

Research on the Issues of Company A's Compensation Management and Proposed Solutions

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Abstract: With the rapid development of the market economy, human resource management has become increasingly important for enterprises. As one of its key functions, compensation management directly influences the efficiency and competitiveness of organizations. This paper takes Company A as the research subject, providing an overview of the company's profile and examining the current state of its compensation management. Through a questionnaire survey, several issues related to compensation management at Company A are identified, including the insufficient alignment between compensation management and employees' needs, the long-term goals of the company, and performance appraisal mechanisms. The paper then analyzes the underlying causes of these issues and proposes optimization strategies, such as refining the compensation structure, enhancing employee involvement in compensation management, and improving promotion channels. The aim is to improve employee satisfaction with their compensation, enhance the quality of compensation management, and foster the company's long-term development.

1. Overview of company A and the current status of compensation management

1.1. Profile of Company A

Company A currently employs nearly 1,000 individuals and specializes in the research, development, and manufacturing of various high-end metal automation and molding equipment. The company operates a fleet of advanced CNC machinery, serving industries such as electronics, electrical engineering, and automotive both domestically and internationally. Originally a township enterprise, Company A has grown significantly through the continuous expansion of its scale. From its beginnings in traditional machinery production, the company has established a relatively stable customer base, maintained high product quality, and built a strong brand reputation. Over time, Company A has developed a distinct corporate culture, characterized by continuous technological innovation and a work ethos centered on pragmatism and excellence. The company places a strong emphasis on employee welfare and views employees as the core of its corporate values.^[1]

Company A operates under a general manager responsibility system, with three primary departments: the Quality Department, the Research and Development Department, and the Production Management Department. The Production Management Department oversees the

Administrative Department, the Financial Department, and eight production workshops. Each workshop is managed by a director and a deputy director, supported by approximately 100 employees. The company's workforce consists of 885 employees in total, with 612 men (69.15%) and 273 women (30.85%). In terms of job roles, 184 employees hold management positions (20.79%), 103 occupy technical positions (11.64%), and 598 work in production roles (67.57%).^[2]

1.2. Current status of compensation management at company A

1.2.1. Compensation management system of company A

According to the salary management system of Company A, the Administration Department is primarily responsible for overseeing daily salary management, while relevant functional departments assist in this process. Management personnel in the Administration Department are tasked with considering industry salary averages to prepare a salary budget for employees. They also prepare the monthly payroll, which is submitted to the general manager for approval. After collective review and approval by the management team, the Finance Department is responsible for executing the salary disbursement. The Administration Department is also responsible for day-to-day affairs management. Performance appraisals are mainly conducted by department heads, who discuss and submit their proposals to the general manager for approval. Following this, the performance management system is implemented. Salary adjustments for employees are influenced by several factors, including the company's overall performance, individual performance appraisals, and changes in market salary levels. Company A's salary management system is based on a flat-rate, no-hours structure, with assessments conducted according to factors such as academic qualifications, performance, and other relevant criteria. Salary settlements are determined based on these assessments, with the aim of leveraging salary as an incentive for improved performance.

1.2.2. Current remuneration components of company A

The basic salary at Company A is determined based on a position-based salary system, taking into account factors such as the employee's position, skills, effort, and working conditions. As a result, there may be performance variations even within the same job role. Workshop directors, as well as employees in technical and managerial positions, are subject to an annual salary system, with a minimum of 100,000 CNY per year, which may be adjusted based on specific circumstances. Employees in frontline production positions are subject to a "basic salary + positional salary" structure. Regarding performance appraisal, employees in production roles are limited by the incentive amounts established in the performance system, which are mainly assessed and distributed by the workshop director. For technical and managerial roles, the incentive structure is slightly higher. The company's salary composition primarily includes basic salary, bonuses, allowances, and benefits. The basic salary encompasses both regular and overtime pay. For employees without a fixed working hours quota, the salary structure is composed of the following elements: positional salary, basic salary, seniority allowance, overtime pay, bonuses, allowances, and deductions for personal fines. The overtime pay includes performance-based pay, overtime work on rest days, and overtime subsidies.^[3]

1.2.3. Salary adjustment in company A

The Administration Department of Company A is responsible for the daily management of remuneration, which includes tasks such as remuneration budgeting, adjustments, and approval processes. Remuneration is primarily governed by the company's remuneration management system, with adjustments being made based on factors such as the company's core performance, output, and

market conditions. In line with the specific context of the manufacturing industry, the remuneration and benefits at Company A are partially determined by the company's management. However, basic benefits, including insurance and medical checkups, are provided to all employees, ensuring a significant level of coverage for all staff members. The adjustment of benefits is typically assessed according to the salary budget, with overall disparities in employee benefits being minimal. The company manages benefit adjustments by coordinating with changes in the market environment, and these adjustments are calculated by the employees responsible for relevant matters and audited by the general manager. The salaries of ordinary employees range from 4,000 to 4,500 CNY, with flexible wages based on sales revenue, ranging from 3% to 8%. The R&D department has a salary base starting at 100,000 CNY. For employees with five years of service, this amount can be adjusted to between 120,000 and 130,000 CNY. R&D department directors receive a salary ranging from 150,000 to 180,000 CNY. For managerial positions, the base salary is set at 120,000 CNY, while technical positions are slightly lower, starting at 110,000 CNY. Salaries in both categories are subject to adjustments based on factors such as years of service, corporate performance, and individual contributions. Overall, the salary adjustment process lacks a dynamic and flexible structure. A more in-depth analysis is required to identify optimization strategies for the company's salary management system.^[4]

2. Analysis of the problems and causes in company A's compensation management

2.1. Survey results

To assess employees' views on Company A's salary management and their level of satisfaction with their remuneration, a questionnaire was distributed to address the issue of employee compensation. A total of 315 questionnaires were distributed, with 308 valid responses, representing a sample that was proportionally distributed according to gender, age, position, and length of service. The statistical results reveal several key findings: Regarding salary increases, 26.36% of employees reported feeling that their efforts were not adequately rewarded. In terms of welfare benefits, 17.98% of employees expressed dissatisfaction or strong dissatisfaction. When it comes to performance appraisals, more than 10% of employees were very dissatisfied. Concerning the salary management system and its level of attention, 25.39% of employees reported being dissatisfied or very dissatisfied. Regarding personal development and promotion opportunities within the company, 11.68% of employees felt dissatisfied or very dissatisfied. The survey results indicate that Company A faces several issues related to remuneration, including low salary levels, perceived unfairness in the salary system, low employee satisfaction, and insufficient welfare benefits. These issues significantly affect employees' sense of belonging and overall satisfaction, which, in turn, can negatively impact the company's overall performance.^[5]

2.2. Issues with company A's compensation management

2.2.1. Inadequate consideration of employees' diverse needs in compensation design

Once employees' basic economic needs are met, they begin to consider higher-level, psychological needs. The company's compensation program currently exhibits a relatively narrow focus, primarily centered on basic salary, with little consideration for the realization of employees' self-worth. Management has not updated the welfare aspect of employee motivation in alignment with the evolving development of the company. As a result, the reliance on a single material-based incentive fails to fully leverage its motivational potential. Effective compensation management should involve a holistic approach that combines both economic and non-economic incentives,

addressing employees' spiritual needs and fostering organizational support for their personal development. This could also include a combination of direct and indirect compensation, such as diversified welfare benefits, which can meet the varied needs of employees and enhance their sense of self-fulfillment.^[6]

2.2.2. Inadequate alignment between compensation management and the company's long-term objectives

Company management recognizes the critical importance of salary management, and the integration of the salary management system with the company's long-term goals is essential. This integration is closely tied to the overall management approach of the company. Relying solely on traditional methods to manage compensation, while overlooking factors such as job differences, role changes, and other relevant aspects, neglects the importance of human capital. This lack of attention can, to some extent, hinder the alignment of company objectives with employee interests, thus preventing employees from realizing their full potential and value. If management fails to align the company's affairs with its long-term development goals and neglects to adjust according to the changing circumstances, it will negatively impact employees' creativity and motivation. Therefore, salary design should be differentiated to reflect the varied needs and contributions of employees.^[7]

2.2.3. Salary management hinders employees' promotion and development opportunities

The needs of the company's employees are diverse, and employees increasingly prioritize higher-level needs, which also serve as a key motivation for their hard work, particularly in relation to the realization of their self-worth. Based on the results of the previous questionnaire, it can be concluded that the promotion channels at Company A are not smooth, and employees express relatively low satisfaction in this regard. This dissatisfaction is primarily due to the lack of transparency in the promotion process and the existence of a “ceiling effect” in career advancement. The company has a limited number of management positions and more stringent criteria for administrative roles, making it difficult for regular employees to meet the promotion requirements. Furthermore, the company's promotion mechanism offers fewer opportunities for advancement, and many employees perceive the promotion criteria to be overly demanding, which negatively impacts their motivation. This situation is not conducive to the long-term development of the company.

2.2.4. Inadequate integration of payroll management with employee performance appraisal

Company A's performance appraisal system has several issues, which are closely related to the company's current salary management practices. The company employs a conservative, one-size-fits-all performance appraisal system that does not differentiate between departments or positions during implementation. This lack of differentiation leads to a disconnect between performance appraisal and salary management. In terms of incentives, the more specific and targeted the approach, the greater the potential effect. In a company, the more exceptional the performance, the more motivated the employees are, and the higher the salary, the stronger the incentive effect. However, Company A's performance appraisal relies on subjective assessments made by department heads, which introduces bias and fails to adequately measure employees' work capacity and effort. As a result, there is a lack of alignment between performance evaluation and compensation. This disconnect prevents the system from producing the desired outcomes, and hinders the achievement of a harmonious relationship between performance, ability, and pay.^[8]

2.3. Analysis of the factors contributing to issues in company A's compensation management

2.3.1. Insufficient attention paid by the company to compensation management

Company management believes that as long as the salary management system is well designed, it will function effectively. However, this rigid approach can, to a large extent, diminish employee motivation and lead to a certain degree of complacency. While there are inherent differences between positions, these distinctions are not adequately reflected in the salary structure. The management lacks a comprehensive understanding of the relationship between positions and salaries, demonstrating a strong sense of subjectivity and insufficient recognition of the need for objective salary grading and differentiation. Moreover, there has been a lack of in-depth research into salary management practices. Furthermore, employees view their salary as both a form of livelihood and a reflection of their value. Many employees feel that there is an insufficient connection between salary and performance, which creates a psychological gap. This gap can have a negative long-term impact on both personal employee development and overall company efficiency.^[9]

2.3.2. Insufficient alignment of the system with the company's strategy

In the evolving market landscape, particularly in the digital age, the strategic goals of a company are becoming increasingly important. The alignment of a company's management system with its long-term strategic objectives is crucial for effective human resource management. Company strategy serves as the guiding compass for its development, enabling better management of human resources, particularly in the area of compensation management. Compensation management is not only closely linked to employees but is also one of the most effective ways to motivate them. When compensation management is aligned with the company's strategic goals, it enables employees to better leverage their strengths, aligning both the company and its staff toward common objectives. This alignment enhances organizational efficiency and increases employee satisfaction.^[10]

2.3.3. The company's management philosophy lacks sufficient advancement

A company's management decisions play a crucial role in determining its long-term development. As the importance of talent continues to grow, retaining talent and fully utilizing its value becomes key to the company's success, with compensation management serving as a vital tool to foster talent development. Company management must stay attuned to current trends in compensation management, learning from the advanced concepts and best practices of other enterprises. By embracing innovative approaches and taking bold actions, the company can inspire its employees to adopt a proactive mindset, strengthen creativity, and drive innovation. Currently, however, the company's management lacks sufficient knowledge and professional expertise, and its experience in management is still limited. As a result, management does not fully recognize the importance of effective salary management. The company's focus remains largely on technology R&D and production, and it continues to lag behind similar companies in terms of comprehensive management practices.^[11]

3. Strategic recommendations for optimizing compensation management at company A

The significance of human resources is increasingly evident. To maximize the impact of compensation management on human capital and to foster a strong sense of belonging among employees, it is essential to ensure the fairness of salaries, thus reflecting the value of their efforts. Additionally, it is crucial to maintain a differentiated salary structure that recognizes diverse

employee contributions. Finally, the incentive aspect of compensation must be designed to create a win-win situation for both employees and the enterprise. Consequently, from the standpoint of payroll management, it is necessary to optimize various facets of this system to enhance employee initiative and enthusiasm.^[12] The following four points outline specific areas for improvement:

3.1. Overall consideration for optimizing remuneration components

3.1.1. Optimization of remuneration component design

The company's current benefits package only meets the basic needs of employees and lacks sufficient flexibility to address their diverse requirements. In terms of compensation, employees not only have basic financial needs, but also seek higher-level fulfillment, such as the realization of self-worth. Therefore, the company should consider the various needs of its employees and adjust compensation strategies accordingly to enhance the motivational impact of remuneration. The company's overall strategy should be aligned with employee compensation across different positions, ensuring consistency with the company's compensation management system. In practice, employees' daily work tasks can be considered an important component of their fixed salary, accounting for 20-30% of the total compensation. The completion of expected tasks can account for approximately 20% of the salary, with the total salary being divided into basic and performance-based components, depending on the difficulty of the tasks. The optimized salary structure is shown in Table 1.^[13]

Table 1: Optimized design of remuneration components

Category	Salary Subdivision	Salary Percentage	Adjustment Situation
Basic Salary	Fixed Basic Salary	20%	Relatively fixed in the short term
	Variable Basic Salary	15%	Adjusted based on performance assessment scores
Task Salary	Basic Task Salary	20%	Lower proportion for higher positions
	Expected Task Salary	20%	Adjusted based on completion rate
Other Salary	Seniority Salary, Performance Salary, Other Allowances, Overtime Pay	25%	Optimize the proportion within the existing salary structure

3.1.2. Optimization of benefit component design

The composition of the company's benefits has remained unchanged for many years, with both the proportion and content of benefits stagnant over time. In the information age, it is unrealistic for employees' welfare needs to remain constant. The company must urgently adjust the benefit structure and introduce new benefits in response to changes in employee needs. The company's benefits can be divided into two main categories: fixed benefits and flexible benefits. Fixed benefits are standard for all employees, while flexible benefits are tailored to individual needs, such as age and personal circumstances. Employees can propose benefit adjustments to the company's management, who will review and approve them for implementation. Additionally, feedback from

employees can be used for continuous adjustments to the benefits package, ensuring it serves as an effective incentive. The specific breakdown of the benefits structure is presented in Table 2.^[14]

Table 2: Optimized design table for benefit components

Fixed Benefits	Flexible Benefits
Training	Vacation type: Points redeemable for paid leave, vacation allowance
Social Security	Health type: Health check-up cards, gym memberships
Statutory Holidays	Goods type: Daily necessities, baby and toddler products
Housing Allowance	Learning type: Skills courses, academic education, various books
Industry Safety Protection	Public welfare type: Mutual aid points, charitable donations

3.2. Optimizing career development pathways for employees

Companies must consider employees' career development needs and establish diverse promotion channels to ensure that different types of employees have access to opportunities for growth. For management employees, it is essential to optimize the administrative promotion channels to fully leverage their leadership potential. For R&D employees, promotion channels should be integrated with welfare benefits to encourage their enthusiasm and creativity, aligning with their professional skills. Key performance indicators, such as technical ability and company performance, should be quantified to ensure transparency and fairness, allowing employees to understand the fairness of the promotion system and thereby motivating them. Additionally, the two promotion channels—administrative and technical—should be flexible, allowing for conversion between them, to provide employees with diverse development opportunities. The roles themselves should be adaptable, with the flexibility to change according to actual circumstances, enabling employees to fully utilize their strengths and contribute to the company's long-term development goals.^[15]

3.3. Comprehensive and systematic enhancement of performance appraisal

Performance-based pay management standards significantly influence employees' attitudes toward performance appraisals, and the integration of performance evaluations with compensation management is crucial for their effectiveness. The company must have a clear understanding of employees' capabilities and work nature, taking into account both individual performance and collective achievements to foster a sense of team spirit. This approach encourages employees to be more committed to their work. In accordance with the company's performance-based pay system, assessment criteria should be tailored to different employee categories, such as management, technical, and production roles, refining the focus of each category while maintaining some degree of employee autonomy. The specific assessment methods are outlined in Table 3. On one hand, the company should establish quantifiable performance indicators based on factors like skills and position to ensure differentiation. On the other hand, regular and monthly assessments should be implemented to provide comprehensive job evaluations and offer truly effective incentives. The company should not distribute rewards evenly across the board but rather base them on specific role assessments. Additionally, variable pay should be considered in the compensation structure, taking into account professional skills, job responsibilities, as well as work ethic and attitude.^[16]

Table 3: Appraisal breakdown for employees in three categories of positions

Production Position Employees	Management Position Employees	Technical Position Employees
Production Efficiency	Learning Ability	R&D Learning Ability
Knowledge and Skills	Management Experience	Professional Technical Skills
Discipline	Decision-Making Ability	Product Conversion Ability
Proactivity	Communication Skills	Communication and Coordination Skills
Cooperation	Coordination Skills	Innovation and Creativity Skills

3.4. Improvement of the support system for payroll management

Table 4: Post adjustment matters and corresponding principles

Adjustment Type	Salary Adjustment	Principle
Job Promotion	Align with the salary grade of the new position	Salary levels, after adjustment, should not be lower than they were before the compensation system adjustment, based on the system's provisions.
Job Rotation	Align with the salary grade of the new position; if it is a lateral move, the salary grade remains unchanged	Salary grade to be re-determined based on the salary determination principles.
Job Demotion	Adjust to the salary grade of the new, lower position	Combine salary determination principles to reclassify salary levels, ensuring that the new salary level does not exceed the level prior to the adjustment in the compensation management system.

The company should establish a salary management committee, define the roles and responsibilities of internal personnel, and ensure that the committee is directly responsible for overseeing salary management. This will facilitate centralized and unified management of compensation, ensuring the consistency of the salary system. Additionally, in line with the company's long-term development goals, it is essential to strengthen the management structure and implement a comprehensive and reasonable supervision mechanism for salary management. This should include continuous monitoring and periodic inspections to ensure the system is effectively implemented and achieves its full potential. The committee will oversee the entire process, conducting unscheduled audits to maximize the effectiveness of the compensation management system and ensure that the remuneration strategy is being properly executed. Furthermore, the committee should be proactive in adjusting the salary system based on market changes and internal feedback, ensuring that the compensation structure remains up-to-date, aligned with the company's strategic objectives, and responsive to the needs of individual employees. This is particularly important when employees' positions are changed, as salary adjustments should follow accordingly to ensure alignment with role changes. The specific breakdown is presented in Table 4. Moreover, the company should improve its payroll process, including the calculation and approval procedures,

to ensure that payroll management is conducted efficiently and in an organized manner.^[17]

4. Conclusion

Compensation management is a critical component of human resource management. A scientific, rational, and well-structured compensation system can effectively attract, utilize, and retain talent, providing a driving force for the sustained development of an enterprise. This paper examines the salary management practices of Company A. Based on the results of a questionnaire survey, the company analyzes the existing issues in its compensation management, explores the underlying causes, and proposes optimization strategies. The aim is to ensure that the company's overall development aligns with changes in the market environment, keeps pace with evolving trends, and identifies payroll management approaches that are suitable for the current context. These efforts will promote the company's operational efficiency, optimize its business model, and enhance employee satisfaction. Enterprises must address compensation management issues in a timely manner, aligning with market trends and integrating compensation practices with the company's long-term strategic goals. This approach will help motivate employees, support the achievement of the company's strategic objectives, and further enhance its core competitiveness, enabling the company to advance steadily.^[18]

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