

Problems and Solutions of SMEs' Compensation Management

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Abstract

Small and medium-sized enterprises(which refers to SMEs) are an important form of economic development in China. They have already solved many employment problems in China,due to their large number, small scale, and relatively easy to establish. It is the SMEs that have such a key position, so business owners should pay more attention to standardizing its management. Compensation management is the important foundation for good business operation, however,the problem of SMEs lacking or even ignoring compensation management is very serious. This paper aims to analyze the relevant issues of SMEs' compensation management, and then providing suggestions for the improvement of corporate compensation management, and achieving their better development.

Keywords

Compensation management, Problems and Solutions, SMEs.

1. Introduction

In recent years, with the state's support for small and medium-sized enterprises increasing, its role in promoting Chinese economic development has become increasingly evident. It is the status of SMEs that is so important. Many domestic and foreign scholars have studied various aspects of SMEs' human resource management,while compensation management is an necessary part of them. As to compensation management, the research directions are roughly same, and these theories are not well practiced in reality. Managers of SMEs do not recognize the important role of compensation management, leading to serious brain drain. Under such a circumstance, this paper studies the problems existing in the compensation management of SMEs from some new perspectives through analyzing relevant literatures, and proposes corresponding improvement suggestions. It is hoped that the SMEs' managers will pay more attention to compensation management.

2. The Problems of SMEs' Compensation Management

2.1. Ignore the Difference In Position When Performing Compensation Management

Enterprises should adopt different design methods according to their positions when performing compensation management. Because the performance of senior managers can not be assessed in short time, high base salary and long-term performance assessment rewards should be adopted in compensation management. SMEs often skip this step because they are small and contain fewer positions. At this time,they will take the so-called "one bowl of water leveling" method to implement compensation management. The salary of all different positions is same, which is actually a phenomenon of potential unfairness.

2.2. Lack of Reasonable Compensation Management for New Types of Work

Due to the requirements of reality, there are more new types of work in enterprise, taking teamwork as an example. The same teamwork will produce different results. Many reasons can explain this phenomenon,and poor compensation management is one of them. Many SMEs do not realize the importance of compensation management in teamwork. Using simple salary

allocations will lead to mutual push between employees. This behavior will in turn affect the development of the company.

2.3. Mismatch Between Employee Compensation and Performance

Salary is usually divided into basic salary and variable salary. Basic salary is a relatively fixed part, which only requires employees to meet basic professional requirements. Variable salary is related to employees' performance. It is a flexible form of compensation. Employees' performance evaluation determines its variable salary. The method of linking employees' compensation to performance can be a good incentive to employees. However, SMEs do not combine wages with performance evaluation. The salary of employees is often determined by their line manager. This way of determining compensation is neither convincing nor motivating.

2.4. Compensation Management Lacks Internal Consistency and External Competitiveness

Salary includes not only the absolute salary of the employee, but also the relative salary. This is the internal consistency of compensation. Pay attention to cross-sectoral comparisons when designing compensation. But SMEs only vaguely pay each employee. Externally, human resource is the most important resource for enterprises, and it is also the core competitiveness when competing with other companies. The external competitiveness of compensation is an important means of attracting and retaining talents. SMEs only design their own salary and lack of external competition, which leads to the lack of human resources and affects the further development of enterprises.

2.5. Staff Salary Promotion Channel Is Not Smooth

One of the drawbacks of SMEs is that they are always ambiguous about issues related to employees' compensation. Whether the employee can raise the salary in the future or not is determined by the business owner alone. This greatly reduces employees' trust and loyalty to the company, which affects work enthusiasm. Whether employees will stay in the company or not depends on their future prospects in this business. Salary promotion is a powerful means for SMEs to retain employees. Human resource is the first competitive force in any enterprise, and retaining core employees can achieve long-term development of the enterprise.

2.6. Compensation Management Is Not Combined with Corporate Strategy

The corporate strategy controls the overall development of the enterprise and determines the direction of development of the enterprise. Other management practices must focus on corporate strategy. SMEs have not combined compensation management with corporate strategy. They just consider salary as the cost of the company. Only through compensation management can we retain talents for enterprises, providing human resource for corporate strategy, and seeking long-term development.

3. Optimized Strategy of SMEs' Compensation Management

3.1. Use Reasonable Compensation Management for New Ways of Working

With the advent of the knowledge economy, the environment of work is more and more complicated. In order to fight for profits, many new ways of working have emerged in enterprises. Teamwork is one of the new ways. This approach can mobilize members' resources and talents to inspire incredible potential. But the premise is giving appropriate rewards to those who are loyal and hardworking. SMEs have not done it, they just use teamwork, lacking of compensation management, which often leads to half the effort. For this new type of work, compensation management is mainly based on individual performance, supplemented by team performance. At the time of assessment, it is necessary to pay attention to the cross-

departmental assessment, as well as the proportion of indicators in the team. In order to reduce or even avoid unfair conditions, it truly reflects the spirit of teamwork.

3.2. Improve Performance-Based Compensation System

The ultimate goal of any cooperate is that employees and organizations have good performance. Therefore, the results of performance evaluation must be applied to compensation management. In this way, we can truly measure the contribution of employees and give corresponding returns. Further, achieving the performance goals of employees and organizations. To achieve this goal, you need to do the two following things. Firstly, compensation is tied to performance. The so-called salary and performance linkage refers to the full application of performance evaluation to the compensation system. Determine the basic salary of the position based on the importance of the position and the job description. Determine employee performance pay based on KPI indicator system and competency evaluation system. Determine salary scale based on KPI indicator system, competency evaluation system and job description. Secondly, performance evaluation must be supported by a compensation system. The performance management system of an enterprise must have corresponding salary incentives to support. If the results of performance evaluation are not combined with compensation, promotion development, and salary adjustment, it is difficult to strengthen employee performance behavior. The effective combination can achieve the employee's personal goals and corporate strategic goals.

3.3. Adopt A Reasonable Compensation Management Method

On the one hand, companies must conduct effective salary surveys before compensation management. Determine the target of the salary survey and select those who have the competitive relationship with your own company. Use scientific methods to collect relevant information. Combine these materials with the macro environment and its own situation to determine a reasonable salary level to ensure the external competitiveness of corporate compensation. On the other hand, a scientific job evaluation system should be established. Link job evaluation to factors such as position, employee's work environment, and job intensity to ensure internal consistency in compensation management. Combining the external and internal competitiveness of compensation can play a role.

3.4. Identify Employee Salary Promotion Channels and Build Career Development Planning

When clarifying the employee's salary promotion channel, the first thing to consider is the actual situation of the company. Due to the small size and low capital of SMEs, it is suitable to use broadband compensation. The second is to consider the needs of employees, only to meet the requirements of employees can be an incentive to the work. Finally, there must be professionals to join. The managers of SMEs will not know all aspects of the compensation system very well, which requires the guidance of professionals. Only in this way can we establish a clear promotion channel for employees. After that, the company mainly informs employees about how employees can promote in the company. Help employees build career development planning and achieve common progress and simultaneous development of the company and employees.

4. Conclusion

The status of compensation management in SMEs is irreplaceable. In order to achieve better development of the enterprise, the management must recognize the importance of compensation management to the development of the enterprise. Enterprises use appropriate compensation management mainly on the premise of corporate development strategy. It is

necessary for the company to improve their employees' loyalty and commitment, attract and retain talents, so that to achieve long-term stable development of the company.

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