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“Red Envelop”: incentive measure for Chinese employees

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Thesis for the Master’s degree in Business Administration
Spring 2008

Abstract

Things change faster in China than that in other places of the world. So are the functions of the traditional items. This paper studies the most common economic phenomena in the People Republic of China——"Red Envelope" as year-end cash bonus. Based on 108 employees' responses to the designed questionnaires in Henan Province, central part of P. R. China, the paper reveals the "Red Envelope" is an incentive measure for Chinese employees at present.

Acknowledgments

It would be more complicated task for me to finish the MBA course without the help of many persons. I owe my first thanks to my dearest wife, Gu Xiaohong and my families. They encourage and support me to keep going.

The staffs of MBA program in Blekinge Institute of Technology absolutely have done their great jobs, in my view, which smooth my learning process. And my classmates' contributions on the discussant forum clarified some frustrating problems encountered during my study. Thanks to them!

Finally, I would like to express my sincere gratitude to my supervisor, Dr. Klaus Solberg Søilen in particular. His technical suggestions and thoughtful feedbacks to the sketches of my thesis make this paper presented.

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1 Introduction

Usually the holiday bonus for many employees in western countries arrives after their most important traditional festival-Christmas Day. In China, things are different. Considerable Chinese employees receive their bonus before the Spring Festival or the Chinese New Year, equivalent important festival to Christmas in China. Thus *Nian Zhong Jiang* (year-end bonus) in Chinese is named. In most cases, the year-end bonus displays in three specific varieties in China:

■ Guaranteed bonus: this type of bonus is guaranteed no matter what situation the company is being in and how the employees perform. All employees in the company do get double or triple extra monthly salary as a token of gratitude of the company owner for their yearly working as long as they are in the duty. The exact amount of money directly correlates to their monthly salary. Guaranteed bonus is universal benefit and rules or regulations concerned specify in human resources policies.

■ Variable bonus: as its name indicated, this kind of bonus varies with the performance of the company and the employees. Individual performance contributes to the difference on the variable bonus between employees. Conventionally, the rules governing amount of money are fully discussed and known to all employees. For example, once the performance targets of the company and an employee are reached, the amount of the bonus

is equivalent to his/her twelve month salary.

■ Red envelope or red packet: with no fixed or written articles governed, this kind of bonus is in the black box. The bosses or owners are the only persons who are in the position to decide how much to allocate the bonus to each individual. The decisions usually depend on employee's performance in the past, but not always. Personal relationship with boss and tenure in the company, for example, might overtake it.

The red envelope, in Chinese language context, bears quite a few meanings. In this paper, however, the red envelope means one type of year-end cash bonus, which awards to employee in the red colored and envelope-size packet, customarily, before the Chinese New Year.

1.1 Purpose

Ever since opening up policy in China, the foreign investors flood firstly into the South and East China. They introduce not only international capital but also western management philosophy and practices, especially remuneration systems to China (Vivienne W.M.Luk and Randy K.Chiu, 1998). The bonus system is one of them. According to Rosalie L.Tung (1981), "the current practice of using bonuses reinstated in the spring of 1978" and "practically all enterprises in China now use bonuses". Actually the percentage of bonuses in standard wage of the employees increasingly amounts to 40 percent (Chiu *et al.*, 2002) from

average 10 to 25 percent (Miller, 1979; Groves et al, 1994). That partially suggests why so many articles involved in studying the incentive effects of bonus (Yao Shujie, 1997; Meng Xin and Perkins Frances 1998).

Not as usual, this paper focuses on one form of bonuses, red envelope and its incentive aspect in the view of the Chinese employee's beliefs on it. And as stated early, the foreign investors locate their operations mainly in South or East China, so the literatures concerned, by and large, build on data or empirical researches from those regions. Nowadays, the Chinese Government advocates to boosting balanced regional development and encourages the enterprises abroad or in the developed areas of China to carry out investment and trade in Central China (the Eleventh Five-Year Plan for National Economic and Social Development). This study catches this trend and collects data from central part of China--Henan province.

1. 2 Thesis Layout

The paper develops as follows. First, I review some related theories and explore their relevance to this research. On the ground of the relevant literatures and previous researches, I propose a set of hypotheses concerning the red envelope, and then present the empirical data and findings. Finally some conclusions are drawn.

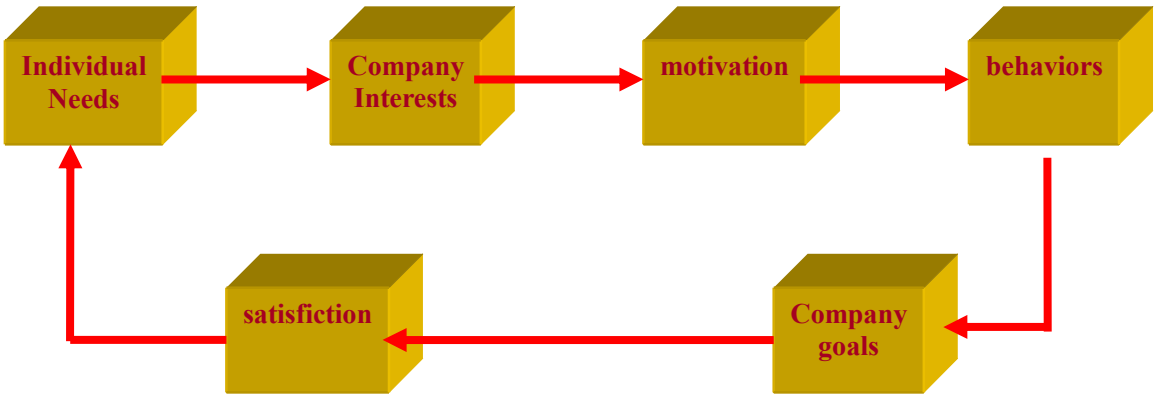
2. Literature Review

In this section, I will first examine some popular incentive theories, and then apply them to this study. Those applications constitute indispensable parts to develop hypothesis.

2.1 Basic Ideas of Incentive theories

In nature, human being is a wanting animal with endless needs. When one of their needs meets, another appears in its place. This process continues throughout their lives from cradle to grave. Though this inherent nature is only one of the determinants of behaviors, the social sciences today are pretty sure that, under proper conditions, unimagined creative power of human being could capitalize in organizational setting. With these preconditions, incentive is the process of analyzing the individuals' needs, and besetting their needs, especially unsatisfied needs, into the interests of the enterprises; then the way of motivating the individuals' needs (employees in enterprise) is the step forwarding the goal of the enterprise. Once enterprise's goal achieved, the needs of employee would be satisfied, at least partially. (See figure 1)

Figure 1: Incentive Process



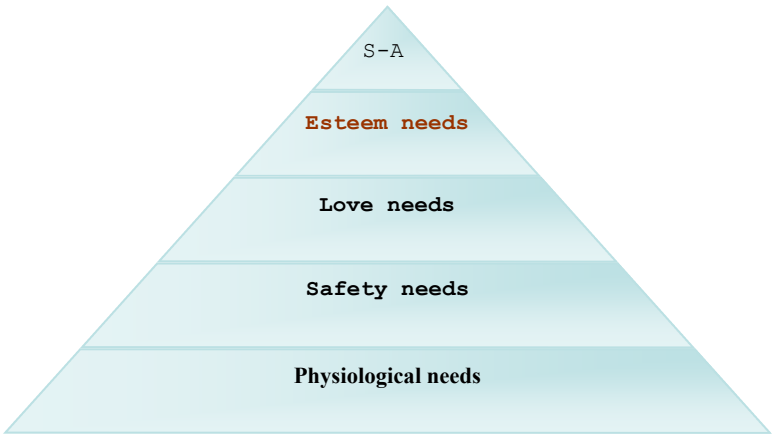
In this case, creating or exploring the different needs of the individuals or employees in enterprises enjoys the privileges for discussion.

■ **Human Motivation Theory**

Psychologically, according to Abraham Maslow, the various human needs may be classified into five sets of basic needs. Needs is defined as internal states which make certain outcomes appear attractive (Pindur *et al*, 1995). Namely, five basic needs are physiological, safety, love, esteem and self-actualization. These needs are related to each other and arranged in a hierarchic scale. At the lowest level of this pyramid are physiological needs such as food, shelter and clothing. When the physiological needs are reasonably gratified, the next higher level of needs—safety needs then emerge, which mainly dominate safety-seeking behaviors. If both physiological and safety needs are well satisfied, then a new set of needs becomes to center human's behaviors, which are called love needs

while others named social needs. They are the needs for love, affection, belonging and giving and receiving friendship. Next climb to the esteem needs if above three needs are relatively well satisfied. The esteem needs are of greatest significance to management for those needs relate to one's self-esteem (i.e., needs for self-confidence) and one's reputation (i.e., needs for recognition). On the top of the pyramid is the need for self actualization.

Figure 2: Hierarchy of importance of Human needs



Maslow's human motivation theory suggests that the higher needs will not emerge until minimum satisfaction of the lower one. It means lowest level needs, physiological needs, will first dominate the behavior- to motivate human being. In ordinarily circumstance, how could a person seek someone's love when they are hunger, lack of shelter or no clothing? Once the lowest needs are well satisfied, physiological needs no longer

drive human's behavior. Those needs will minimize or even forget. The next higher needs come to stage and tend to direct the behavior because satisfied needs are no longer active motivators. It is safe to conclude that the most prepotent needs are the key motivators of the human behaviors and only an unsatisfied need agitates individual's willingness to spend their efforts to achieve. In practice, seldom does a fully all-needs gratified person exist. Thus most people in the society have diversified needs for satisfaction.

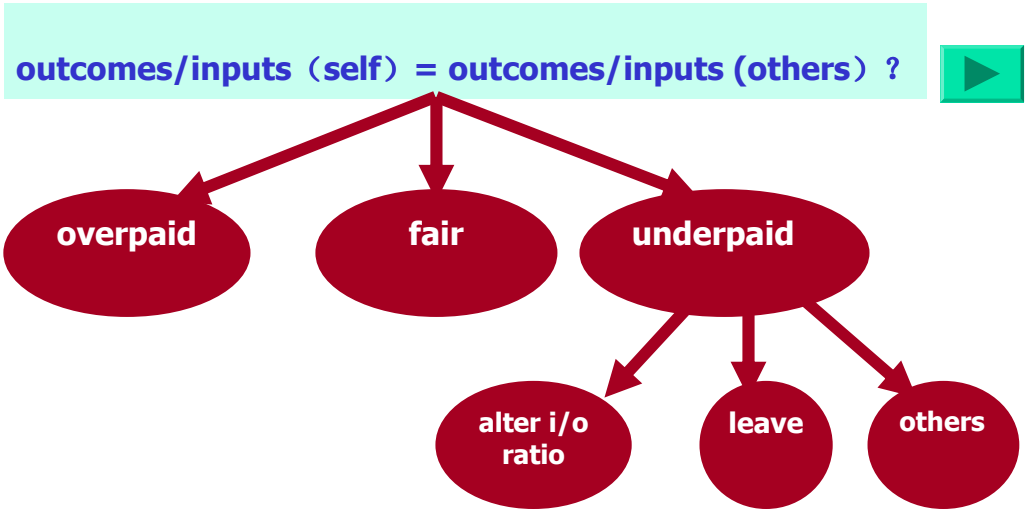
Except Maslow's human needs theory other best known incentive theories are Stacey Adams' equity theory, Victor Vroom's expectancy theory and Skinner's reinforcement theory.

■ **Equity Theory**

Equity theory suggests that the employees make assessment of the equity or fairness related to their job inputs and outcomes with that of others who are comparable to themselves (Bowditch et al., 1997). Inequity influences the degree of effort employees exert. Equity is an individual's beliefs that he or she is being treated fairly with the forms of external equity and internal equity. Employee's perceptions on this fairness have a major impact on their performance. External equity exists when employees in one company compare their job performance and paid with those paid for similar jobs in other companies. Internal equity happens when relative value of job performance

and paid are compared within one organization. The most remarkable idea in equity theory is that if rewards are to motivate employees, they must be perceived as being equitable and fair.

Figure 3: Equity theory



Consequently, the comparison results in overpaid, fair and underpaid. Because the frequency of underpaid usually occupies top in three results its further outcomes merit a few words here. When the employee conflicts with unfair treatment either perceived or in real case, he/she might turn to the following alternatives:

A. To adjust the ratio of outcomes and inputs by either requesting more rewards or alleviating their efforts.

B. To leave the present companies he/she is working for.

C. Other actions.

One way to adjusting the ratio of outcomes and inputs is to distort inputs and/or outcomes in employees' own minds. The expectancy theory of motivation explains this cognitive aspect between inputs (i.e. effort) and the outcomes (i.e. reward) in details.

■ **Expectancy Theory**

Constructed on the premise that the amount of efforts people expended depend on how much rewards they expect to attain in return, expectancy theory states basically that motivation plus effort of employee leads to performance, which in turn leads to outcomes or rewards while the motivation is contingent with how much employee want something and how likely they would contribute to.

The expectancy theory deals with two aspects, one is cognition, and the other is process. By cognition, it refers to expectancy theory stress people's perceptions, judgments and wants. In the incentive equation,

Incentive/motivation = valence x expectancy

both the valence and expectancy are based on people's perceptions and assessments.

Meanwhile, expectancy theory is a process theory because it contains three major components, through which it attempts to illustrate how the motivation takes place. Its three basic components are valence, instrumentality and expectancy.

Process A in figure 4 represents expectancy process, where the individuals assess the possibility that certain effort will lead to certain behavioral performance. This process is also referred to as effort-to-performance expectancy. Process B is called instrumentality or performance-to-outcome expectancy. It is an individual's assessment of the possibility that working performance will result in certain valued outcome. Expressed in common word, the things get done are for pay. Valence refers to the worth or attractiveness of an outcome an individual perceives or thinks of.

Figure 4: Expectancy theory

The application of expectancy theory requires making explicit link between rewards and performance, most important, the understanding of what the employee desires, and, what kinds or levels of work performance are essential to meet the standard of the enterprises' goals.

■ **Reinforcement Theory**

Reinforcement theory proposes that social behavior is governed by external events and would approximate to the eventual desired behavior through a shaping process. The basic

premise is that a certain behavior will occur with high frequency if pleasant consequence or the removal of unpleasant result directly follows it. The shaping process is achievable by way of positive and/or negative reinforcement. Positive reinforcement refers to the consequence that gives rewards positively encourages the reoccurring of this behavior. Negative reinforcement, on the contrary, means that the consequence that receives punishments discourages the reoccurring of this behavior. In reinforcement theory a combination of rewards and/or punishments is used to reinforce desired behavior or extinguish unwanted behavior.

The most meaningful contribution of reinforcement theory to understanding human behavior is that it nails down the idea: consequences influence behavior, though it is criticized to downplay the cognition role in human behavior.

2.2 Theoretical application and hypotheses

Above mentioned incentive or motivation theories in general focus on the satisfaction of the needs that initially proposed by Maslow. Or to say it in another way, these theories largely deal with the question "what outcomes or rewards attract individual's efforts". Dr. Michael LeBoeuf (1989) argues in his works that money and recognition are the most powerful reward and "the things that get rewarded get done" (LeBoeuf et al., 1988).

2. 2. 1 Recognition

Reinforcement theory suggests positive reinforcement is observed when a behavior is followed by a consequence that increases the behavior's likelihood of reoccurring. According to Dubrin, giving recognition can be considered as a direct application of positive reinforcement. That is to encourage the reoccurring of the right behaviors. "Recognition is a strong motivator because it is a normal human need," as Dubrin (2007) indicates, and "recognition is also effective because most workers feel they do not receive enough recognition". Recognition may vary in forms including oral, written, or material reward. Jenifer Labbs (1998) states employees tend to regard recognition as a gift. Red envelope functions both utilities. It originates from the gift tradition in Chinese culture (Kin Wai Michael Siu, 2001) and it seals with cash inside. In this case, I come to hypothesis 1:

H1: *the employees who received the Red Envelope feel his or her work were recognized by the employers.*

2. 2. 2 Reward and performance

In most persons' views, the principal reward is payment. In addition to that, others may include, say, work interest, promotion and participation in decision making. Most payment are visible in form of money such as basic salary, bonus,

various allowance. “Money isn’t everything, but it is the best metric” (Lazear, 1998, p.379). It is a metric for self-achievement, success and social status. “Although money has only limited value in satisfying many higher level needs, it can become the focus of interest if it is the only means available” (Pindur *et al*, 1995, p44). In developing countries, people are becoming more materialistic or cash mentality (Tang *et al*., 2000b; Chiu *et al*. 2002) as fast economic development. China is in the namelist of developing countries, so it is correct to say that cash, a form of money, does motivate Chinese employees’ performance, though its impact on performance quality is controversial. Further, the size of reward or amount of cash does have some impact on the individual’s performance. Equity theory and expectancy theory suggest such mechanisms.

As the basic ideas of equity theory illustrated, employees will adjust the ratio of inputs (i.e., performance) and outcomes (i.e., payment, bonus) should unfair does exist through comparison with that of others. They may either change the efforts of inputs or seek more returns. Under same principle, the theory implies that greater awards should lead to equally greater performance as employees keep the balance of the ratio of their performance to the perceived value of their pay.

Expectancy theory clearly states that the relationship between reward and performance impacts the amount of efforts

inflow. This is one of the foundation stones upon which pay-for-performance system are typically built. If employees assume that their greater efforts result in higher performance, while higher performance in turn leads to the bigger reward, then the system will guide the employees to perform better.

The red envelope as year-end cash bonus, surely, is a reward to employee, so I propose that:

H2: *The Red Envelope holds positive correlation to the performance of employees.*

Red envelope is a traditional form in Chinese culture because of filling with year-end cash bonus, which is one of the most important components in motivating employees (Chiu et al., 2002). As fast development of market economy in China, the entrepreneurial spirit flourishes. The bigger red envelope one received not only represents their job well-done but their economic and social status as well. Hence if hypothesis 1 and 2 are supported, I would suppose:

H3: *Red envelope is truly appreciated by the employees.*

3. Research Methods

This empirical study employs both quantitative and qualitative methods because each method performs different functions in business research (Ghauri *et al.*, 2005).

In this study, quantitative method refers to quantification of the data collected through the questionnaires so as to draw the meaningful statistic conclusion and to prepare testing the hypothesis. The hypothesis, however, is developed by qualitative method.

3.1. Data and Sample

I totally handed out 164 questionnaires to the employees working in the wholesale & retailing market in suburb of Zhengzhou, the capital city of Henan Province, P. R. China. In the market compound, over 100 companies trade steel products such as bar steel, angle steel, sheet steel, etc.. The companies hire as few as 1 full-time employee in number to more than 120 employees in the largest company. Their academic background varies from elementary school to tertiary education (Table 1).

Table 1 Basic information: years of education

Education level / total (%)	1-6 years elementary education	7-10 years middle school	>=11 years high school or higher education
108	11	19	78
100%	10.2%	17.6%	72.2%

I presented respondents' academic background as the basic information because the education level does influence their comprehensions of the key questions and the quality of their answers though I do not study the correlation between their education level and attitudes to the red envelope.

Historically speaking, according to the national population census in recent years, the number of Chinese citizens in middle and high or higher education increases while the percentage of elementary educated citizen in total population is decreasing (Source: www.gov.cn). The above tabled results follow this trend.

Under such common business circumstance in China, the survey surely leads to a representative sample. I received 108 usable questionnaires, representing proximate 65.9% response rate. The high response rate is due to the contribution of the employees in 6 companies, where I am acquainted with the owners and is permitted to conduct interviews. Personal interviews benefit data collection. Firstly, it avoids low response because questionnaires distributed by carriers or cyber system usually leave untouched or unread. And secondly, for the reason of respondents seldom filing in such questionnaires, it enables me to grasp the meanings of the respondents' answers and correct obvious misunderstanding. Thirdly, an brief explanation to the data application and directly submitting the answer sheets to me lessen the respondents' worries and suspicions of data misusing, especially in favor of their own employers. That is why no company names are mentioned in the study.

3.2. Some Points for Notice

■ Translation of Questionnaires

The questionnaires serve this study originally in English. Translation into Chinese is necessary and facilitates the respondents' comprehension of the questions. Back and forth discussion with some senior English-Chinese lecturers effectively diminishes the possibility of bilingual problems. But there is no guarantee to smash this linguistic matter.

■ **Possible Errors in**

Every coin has two sides, so is the personal interview. The other side of personal interview is that some bugs may fly in. The interviewed respondents might take my words as hints thus they might follows my ideas not presenting theirs. Further, because of being unfamiliar with this kind of questionnaires, the respondents tend to choose moderate figure in the scale. This phenomenon slightly mirrors in the answers to question 1, 4 and 10.

Another noticeable matter is that when being asked whether the respondents received or not the red envelope, 11 respondents' replied they never did. I count their questionnaires in because this study tends to reveal their attitudes rather than just a real case investigation (details see table 2). This consideration might include some errors in. However, by this I would achieve a genuine random sample.

Table 2 Basic information: received or not Red Envelope

Yes/ Never total (%)	Yes	Never
108	97	11
100%	89.8%	10.2%

11 respondents said that they never received red envelope, so I can assume their answers to real case questions are based on their mind thinking.

Almost 90% yes to this question indicates this sample is usable and bears meaning of analysis.

3.3 Results

Except three basic ones, 10 questions list in the questionnaires targeting three hypotheses. Question 1 and 2 aim to Hypothesis 1. Question 3、4、5、6、10 are responsible for Hypothesis 2. Other questions are supplementary and provide defense materials for Hypothesis 3.

In order to measure the strength of the positive answers to each question, I employ five-point Likert scale to specify different degree. The followings are the details.

H1: The employees who received the Red Envelope feel his or her work were recognized by the employers.

Q1: Do you take positive opinion about receipt of the red envelope as the recognition of your contributions to the company? (Table 3)
NO ☐ YES ☐
If yes, then: < 20%☐ 21%-40%☐ 41%-60%☐ 61%-80%☐ >81%☐

Table 3 Recognition function of the red envelope

No/ Yes / Total (%)	No	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
108	7	14	22	37	17	11
100%	6.48%	12.96%	20.37%	34.26%	15.74%	10.19%

Over 93% (n=108) respondents regards the red envelope as the recognition of their work, of which 1/4 (25.83% = 15.74% + 10.19%) respondents strongly believe its recognition function. still almost 1/3 (33.33% = 12.96% + 20.37%) respondents slightly recognize that function.

The reason for high positive opinion might be some

respondents take it grant as the red envelope in the Chinese culture is somewhat a "must" to express good wishes to the offspring and gradually the Chinese business circle adopts it to express the gratitude for the employees' working (Kin Wai Michael Siu, "Red Packet: a Traditional Object in the Modern World", Journal of Popular Culture).

This question test the respondents' perceptions to the concept of the red envelop. The result points out the red envelope mark with this kind of trait in nature.

Q2. Could you name any other way of recognition for your contribution to the company better than the red envelope? (Table 4)

NO ☐ YES ☐

If yes, please list at least two of them:_____

Table 4 Any other recognitions

No/ yes / total (%)	No	Yes
108	43	65
100%	39.81%	60.19%

In table 4, around 40% (n=108) respondents said no to the question, which means relative high rate of respondents do think the red envelope is good recognition to their job done and better than other forms of recognition.

When it comes to other recognitions, cash, automobile apartment, promotion and paid holiday are mentioned. However, some of these mentioned items together with the red envelope essentially belong to same catalogue- material things.

The data show that recognition of work performance has some other varieties, and red envelope is only one of them. The relative high positive responds might be due to the fact that the red envelope is picked up for choosing. At the same time, I can infer that the red envelope undertake rather shares of recognitions for employee's work in the respondents' view.

H2: Red Envelope holds positive correlation to the performance of employee.

Q3. Do you think the Red Envelope is strongly connected to your actual and perceived work achievement in the passed Chinese year? (Table 5)
NO ☐ YES ☐
If yes, then: < 20%☐ 21%-40%☐ 41%-60%☐ 61%-80%☐ >81% ☐

Table 5 Connection between the red envelope and achievement

No/ Yes / total (%)	No	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
108	6	17	15	18	30	22
100%	5.56%	15.74%	13.89%	16.66%*	27.78%	20.37%

*adjusted data

Direct response to the question 4(table 5) indicates about 65 percent (n=108, 64.81% = 16.66% + 27.78%+20.37%) respondents does believe the red envelop has closer relation with their actual or perceived working achievement. 48.15 percent of them (n= 108, 52/108) exemplifies intimate connection between work achievement and the red envelope.

One conclusion in "Retaining and motivating employees" (Randy et al., 2002) fully illustrates this outcome. It says "In order to motivate people…individual bonus…are the main

concern of people in China". The fact that the red envelope contains year-end bonus makes this respond more accepted.

When I asked from opposite point (Q4, table 6), 81 percent (100%-18.52%) respondents (n=108) will make a decision to stay or leave the company based on how much cash they received in the red envelope. 19 of 108 (18%) respondents surely will leave the companies only because of dissatisfaction with the red envelope.

Q4. Will you make a decision to stay or leave the company based on how much cash you received in the red envelope? (Table 6)
NO ☐ YES ☐
If yes, then: < 20%☐ 21%-40%☐ 41%-60%☐ 61%-80%☐ >81% ☐

Table 6 Leave or stay based on red envelope

No/ Yes / total (%)	No	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
108	20	15	18	36	9	10
100%	18.52%	13.89%	16.67%	33.33%	8.33%	9.26%

A little surprise I am to see only 50 percent (33.33% + 8.33%+9.26%) respondents show that their decision on staying or leaving the companies heavily bases on the red envelope while 65 percent (in table 5) respondents believes closer relationship between the red envelope and work achievement. A big difference it is! A possible explanation would be other things like corporation culture, hard to find a better job, etc, synthesize this result.

Actually the respondents' tenure period in the current companies partially suggests high turnover in the investigated

companies.

Table 7 Basic information: Years of working

Working years / total (%)	1-2 years	3-4 years	5 years or more
107*	17	55	35
100%	15.89%	51.40%	32.71%

* One respondent indicates he/she has worked less than half year.

In line with table 7, about 33% of total respondents have been working in the current company for 5 years or more.

It is hardly to say this problem attributes to the red envelope only from the limited information presented above, but it should comes to the conclusion that high turnover problem exists.

Q5. Will you expect more cash in the red envelope if both of you and the company did better than that of last year? (Table 8)

NO □ YES □

If yes, then: < 20%□ 21%-40%□ 41%-60%□ 61%-80%□ >81%□

Table 8 Expect more or not

No/ Yes / total (%)	No	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
108	0	3	1	8	21	75
100%	0%	2.78%	0.93%	7.41%	19.44%	69.44%

On the other side, the respondents overwhelmingly do expect more cash in the red envelope when both they and their companies did better than that of last year. This case fits the expectancy theory quite well.

Expectancy theory suggests an instrumentality is referred to as a performance-to-outcome expectancy (Dubrin, 2007). It is no wonder the employees expect more outcome or reward when performing better. It also suggests size of reward amounts will have an impact on employee's behavior. We will see what happened from data of real case question in Table 9 series.

Q6.A. Continued on the question 5, in your working experience, did your employers really seal more cash in your red envelope? (Table 9.1)
NO □ YES □

Table 9.1 What happens in real?

No/ yes / total (%)	No	Yes
108	37	71
100%	34.26%	65.74%

Did the respondents really get more reward/cash? According to Table 9.1, over 65 percent respondents did get what they expected—more money in the red envelope, but not all of them.

Hard to guess why 34 respondents did not gain more cash or bigger red envelope. The reasonable words might be that their employers dislike those respondents, therefore give more cash to others but not them. Nevertheless, what I concerned is 34 percent respondents' next move.

In table 9.2, the figures suggest that about 59 percent (n= 37) of those who did not receive bigger envelope in good year would make a decision to leave the present companies. Of 22 respondents who intend to leave the present companies, in table 9.3, all of them attach high possibility to quit their job because of the red envelope, representing 20.37 percent (22/108) of total respondents.

Q6.B. If no, will you think of leaving the company? NO □ YES□

Table 9.2 leave or not

No/ yes / total (%)	No (stay)	Yes (leave)
37	15	22
100%	40.54%	59.46%

Q6.C. If you say "yes" in question 6B, please indicate the how much the factor of the red envelope contributes to your ideas: (Table 9.3)
< 20%□ 21%-40%□ 41%-60%□ 61%-80% □ >81% □

Table 9.3 Red envelope's contribution to employee's leave

No/ Yes / total (%)	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
22	0	4	7	6	5
100%	0%	18.18%	31.82%	27.27%	22.73%

None of 22 respondents who want to leave the companies because of no bigger envelope is offered when in good economic year choose lowest possibility for leaving decision.

By summarizing, I asked the respondents "Do you believe the red envelope motivate your work?" (Question 10, table 10) Their strongly positive answers capture 64 percent (= 35.19% + 17.59%+12.04%) of total responds. This finding goes with old Chinese sayings hand in hand, do what you get paid; and follows other researchers' findings, such as "year-end bonus is one of the most important factors in motivating the local Chinese employees" (Randy K. Chiu, et al.2002).

Q10. Do you believe the red envelope motivate your work?
NO □ YES □ (Table 10)
If yes, then: < 20%□ 21%-40%□ 41%-60%□ 61%-80%□ >81%□

Table 10 Motivation function of the red envelope

No/ Yes / total (%)	No	< 20% Yes	21%-40% Yes	41%-60% Yes	61%-80% Yes	>81% Yes
108	4	18	16	38	19	13
100%	3.70%	16.67%	14.81%	35.19%	17.59%	12.04%

H3: Red envelope is truly appreciated by the employees.

Though 75 respondents reports that their companies do not forbid to openly discussion about the red envelope (see table 11), 4 more respondents (79 in table 12) do know their colleagues' cash bonus contained in the red envelope by way around (details in table 12).

Q7. Do any company policies say no openly discuss the cash amount in the red envelope with your colleague?
NO ☐ YES ☐ (Table 11)

Table 11 policies regarding openly discussion or not

No/ Yes / total (%)	No	Yes
108	75	33
100%	69.44%	30.56%

According to Table 11, 75 respondents stated that their companies have no clear regulations concerning discussion of the red envelope; at same time, 33 respondents said there are rules saying no.

No specific data is available for analyzing how many companies investigated have such regulations concerned. It may also be the case that some answered yes to this question, while the others in the same companies said no. This dilemma will not exist if I sorted the questionnaires by companies when collected it. However, my study aims onto the red envelope not the company policy on it.

Q8. Do you know others' cash bonus in the red envelope by other ways anyhow? NO ☐ YES ☐ (Table 12)

Table 12 Know others' R.E. indirectly

No/ Yes / total (%)	No	Yes
108	29	79
100%	26.85%	73.15%

Table 12 informs us that 79 respondents do know others' cash bonus in the red envelope, which, coincidently, almost equals to the respondents (75 in table 11) who said no forbidden policies regarding openly discussion of R.E. in their companies. Why 73 percent respondents want to know others' red envelope?

In the basic ideas of motivation theories, the equity theory indicates the employee tend to compare the ratio of their reward and efforts with that of others. Whether the theory fits my study or not, let us go to next table.

The respondents take their efforts to know others' cash bonus in the red envelope is for the reason of, according to the stable 13, curiosity (39%), fairness (33%) and reference (19%). My interviews with the respondents suggest the fairness should ranks first because the curiosity is just a cover reason and it targets to fairness, which strongly reveal how much the respondent cares about the red envelope.

Q9. Why do you want to know others' cash bonus in the red envelope? Please sequence the following possible reasons. (Table 13)

a. Just curious b. for reference
c. for fairness d. for showing off

Table 13 Reasons to know

rank first / total (%)	a just curious	b for reference	c for fairness	d showing off
108	42	21	36	9
100%	38.89%	19.44%	33.33%	8.34%*

* adjusted data for the purpose of total 100%

The answers to Question 9 show that curiosity (39%), fairness (33%) occupies the most important position in the reason

for digging out others' R. E., followed by reference (19%). The results seems not supporting what equity theory suggests. Is this a real case?

My interviews with the respondents, however, make evident that the fairness should own priority position than the curiosity. The answers of "for reference" means to "for fairness" because in the equity theory making reference is the basic step for comparison of the ratio of reward and efforts between one and the others.

Furthermore, curiosity is just a cover reason. It might direct to fairness or other deep core of the reasons.

From this, I can see the respondent cares about the fairness of red envelope very much.

3.4 Discussion of Results

The result of data shows that the red envelope, in respondents' opinion, earmarks with recognizing characteristic. And it shares relative high percents in the family of recognitions for work performance. Over 93 percent of total respondents acknowledge the red envelope as recognition of their achievement, which is 3 percent ahead of those who received the red envelope in the survey (about 90 percents respondents received the red envelope in their past employment). This fact well identifies one trait of the red envelope--recognition. Still almost 40 percent of total respondents prefer red envelope than other forms of recognition. This result endorses the suggestions from the literature that monetary recognition / reward is a kind of recognition. Therefore, the employees who received the red envelope absolutely feel his or her work are recognized by the employers. Hypothesis 1 stands on its feet.

As for the relation between red envelope and work performance, the data of questionnaires suggest that almost 95 percents respondents link red envelope with their performance, of which 65 percents see closer connection. The data also show that 81 percent respondents would choose to stay or leave the working units according to how big the red envelope is, and all respondents expect more money in the red envelope when they and their companies do better than last year. It seems to suggest that the red envelope is positively related to work performance and motivates the employees, which is proved by the answers to question 10 (table 10). The findings agree to previous research on motivation function of bonus as already discussed in the result. Not all of those who do not receive bigger red envelope in good year would take action to quite the job. That fact, however, suggests that the motivation function of red envelope is limited to some extent. Nevertheless, I could see that red envelope holds positive correlation to the performance of employee. Thus hypothesis 2 is true.

As stated above, the respondents acknowledge the recognition function of the red envelope and its close linkage with the work achievement. Is it safe to say that hypothesis 3 stands? 33 percent respondents directly state that the reason of digging out others' red envelope is for fairness. If my analysis that "for reference" means to "for fairness" is correct,

then the fairness would be the major concerns of the respondents to the red envelope. Combining the characters of the red envelope (i.e. no transparent rules, sealed packet), it would be easy to understand the respondents concerns. Thus, the hypothesis 3 just partially exists. Maybe it is more appropriate to say that "the red envelope is appreciated by the employees".

4. Conclusion

China is a mystery oriental country, in some westerns' eyes. In this paper, I present one unfamiliar thing for westerns but quite popular thing for Chinese in business circles—red envelope and offer useful new empirical data and analysis concerned. Red envelop is a recognition to the Chinese employee's work performance and a motivation to their work based on my research. Those findings agree to some previous workings of other researchers (Chiu *et al*, 2002; Groves et al, 1994; Jackson *et al*, 1998). As we know, China is fast developing country and everything is constantly changing. This is especially true in central part of China since central China is facing high development stage as it was in coastal areas of China. Economic situation influences human needs. Thus, if the employees in China have more enough money, the motivation function of the red envelope might decrease though money could help to satisfy different human needs.

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6. Appendices

6.1 Appendix A: Questionnaire in English

Questionnaire

Basic Information: （choose only one of the options）

1. Year of education: 5-6 ☐ 7-10 ☐ >=11 ☐
2. Year of work: 1-2 ☐ 3-5 ☐ >=5 ☐
3. Have you received "Red Envelope" or year-end cash bonus in your work units?
   YES ☐ NEVER ☐

Questions: (please indicate the level if your answer is positive)

1. Do you take positive opinion about receipt of the red envelope as the recognition of your contributions to the company?
   NO ☐ YES ☐
   If yes, then: < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

2. Could you name any other way of recognition for your contribution to the company better than the red envelope?
   NO ☐ YES ☐
   If yes, please list at least two of them: _____

3. Do you think the Red Envelope is strongly connected to your actual and perceived work achievement in the passed Chinese year?
   NO ☐ YES ☐
   If yes, then: < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

4. Will you make a decision to stay or leave the company based on how much cash you received in the red envelope?
   NO ☐ YES ☐
   If yes, then: < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

5. Will you expect more cash in the red envelope should both of you and the company did better than that of last year?
   NO ☐ YES ☐
   If yes, then: < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

6. Continued on the question 5, in your working experience, did your employers really seal more cash in your red envelope?
   NO ☐ YES ☐
   If no, will you think of leaving the company? NO ☐ YES ☐
   If you ever think of leaving the company, please indicate the how much the factor of the red envelope contributes to your ideas:
   < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

7. Do any company policies say no openly discuss the cash amount in the red envelope with your colleague?
NO ☐ YES ☐

8. Do you know others' cash bonus in the red envelope by other ways anyhow?
NO ☐ YES ☐

9. Why do you want to know others' cash bonus in the red envelope? Please sequence the following possible reasons.
a. Just curious b. for reference c. for fairness d. for showing off

10. Do you believe the red envelope motivate your work?
NO ☐ YES ☐
If yes, then: < 20% ☐ 21%-40% ☐ 41%-60% ☐ 61%-80% ☐ >81% ☐

6.2 Appendix B: Questionnaire in Chinese

问卷调查表

基本信息：（请选择其中之一）

1. 您的教育程度： 小学 ☐ 初中 ☐ 高中及以上学历 ☐

2. 您在现公司的工作时间：
1-2年 ☐ 3-5年 ☐ 5年以上 ☐

3. 您在现公司和以前的工作单位是否收到过年终红包奖金和年终现金奖金？
是 ☐ 否 ☐

调查问题：（如您选择是，请指明那个细化指标最符合您的想法。）

1. 您是否认为年终红包是对您工作成绩的一种肯定和认可？
否 ☐ 是 ☐
如果“是”，请回答：
小于20% ☐ 21%－40% ☐ 41%－60% ☐ 61%－80% ☐ 大于80% ☐

2. 您认为还有其他比现金红包更好的对工作认可的方式么？
否 ☐ 是 ☐
如果“是”，请列举出几个：_____

3. 您认为您所收到的红包大小与您往年中的工作成绩有直接的联系么？
否 ☐ 是 ☐
如果“是”，请回答：
小于20% ☐ 21%－40% ☐ 41%－60% ☐ 61%－80% ☐ 大于80% ☐

4. 您会因为红包的大小而做出继续在这家工作或离开这家公司的决定么？

否 □ 是 □
如果“是”，请回答：
小于20% □ 21%－40% □ 41%－60% □ 61%－80% □ 大于80% □

5. 如您和公司的业绩均明显好于往年，您是否也期望今年的红包比去年大呢？
否 □ 是 □
如果“是”，请回答：
小于20% □ 21%－40% □ 41%－60% □ 61%－80% □ 大于80% □

6. 1）该问题继续上个问题的提问，在您的实际工作经历中，您的雇主是否给您的红包比去年的大呢？
否 □ 是 □
2）如您回答的是“否”，请继续：
您就此想到过离开这家公司么？否 □ 是 □
3）如果您有过离开这家公司的想法，请说明这和红包的大小有多少关系。
小于20% □ 21%－40% □ 41%－60% □ 61%－80% □ 大于80% □

7. 您所在的公司是否明文规定不得公开讨论您所得的红包大小？
否 □ 是 □

8. 您是否私下知道其他人的红包大小呢？
否 □ 是 □

9. 是什么原因促使您想知道其他人的红包大小呢？请将下面列出的四种原因排序。（您认为最重要的原因排在第1，次要的第2，以此类推）
1）好奇 2）参考作用 3）为了看看老板给的是否公平 4）虚荣心

10. 您认为红包对您的工作有激励作用么或者能激发您的工作热心么？
不能 □ 能 □
如果“能”，请说明能的程度：
小于20% □ 21%－40% □ 41%－60% □ 61%－80% □ 大于80% □