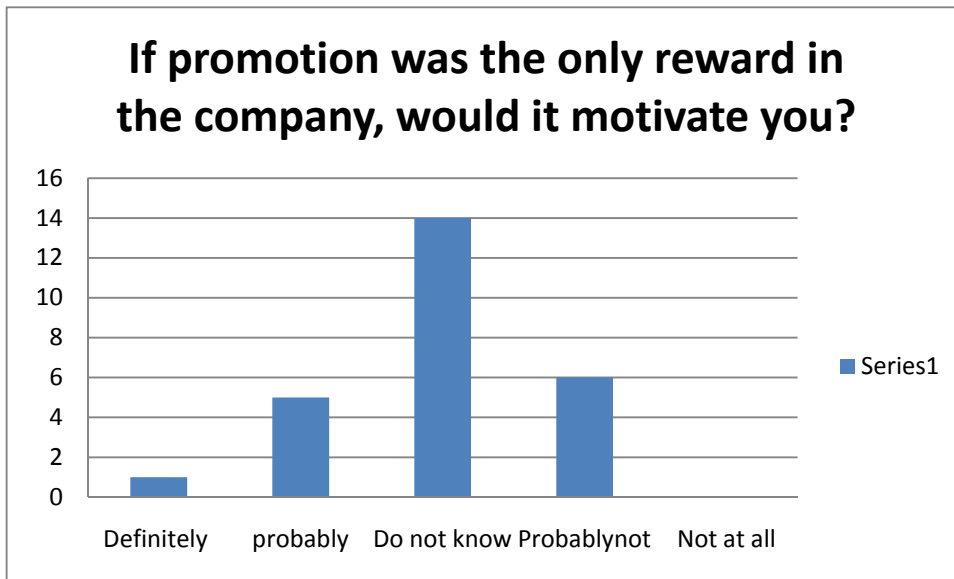


$\bar{X} = 3$ with a standard deviation of $\sigma = 0,848528$ (Appendix)

Even though the respondents were too few to make a correct stratified sample, one could still see from the survey, that those with the most unskilled jobs seemed to be least satisfied with the incentive compensation system. A majority of the respondents who answered good on that question work in a level above those with the most unskilled tasks.

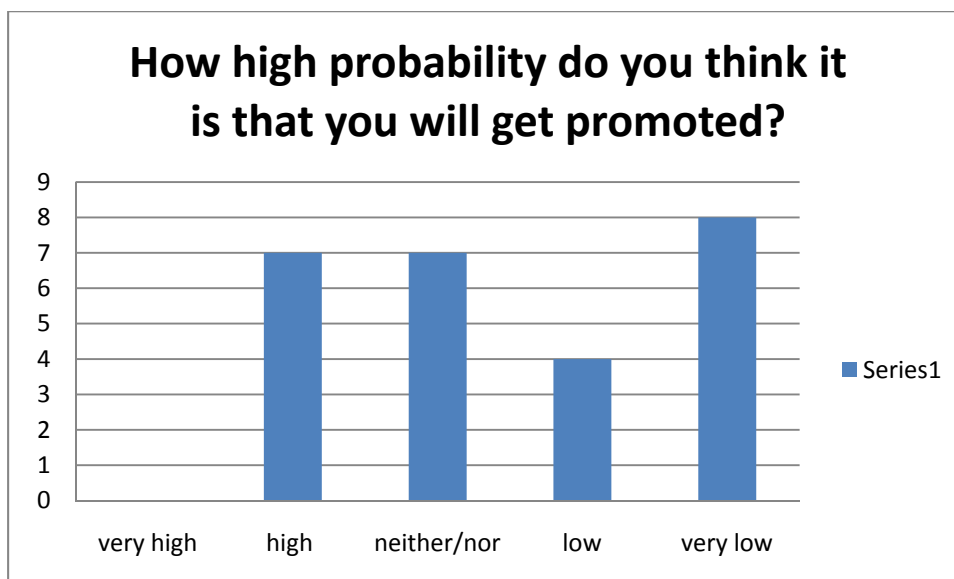
4.43 PROMOTION AS AN INCENTIVE COMPENSATION SYSTEM

This question, which is our second question in the problem formulation, was not answered to a large extent with either yes or no, but more as that the employees simply did not know. From reading the appendix, one could see that a majority of those who answered probably and definitively did not interpret the answer in the right way, or simply were not aware that an incentive compensation system existed.



$\bar{X} = 3$ with a standard deviation of $\sigma = 0,774597$ (Appendix)

The question that follows, would enable a logical chain between the two questions. In order for internal recruitment to work as an incentive compensation system, there must exist a probability that the workers will get promoted, and they also need to think that this probability exists, otherwise it simply could not work as a factor for motivation.



$\bar{X} = 3,5$ with a standard deviation of $\sigma = 1,208305$ (Appendix)

From just reading this bar chart, one could easily see that a majority of the employees simply do not believe that they will get promoted. With a mean of 3,5 and a standard deviation of approximately 1,2, this clearly points in the direction that most employees believe that they will not get promoted.

5. ANALYSIS

After we had completed the frame of reference, conducted the interviews, and, completed the survey, all the fragments seemed to give us a clearer overall picture of the reality of the empirics. Our main problem was to examine if internal recruitment solely could be the motivational factor for employees in the hotel industry. The answer to that question depends on certain factors that will be discussed more in-depth through this chapter, as well as our second question, that is based on our survey.

5.1 INCENTIVE COMPENSATION SYSTEMS IN THE HOTEL INDUSTRY

The hotels examined gave similar answers regarding how the incentive compensation systems were performed. They were mostly based on non-financial measures such as customer satisfaction, attitude towards customers and filling empty rooms. As stated by Laila Minfors, the purpose with these incentive compensation systems are mainly to encourage a sort of service-minded behavior, which should characterize the organization. Some of these smaller tokens of gratitude, such as receiving a rose for good attitude towards customers might mean a lot to some employees, but in the end, for an incentive compensation system to work well, the employees need to feel that the monetary rewards from an incentive compensations system has an impact. Merchant & Van der Stede (2007) described two criteries for an incentive compensation system to work properly. The first one is that the employees must feel a level of satisfaction from the compensation. The second factor, is the fact that it needs to be reachable, which means that the employees need to feel that their behavior and results will result in that the bonus will be reached.

One could discuss whether these smaller tokens of gratitude really work as an incentive compensation system, or simply as guidelines for behaving in the right manners. These non-financial measures work more as guidelines to steer the employees in the right direction, which is described by Vaivo(1999) as a way of focusing the management's interactive control over specific targets that have strategic relevance.

The same goes for the "employee of the year"-award at Radisson, where one employee with extraordinary attitude and behavior receives 5000 SEK as an add-on to his/her salary. It is highly unlikely that a bonus like this will motivate employees to a larger extent, due to the fact that there is only one employee among 105 other full-time employees that will receive the bonus. In this sense, it goes against one of the criteria formulated by Merchant & Van der Stede (2007).

Our survey did also show, that the employees were not satisfied with the present incentive compensation system. Regarding the rewards, they seem to be too small to

motivate the employees. The logical solution should be to increase them. But it is not that simple. Laila Minfors from Radisson described, that they used to have a piecework system, where workers were paid extra due to extra services provided. But they chose to remove this system, due to decreased quality in the services. Because the employees were thinking more about the potential bonus and the important quality to the customer was therefore reduced. (Laila Minfors) This is important to consider, when we now analyze how the hotels can develop their incentive compensation system and in this way be more competitive.

Therefore it should work more as a symbolic guideline, to reward good behavior, and create a company spirit, rather than work as a standard incentive compensation system. In order to premiere a service minded atmosphere in the hotel and in this way increase the sales by attracting new customers and making old customers coming back to the hotel. This goes in line with Ropeter and Kleiner (1997) who are saying that the key factor in the hotel industry is commensurate courtesy. This tells us, that even though it is no standard incentive compensation system it still works in line with the hotels business idea about rewarding service-minded personnel.

Taking in consideration that the measures used, are based solely on non-financial measures, it becomes rather hard to measure exactly who has done what, and to what level they have done it. This makes it a subjective valuation from the management's side and the previously mentioned criteria that employees need to feel that they can influence whether there will be any bonuses/rewards or not, is slim. If the hotel wants to use these as rewarding systems they need to be more clear with what they want from the employees.

5.2 INTERNAL RECRUITMENT AS AN INCENTIVE COMPENSATION SYSTEM

Every recruitment should be seen as an investment. From a company's view, it is easy just measuring the cost of recruiting, like cost of advertising and the salary for HR-employees. But recruiting a new person is an important question and requires a deep analysis. One long-term key factor for a company is to recruit right persons. Because when a company does this, they are able to solve their problems in a better way. (Hessner 2009)

Both hotels examined have a clear and explicit internal recruitment strategy, where a majority of their recruitment is internal. Being part of large groups, both Scandic and Radisson Blu have a large supply of candidates to select from, who they can offer a wide variety of career opportunities.

On the question if internal recruitment solely could be the factor that motivates employees, the answer given was; *"I can only talk for myself, but indeed, for me it would definitely be enough"* (Laila Minfors, HR manager)

Unfortunately, the employees examined in our survey gave us a hard-interpreted answer on the question; "If promotion was the only reward in the company, would it motivate you?" Most of the employees answered that they did not know whether they would be motivated if internal recruitment would be the only motivation factor. The question is hypothetical and we are now afterwards being self-critical, feeling that the question was not described clearly enough.

When interpreting the survey, especially the part about motivation, one could see that almost everyone answered that they were highly or just simply motivated. In the survey, it stood explicitly that they were guaranteed to be anonymous, and that the results only would be used in a scientific purpose, but we still feel that they might have felt a bit urged to answer that they were motivated, due to repressions from the management, which could affect the answers by making them look better than they actually are.

Both respondents distinguished between two categories of employees; the mobile carrier hungry employees, and those mainly concerned about a stable income. For those willing to relocate, and concerned about their carrier, one could say that promotion, and everything that it includes would be the main factor for motivation. By the answers given from the respondents, they mentioned that this was the most usual carrier way in each respective company. And as stated by Linda Abrahamsson, it is clearly one of the best ways to attract and keep competent personnel. Of course, personnel who are not interested in a promotion could be really competent as well, even if they are not interested in promotion. It also differed a bit depending on what position the employee had, and in what hotel they worked. For example, Scandic had a philosophy to alternate tasks for employees, in order for them to better understand the company.

Both respondents told us that that the best is to practice a mix between internal and external recruitment. We found it interesting that both of them told us this but they do not practice it. Tourism industry got potential but the competition is also crucial. Hotel companies need to adapt quickly and develop their knowledge to be able to offer what the customers want. (Stutz 2005) In able to do this hotel companies could recruit new external employees with more skills and who have the capacity to think more differently, than choosing the easy way of recruiting internally. But by choosing this way, the motivation of the employees probably would decrease when seeing that the chances of getting promoted is getting lower.

It is therefore important, that if the hotels chose to recruit more employees externally, that the management provide information to the employees what skills they require to get promoted so that will keep fight for this even though the probabilities is decreased. And that they give them the opportunity to educate themselves. One could analyse if they would even work harder when more people getting externally recruited.

5.3 EMPLOYEE EVALUATION OF THE INCENTIVE COMPENSATION SYSTEMS

The employees in our survey did answer that they were not satisfied with the hotel's incentive compensation system, but that they still are motivated. One possible reason for this, could be that the employees know what rewards the company distribute every year, but that they do not interpret them as an incentive compensation system but rather more as a gesture to reward good behavior. This tells us, that the hotels need to be more clear and tell the employees that it actually is an incentive compensation system and provide them with information about how they judge their performances so that the employees knows how they should act to achieve them.

When looking at the results from the survey, even though we were not able to construct a stratified sample, we could still see some results that pointed in a certain direction. Where those with lower tasks, such as house keeping tended to be less positive to the rewards, and for them, being able to reap any benefits from being service minded, due to their low interaction with customers, must be slim to none. It is highly unlikely that anyone of them would receive a "rose" for best behavior towards customers, therefore we could say that the incentive compensation system might not include everyone in the organization. And when knowing this, one possible way to optimize the incentive compensation system is to tie different rewards to different group of people that the hotel manager want to motivate. For example, those mainly concerned about a raise instead of working their way up in the company, will most likely not be motivated by promotion solely. One way of solving this problem would then be to reward different performances in different sectors.

6. CONCLUSIONS

In this final part of the thesis, we will shed light on the conclusions found in our study, based on our frame of reference, empirics and the analysis

Our purpose with this thesis was to;

GET INSIGHT OF THE HOTEL INDUSTRY AND ITS INCENTIVE COMPENSATION SYSTEMS FOR EMPLOYEES, AND THROUGH THAT EXAMINE WHETHER INTERNAL RECRUITMENT COULD BE SUFFICIENT TO MOTIVATE THE EMPLOYEES AND IF IT COULD BE THE KEY FACTOR FOR SUCCESS.

In the analysis, we have discussed and evaluated the incentive compensations systems used. Been through how and to what extent internal recruitment is used, and discussed whether it could be a key factor to success. We have also discussed the results of the employee evaluation, and discussed whether the personnel on the hotels are aware of them and if they consider them to be incentive compensation systems.

6.1 INCENTIVE COMPENSATION SYSTEMS

Regarding the incentive compensation systems, we found out that both hotels had something that they called incentive compensation systems. They were based on non-financial measures, but worked more as guidelines for the employees to behave in a good service-minded manner, than actual motivation factors. Due to their low rewards, these incentive compensation systems would most likely not work as motivational factors, but more stimulate a desirable behavior. When finding out that the rewards are too low to motivate the employees, we were thinking about how we in a possible way could change them. A logically change would be to increase the rewards. But earlier experiences tells us, that it can be devastating if the rewards get too high because the employees are then concerning more about the bonuses than the quality to the customer.

Another negative factor contributing to not classify these compensation systems as incentive compensation system was the low grade of affection that the employees had. We found out that it was very hard for them to affect whether they would achieve their rewards or not. We found out, that it is important that the employees knows what efforts that are desirable and leading to the rewards. Another factor that made it even harder was the subjective evaluation of who has done what, and the fact that it is pretty hard to measure a service-minded behavior, which leads to that the evaluations would be fairly unjust.

6.2 INTERNAL RECRUITMENT AS AN INCENTIVE COMPENSATION SYSTEM

QUESTION 1; IS A WELL-KNOWN INTERNAL RECRUITMENT STRATEGY SUFFICIENT AS AN INCENTIVE COMPENSATION SYSTEM IN HOTELS?

This was our main question that we wanted to examine in this thesis. Even though it is hard to give an overall picture of the hotel industry, this sample might still give some indications that point in a certain direction. So, what we found out was two categories of employees;

1. Young and driven employees, who are willing to relocate, and consider climbing the carrier ladder as one of their main goals.
2. Those employees mainly concerned about their family and everyday life. Which main goals seemed to be to have a stable income.

For the first-mentioned category, internal recruitment solely, could motivate them to stay in the company, under the conditions that they are able to get promoted, and that they are aware of that they could get promoted. Regarding the second group, they simply do not care about promotion, which they think is something that is highly likely not to happen, which was also shown in our survey.

What we further wanted to examine was how this incentive compensation system was considered by the employees, and if it was performed in the right manners, which led us to our second question;

QUESTION 2; IS IT POSSIBLE THAT A DISCREPANCY BETWEEN THE MANAGERMENTS' AND THE EMPLOYEES' VIEW OF INCENTIVE SYSTEMS EXISTS?

According to the way the management had performed the incentive compensation systems, they were considered being incentive compensation systems, but worked more as guidelines for the employees to behave in a service-minded behavior.

The employees answered that they were not satisfied about the hotel's incentive compensation system. One possibly reason for this, could be that the employees do not interpret them as a incentive compensation system but more as a gesture rewarding good behavior. Therefore it exists a discrepancy between the managements's and the employees' view of the incentive compensation system. Where some employees feel that the incentive compensation systems used are not very appealing, and the level of how they can affect whether they will receive it is too low. This tells us, that the hotels need to be more clear and provide right information to the employees about how they judge the performances. So that the employees knows how they should act to win them and that the management therefore can steer the employees' behavior in the right way with help from right rewards.

6.3 SUGGESTIONS FOR FURTHER STUDIES

After coming up with our conclusions and completing this thesis, it would be interesting to further investigate the effects of internal recruiting, and perhaps see if it affects profitability. We think that it would be interesting to prove this statistically with an intense quantitative study. Another angle that we did not shed light on but is of interest is whether this business that seem to have a huge potential lack of knowledge due to a high rate of internal recruiting exists.

6.4 REFLECTIONS

After browsing through numerous of articles, books and magazines it became clear that the hotel industry is a field that is hard to gain insight in. Even though we just touched upon a small fraction of the industry, our knowledge and understanding of it expanded widely and we started thinking about management problems that we did not knew existed before. It was also a good experience to write a scientific thesis, not only to learn the techniques used, but also to gain experience and skills that will be of high value in the future regarding critique on argumentations.

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7. APPENDIX

Presentation of the quantitative data:

Our quantitative study was performed as a survey, which was conducted in the two different hotels that we examined. The respondents were selected randomly in both hotels, and were guaranteed to be anonymous. They were selected from a bottom-down-perspective, whereas we wanted answers not from the management, but rather from the floor staff and middle line managers. The ones who answered belonged to sections such as; serving managers, economy, revenue team, receptionists, cleaning and restaurants, where the last three was categorized as floor staff.

The answers were graded from 1 to 5, where five symbolized the most negative attitude. After we had created the bar charts, we calculated the standard deviance, in order to see whether the answers were reliable enough.

Originally, the survey was handed out to 50 evenly randomly selected employees, with the intention that at least half of them would answer, which turned out successful, whereas 26 respondents chose to answer.

Question 1: Which of these factors do you find most motivating?

We simply stated that 50% of the asked employees found increased responsibility and independency as the main factor, and that almost 27% chose promotion and 23% raised salary. A stratified sample could not be made, due to the low numbers of respondents.

Question 2: Do you feel motivated to do a good job?

The formula we used to calculate the random sample variance was;

$$S^2 = \sum \frac{(X - \bar{X})^2}{n - 1}$$

Where $\bar{X} = 1,846154$

And in order to calculate the standard deviance we used; $\sigma = \sqrt{S^2}$

When we inverted the numbers, we got; $S^2 = 0,775385$ and $\sigma = 0,880559$

Question 3: Could you consider staying in the company with your current position?

(The reason why we could not use a stratified selection is that n is too small to get a statistically secure answer from the different categories of employees)

The formula we used to calculate the random sample variance was;

$$S^2 = \sum \frac{(X - \bar{X})^2}{n - 1}$$

Where $\bar{X} = 2,576923$

$S^2 = 1,482608$ and $\sigma = 1,217622$

Question 4: What do you think of the company's way of rewarding good accomplishments?

The formula we used to calculate the random sample variance was;

$$S^2 = \sum \frac{(X - \bar{X})^2}{n - 1}$$

Where $\bar{X} = 3$

$S^2 = 0,72$ and $\sigma = 0,848528$

Question 5: If promotion was the only reward in the company, would it motivate you?

The formula we used to calculate the random sample variance was;

$$S^2 = \sum \frac{(X - \bar{X})^2}{n - 1}$$

Where $\bar{X} = 3$

$S^2 = 0,6$ and $\sigma = 0,774597$

Question 6: How high probability do you think it is that you will get promoted?

The formula we used to calculate the random sample variance was;

$$S^2 = \sum \frac{(X - \bar{X})^2}{n - 1}$$

Where $\bar{X} = 3,5$

$S^2 = 1,46$ and $\sigma = 1,208305$

The survey as it was handed out

Hej!

Detta är en enkätundersökning som ingår i en magisteruppsats som skrivs av två studenter från Handelshögskolan i Göteborg. Du är givetvis helt anonym, och svaren kommer bara användas i vetenskapligt syfte. Vi är tacksamma för era svar.

Frågorna är graderade inom gränserna 1-5, där 1 är högsta värdet och 5 är det lägsta. Värdet 3 motsvarar ingen uppfattning.

Ålder: _____

Antal år du jobbat på hotellet:_____

Antal år på annat hotell:_____

Position:_____

1.Vilket av dessa alternativ anser du är den viktigaste motivationsfaktorn?

Befordran

Högre lön

Självständighet och ökat ansvar

2. Känner du dig motiverad att utföra ett gott arbete?

1 motsvarar mycket hög och 5 motsvarar inte speciellt motiverad alls.

1	2	3	4	5

3.Skulle du kunna tänka dig att jobba kvar med den positionen du har nu inom företaget under en längre tid?

1 motsvarar ett starkt ja och 5 motsvarar ett nej.

1	2	3	4	5

4. Vad tycker du om företagets sätt att belöna Era goda prestationer?

1 motsvarar mycket bra, medan 5 motsvarar inte alls bra.

1	2	3	4	5

5. Om befordran var den enda belöningen som existerade inom företaget, skulle det kunna motivera dig?

1 motsvarar ett starkt ja och 5 motsvarar ett nej.

1	2	3	4	5

6. Med hur stor sannolikhet tror du att du kommer att bli befordrad?

1 motsvarar mycket hög och 5 motsvarar ingen som helst sannolikhet.

1	2	3	4	5

7. Skulle du vilja lägga till något som du kände saknades i undersökningen