

# Exploring Efficient Salary Management Systems: A Case Study of Hefei Yusheng Hotel Management Co., Ltd.

Lina Wang\*

Xi'an Translation Institute, Xi'an 710105, Shaanxi Province, China

\*Corresponding author: Lina Wang, 949760151@qq.com

**Copyright:** © 2024 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

**Abstract:** The issue of brain drain poses a significant obstacle to the development of the hotel and catering industry. Attracting and retaining skilled personnel to engage in management within this sector has emerged as a primary challenge. This paper examines the current landscape of China's catering service industry and its salary management system, identifying key challenges encountered in salary management within the industry. Drawing upon salary management theory and insights into existing challenges, the paper proposes specific treatment measures and management strategies.

**Keywords:** Hotel; Compensation management; Employee satisfaction

**Online publication:** February 25, 2024

## 1. Introduction

In this era of fierce competition, enterprises aspire to recruit experienced, highly educated, and versatile talents <sup>[1]</sup>. For many candidates, salary level naturally emerges as one of the foremost considerations. In a market economy, the competition for resources among enterprises is ubiquitous, with human resources being the focal point. Retaining talent, fostering human potential, and attracting skilled individuals are pivotal to a company's existence and growth. However, the key to attracting talent lies in the rationality of compensation, and enhancing the reward management mechanism has consequently emerged as essential for the company's sustainable development <sup>[2]</sup>.

## 2. Overview of salary management-related theories

### 2.1. The concept and content of compensation management

Compared with other management activities, the company's compensation management work should adhere to the basic principles of management activities. Wage management involves the process of distributing salaries within an enterprise, considering the varying labor contributions of different personnel. Essentially, it entails defining and distributing basic salaries and other benefits <sup>[3]</sup>.

The primary function of wages is to harmonize the interests of both the enterprise and its employees, forging a strong connection between them. Wages represent an input, constituting the labor cost for the enterprise. In the foreseeable future, employees will generate greater profits for the enterprise, illustrating their complementary relationship. Designing and managing the internal wage mechanism stands as a critical task in enterprise management. Typically, companies increase wages to attract and retain internal talent, thereby enhancing personnel efficiency and enthusiasm, ultimately improving the competitiveness of the enterprise <sup>[4]</sup>. Moreover, companies adjust employee allocations across various departments by determining departmental wage levels. This helps balance the flow of human resources within the enterprise, effectively utilizing constrained resources for the most profitable parts, thus realizing the rational utilization of all enterprise resources.

## **2.2. Theory of compensation management**

Salary is not merely a distribution issue; it possesses distinct social attributes and encompasses complex theories, prompting ongoing scholarly inquiry. Adam Smith, a renowned economist, introduced the theory of wage differentiation during his research on salary theory. He posited that wage disparities among employees arise from the nature of their roles and the policies of the salary system. This theory forms the basis of job-based salary systems in modern enterprises. Early Western economists, such as William Petty and John Law, argued against excessive government intervention in pay systems and wages. Steffen Mueller advocated for the governmental establishment of a minimum pay standard, cautioning that coercive government intervention in pay levels could hinder corporate growth.

With the continuous evolution of economic theory, compensation theory has witnessed the emergence of numerous new concepts. For instance, economist John Bates Clark's marginal productivity theory suggests that employee compensation levels should align with their marginal productivity levels, a theory consistent with the realities of the modern market economies and exerting considerable influence. It reveals that the relationship between wages and labor. In contemporary times, demands for corporate incentives extend beyond simple economic rewards. Consequently, the role of compensation management has shifted from mere labor remuneration to deeper motivational incentives.

Modern salary theory encompasses three primary aspects: incentive theory, fairness theory, and human capital theory. Incentive theory posits that compensation management aims to motivate employees, stimulating their enthusiasm and enhancing performance and competitiveness. Fairness theory, rooted in social psychology, emphasizes that unfair performance distribution diminishes employee job satisfaction, which cannot be compensated solely by salary increases. Employees prioritize the fairness of internal distribution, and a fair and objective salary system significantly influences employee enthusiasm for work. Human capital theory underscores the indirect yet critical impact on the compensation system and company development. Human capital encompasses education, training, and soft skills such as knowledge and expertise. The returns from human capital investment far exceed the initial investment, exerting long-term effects on companies. This theory effectively elucidates wage disparities among different employee types within the enterprise <sup>[5]</sup>.

## **3. Analysis of salary management at Hefei Yusheng Hotel Management Co., Ltd.**

### **3.1. Introduction to Hefei Yusheng Hotel Management Co., Ltd**

Established in 2010 with a registered capital of 11 million, Hefei Yusheng Hotel Management Co., Ltd. operates in Hefei Xinzhan District. With an annual output value of approximately 200 million Chinese Yuan (CNY), the company specializes in hotel management and group catering services. It operates as a limited liability company

in the commercial service industry. Since its inception, the company has integrated hotel management practices with the characteristics of the group catering industry, emphasizing healthy food and convenient services for consumers while adhering to a philosophy of modest profits and quality victories. Presently, the company successfully manages over 40 canteens for government organizations, schools, enterprises, and institutions across Hefei, Chaohu, Chuzhou, Huaibei, Suzhou, Xiaoxian, Yingcheng, Linquan, Bozhou, Lu'an, and other locations, earning widespread acclaim. Its business scope encompasses hotel and catering management, consulting services, housing rental, advertising, tourism supplies, and daily necessities sales, making it a comprehensive hotel management entity. Over the past decades, the company has experienced rapid growth, securing numerous large-scale projects, including Hefei Experimental School affiliated with Shanghai Normal University, Anhui Open University, Anhui Heli Co., Ltd., and other units of canteen management projects. Concurrently, the company has undertaken investments in trade services, catering, and electronic technology companies. With highly skilled technical, managerial, and sales personnel, the company has maintained stability, avoiding legal disputes and operational risks. Moreover, owning several trademark intellectual properties positions the company for future growth, exhibiting a stable trend of development <sup>[6]</sup>.

### **3.2. Analysis of salary levels for different employee types at Hefei Yusheng Hotel Management Co., Ltd.**

In recent years, the catering industry's income has declined due to the pandemic's impact. Consequently, company managers have prioritized economic benefits, leading to a neglect of internal employee salary structure and systems while focusing solely on operational and business development aspects. The average monthly salary in first-tier cities stands at 6,688 CNY/month, 5,903 CNY/month in new first-tier cities, and 5,209 CNY/month in third-tier cities. However, Hefei Yusheng Hotel Management Co., Ltd., situated in the capital of Anhui province, a second-tier city, reports an average monthly salary of only 4,310 CNY, below the industry standard. This disparity highlights an inconsistency between actual economic levels and employee compensation, with salaries deemed low and benefits overly formalized, signifying an unreasonable salary system <sup>[7]</sup>.

### **3.3. Analysis of the salary structure for different employee types at Hefei Yusheng Hotel Management Co., Ltd.**

Currently, the salary structure for the company's employees primarily consists of the basic salary and welfare subsidies. The base salary is determined based on the employee's position, while rewards comprise performance, attendance, and year-end bonuses, and treatment is dictated by legal requirements and company policies. Subsidies are allocated for related work.

- (1) Full attendance award: This incentive aims to prompt and commend employees for punctuality and reasonable scheduling of work hours. It also factors into the assessment of excellent employees. The full attendance award is a fixed monthly bonus applicable to all company employees. However, if an employee exceeds the legal rest time annually or exhibits tardiness, early departure, or unexcused absences, corresponding deductions may apply.
- (2) Performance bonus: An excellent employee's individual performance is evaluated based on criteria established by the company, directly influencing their rewards. The financial and personnel departments calculate performance bonuses based on employees' performance.
- (3) Year-end bonus: Generally, the company's year-end bonus is determined by its economic performance and personnel positions. Higher-ranking employees receive larger year-end bonuses, with similar positions typically receiving comparable bonuses.
- (4) Welfare allowance: The welfare system applies to all personnel except those in the probation period or

temporary positions. It comprises state-mandated benefits, such as social insurance and housing fund contributions, as well as additional benefits provided by the company. Company-provided benefits may include meals, accommodation, holiday supplies, and comfort items. Subsidies cover heating costs for all employees, as well as transportation and phone charges for production department staff. Confidential salary mechanisms are often employed to prevent perceived inequality among workers due to differential treatment.

Typically, the company's financial department reviews staff information, salary sheets, attendance records, performance evaluations, and other audit forms to calculate and issue all compensation, including base salary, attendance bonuses, and overtime allowances, on the 20th day of each month. Performance and year-end bonuses are disbursed at the end of each year.

## **4. Problems and reasons for compensation management at Hefei Yusheng Hotel Management Co., Ltd.**

### **4.1. Problems existing in enterprise compensation management**

#### **4.1.1. Inequities in the internal compensation structure**

Firstly, the company places significant emphasis on external salaries while neglecting internal compensation. By prioritizing external wages, the company overlooks the internal needs of its employees. As the traditional cash-reward salary management model fails to keep pace with current company development trends, internal remuneration has garnered increasing attention from management. According to Herzberg's Two-Factor Theory, a focus solely on salary, rewards, and benefits merely reduces employee dissatisfaction without effectively stimulating them. Therefore, the company must address internal remuneration concerns.

Secondly, within the external wage structure, although the base salary constitutes the majority of total compensation, variable components such as performance bonuses and welfare subsidies are relatively minimal. Performance bonuses, in particular, are determined by individual, group, and company performance, incentivizing employees to drive company profits. However, this approach can potentially damage reputation and team spirit. Disparities in internal compensation, as evidenced by the significant salary gap between division managers, can lead to employee disputes and undermine customer interests. Such disparities may also encourage employees to prioritize performance at the expense of customer rights and company integrity<sup>[8]</sup>.

#### **4.1.2. Lack of competitiveness and fairness in salary levels**

Employees perceive the company's current compensation as unappealing and the salary system as unfair. The lack of competitiveness in salary levels not only fails to retain new staff but also results in the loss of existing employees<sup>[9]</sup>. The recruitment trends from 2021 indicate that internal compensation system issues are closely linked to personnel turnover and retention challenges. This inadequacy in staffing leads to prolonged work periods for some employees, while others seek higher treatment and more reasonable work hours elsewhere, ultimately contributing to talent loss within the company. Establishing a fair and equitable salary assessment system based on employees' knowledge, experience, leadership abilities, and contributions is essential for effective internal management. However, the current system lacks fairness, as employees on the same level receive identical salaries regardless of tenure or qualifications, resulting in a sense of inequality among senior and junior staff members<sup>[10]</sup>.

### **4.2. Cause analysis of hotel compensation management problems**

From a macro perspective, the company's operations should align with its overall strategy. However, the



company's compensation policy often conflicts with its overarching strategic goals. While the company may have a comprehensive strategic objective, misinterpretations by enterprise managers regarding the correlation between wage management and human resource management, coupled with the adoption of incorrect management approaches, have resulted in the failure to fulfill the company's fundamental strategy. Consequently, the overall development strategy finds itself in a more challenging predicament.

## **5. Countermeasures and suggestions to improve compensation management at Hefei Yusheng Hotel Management Co., Ltd.**

### **5.1. Adjusting the salary structure and levels in alignment with the enterprise's overall development strategy**

The company's focus solely on external salaries while neglecting internal compensation has resulted in an unbalanced salary composition and limited employee incentives. To rectify this, Hefei Yusheng Hotel Management Co., Ltd. must establish an incentive system based on various factors such as employee quality, living environment, career stage, and personal preferences. For instance, younger employees may prioritize a superior work environment, flexibility, and learning opportunities, while older employees may value career development prospects and promotion opportunities. The salary level should meet basic material needs while also addressing advanced requirements, thus ensuring a balanced internal treatment that fosters employee satisfaction and career growth.

### **5.2. Enhancing performance management to support salary management**

Firstly, adopting a scientific approach to staff management is essential in aligning with the development goals of Hefei Yusheng Hotel Management Co., Ltd. Objective evaluation of employee performance is paramount in enterprise performance management. By establishing a performance-based remuneration system that correlates with individual contributions to the company, undesirable team behaviors can be curbed, fostering healthy competition among internal personnel. Moreover, enhancing the personal performance management system encourages employee initiative, leading to increased economic benefits for the company and reinforcing the link between employee efforts and rewards.

Secondly, leveraging the performance management mechanism's function involves prioritizing employee management during communication and feedback processes. The company should continually refine performance appraisal norms and adjust evaluation criteria based on actual operational dynamics, maximizing employee recognition and incentivizing performance through compensation mechanisms.

## **6. Conclusion**

Salary management constitutes the core aspect of human resource management and is directly linked to the realization of a company's long-term strategic objectives. For company employees, wages signify not only their labor income but also serve as a reflection of past performance recognition and a motivator for future endeavors. A well-designed salary system, grounded in incentive theory, can effectively adjust motivation and creativity, fostering a closely-knit and cooperative management team. However, mismanagement of salary structures can impede company development and strain operations, leading to economic pressures on society.

A robust salary system not only attracts experienced professionals to the company but also motivates employees to enhance their work enthusiasm and performance, thereby improving the company's profitability. Conversely, issues in the enterprise's salary management system can profoundly impact employee job

satisfaction, resulting in negative emotions that undermine work quality and overall management effectiveness. It is imperative to establish a scientifically sound enterprise compensation management system to bolster overall enterprise competitiveness and ensure sustainable development.

## Disclosure statement

The author declares no conflict of interest.

## References

- [1] Xu Z, 2022, Discussion on the Optimization Strategy of Enterprise Compensation Management Based on the Incentive Role. *Enterprise Reform and Management*, 2022(3): 84–86.
- [2] Zhai C, 2022, Brief Analysis of Compensation Management Strategies of State-Owned Enterprises in Transformation. *China's Collective Economy*, 2022(5): 99–100.
- [3] Liu Y, Yu L, 2022, Research on the Influence of Employee Performance by the Impartial Management of Enterprise Compensation. *China SME*, 2022(2): 209–210.
- [4] Bai X, 2021, Exploration of the Optimization of Enterprise Compensation Management. *China Market*, 2021(36): 107–108.
- [5] Liang J, 2021, Salary Management Innovation in Enterprise Human Resource Management. *Modernization of the Shopping Mall*, 2021(22): 59–61.
- [6] Deng K, 2021, Problem Analysis and Improvement Suggestions in Enterprise Compensation and Performance Management. *Human Resource Development*, 2021(23): 79–80.
- [7] Ling Z, 2021, Enterprise Compensation Incentive and Fine Management. *Human Resource Development*, 2021(19): 85–86.
- [8] Dong N, 2021, Analysis of the Main Problems Existing in Enterprise Compensation Management and Their Improvement Countermeasures. *Oriental Corporate Culture*, 2021(S2): 97–98.
- [9] Wang X, 2021, Research on the Problems and Countermeasures of Enterprise Compensation Management. *Small and Medium-Sized Enterprise Management and Technology*, 2021(10): 19–21.
- [10] Chang B, 2021, Innovative Strategies for Enterprise Compensation Management. *Human Resources*, 2021(14): 110–111.

### Publisher's note

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.