

The Defects of Salary Management for Knowledge Staffs in Small and Medium-sized Enterprises and its Reasons

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Abstract: Salary management is a key point for a company to make a good use of staffs as well as a key point to retain and motivate staffs. It is important to achieve a good salary management in the development stage of small and medium-sized enterprises (SMES). SMES have their own advantages and characteristics in salary management because of their own reason. They are widespread and small in scale as well as have a strong regionalism. SMES have a flexible employment mechanism. Knowledge staffs contribute much more to SMES and play an important role in SMES. However, they also have their own disadvantages. In SMES, The pay usually is low, the salary system usually is incomplete, the system of salary motivation usually is weak. There are many reasons why SMES have problems in salary management. SMES usually are restricted by traditional salary management and are short of modern salary management idea. The managers of SMES have not high management quality.

Keywords: Small and medium-sized enterprises (SMES), knowledge staffs, salary

I. THE CHARACTERS OF HUMAN RESOURCE MANAGEMENT IN SMES

Characters of SMES are simple organization structure, less management gradation, fast decision making, etc. There are also different feature of HRM in SMES.

A. *Small scale, widespread, strong regionalism*

SMES are less than big companies in scale of production, assets, the number and influence. And they distribute in all walks of life. It's decided to SMES have more variety and complexity of talent demand than big companies. SMES usually have a small movement area, a strong regionalism as well as a regional staff structure. Therefore, they are easy to form exclusive custom and impede SMES to bring in new talents.

B. *Individual influence and contribute are bigger in SMES*

Large enterprises usually need a perfect system to keep normal operation. Comparing with them, SMES are more dependent on individual ability (including manager and each staff). Those companies generally have not a systematic, complete management system and a persistent, complete human resource system. The development of SMES depends on motility of staffs. This kind of passive form results in that SMES are very hard to introduce suitable talents in a planned way.

C. *Flexible employment mechanism in SMES*

A company can determine the principle of employment according to their needs. SMES have flexible salary system, often give some immaterial welfare to their staffs except for material welfare. Comparing with large enterprises, SMES can usually offer elastic working time and free working environment to their staffs. The staffs can be easy to show their ability and get company's attention and acceptance.

D. *Stronger mobility of human resource*

According to <A report of Chinese workers job-hopping> published by universal professional social platform LinkedIn in 2014, Average working life of Chinese workers is 34 months in same company. This number is less about 2 years than 56 months of American workers. The median of working life of Chinese workers are 24 months, are less about half year than American workers. This report showed that Chinese workers planned to job-hopping after working 1.5 years. By contrast, most American workers could work more than 2.5 years in same company. The companies should pay more attention to researching result of the report and make effective motivational measures to solve it.

If personal salary and development opportunities of SMES staffs are not as good as staffs' expectation, knowledge staffs may choose to leave. Especially leaving of the key staffs is serious for the loss of SMES. The system of traditional HRM is fundamental

reason to current situation of SMES, and the frame of HRM and reasonable salary system were not built.

E. Staffs generally dissatisfied with current compensation and benefit status

There are many problems in the design of salary system. For example, SMES are failing to deal with the relationship among seniority, ability, knowledge, contribution, etc in salary allocation. "Getting job according to ability, getting reward according to contribution." was not performed well. Salary allocation of staffs depends on subjective impression of boss, so it can't show internal and external fair as well as staffs fair. If Long-term and recent planning was not drawn up about salary management, it is difficult to motivate staffs to work hard for a company. Confidence of employees is lacking to their Income and development in the future.

II. THE ADVANTAGE OF HUMAN RESOURCE MANAGEMENT IN SMES

Comparing with large company, Advantages of SMES are great potential development and rapidly responsive to environment, etc. Because of small scale, SMES can quickly adjust their products according to market. There are more developing opportunities for staffs in SMES than staffs in large company. The staffs can get more opportunities to show their ability and achieve their value in SMES.

A. Strong adaptability to human resource management

Comparing with large company, Advantages of SMES are rapid response for market and strong adaptive capacity. SMES can transform quickly when market environment changes. HRM can transform quickly because SMES only need to bear relatively less burden of staffs. System constraints of SMES are less than large company so that they are easily to new idea, new thought, new measures, etc. Therefore, adaptive capacity of SMES is very strong.

B. High effectiveness to human resource management

Comparing with large company, SMES usually have fewer rules and regulations, fewer management levels, rapid decision-making, so efficiency must be higher than efficiency of large company. In the process of information transfer, Distortion rate of information is low because of fewer management levels in SMES. Therefore, the effectiveness of the management is improved, staff's satisfaction degree is improved, and their working efficiency is improved. So the overall performance of enterprises is improved.

C. Great potential development

Due to stable organization structure and detailed job duties of large enterprises, developing space of staffs is limited. However SMES can offer more opportunities to their staffs to improve their ability in a short time. Because SMES have great potential development, their staffs can get more developing opportunities and bigger developing space. Staffs can show their ability better. Therefore, SMES will attract more excellent talents to join them.

III. THE PROBLEM OF KNOWLEDGE STAFFS SALARY MANAGEMENT IN SMES

In China, most SMES still use traditional salary system. As time goes on, its shortcomings are more and more obvious. Firstly, SMES have incomplete salary system and management rules and regulations. Secondly, SMES do not pay enough attention to salary management, and lack scientific guidance. Thirdly, SMES lack motivation because they pay salary according to working post. In addition, reasonable salary system plays a important role in attracting and retaining knowledge staffs. According to research, there are a lot of problems about salary systems of knowledge staffs in SEMS of China.

A. The overall salary levels on the low side

Salary is the basis of building and maintaining labor relations. With the improvement of personal ability and working performance, monetary expression of personal value --their salary expectations also increase.

Scale and strength of SMES is not as good as state-owned enterprises and large enterprises. If SMES want to grow quickly, it requires that have a good salary policy to attract and keep talents who can contribute to the development of their enterprises. But in China, salary levels of most SMES is low, the salary of SMES is less than others so that SMES can not attract good knowledge staffs to work a long time. So turnover rate of knowledge staffs is high that the life cycle of SMES is very short.

B. Imperfect salary system

First of all, salary systems of most SMES are not perfect, their work analysis and post evaluation for staffs are really simple, there is not a specific uniform standard. Then, their performance assessment is not rigorous and fair enough for knowledge staffs. And then, SMES usually pay attention to the "outside salary" and ignore "inside salary", lack professional skill training for knowledge staffs, and pay less attention to personal career planning of knowledge staffs. Furthermore, salary systems of SMES are established by managers and no staffs to participate in

it, staffs just accept passively. At last, Managers do not fully consider staff's ideas and needs, and staff's salary expectations and so on.

C. Lack of salary motivation in SMES

Effective motivation is reliable guarantee for maximization of human resource cost-benefits. But SMES generally lack effective salary motivation so that knowledge staffs can't give full play to their own initiative. In very bad situation, it leads to high turnover rate of the knowledge staffs.

Because of lack communication between SMES and staffs in salary aspect, inside real needs of knowledge staffs are rarely understood. Individual needs and their own values of knowledge staffs are not found and carried weight in SMES. So SMES can't motivate knowledge staffs effectively. Because most SMES do not have the ideas of knowledge staffs and do not distinguish the knowledge staffs and ordinary staffs and do not consider the differences of regional culture, salary motivation is lack, and which affect activity and innovation of knowledge staffs as well as knowledge staffs on pay satisfaction and loyalty to the enterprises.

Insufficient incentive also show up as lack of incentive pertinence, it leads to that SMES are not clear about different demands from different staffs. Some SMES carry out the same salary policy to every knowledge staff in different departments. The heterogeneity of knowledge staffs lead to the difference of salary demand. Therefore, if the same salary level is executed to all of knowledge staffs in different departments, motivational effect is reduced and execution costs is increased.

D. The creativity of knowledge staffs is ignored

Comparing with ordinary staffs, the innovation is the most prominent features of knowledge staffs. In many cases, the creativity of grass-roots knowledge staffs is very important. The grass-roots knowledge staffs cannot be excluded from the salary system of knowledge staffs because their production practice is the most basic links of SMES innovation. The grass-roots knowledge staffs are very familiar with existing technology, process and equipment, so that they have innovative rationalization proposal to improvement of process, maintenance and replacement of equipment. But a lot of SMES ignore the creativity of grass-roots knowledge staffs.

IV. THE CAUSES OF SALARY MANAGEMENT DEFECTS FOR KNOWLEDGE STAFFS IN SMES

The salary management systems of SMES have lots of problems that there are a variety of reasons. There are social, historical, cultural and environmental

reasons, as well as the reasons of SMES and knowledge staffs themselves.

A. Restricted by traditional salary system

Traditional salary systems are usually designed according to traditional jobs structure, which have less pay grades and lack flexibility. This salary system is not obviously suitable for knowledge staffs. First of all, traditional salary system can't keep the knowledge staffs to have the right work idea, knowledge staffs must be going for their job promotion to get more salary. Next, how much salary depends on their job levels. The diversified demands and the career planning of knowledge staffs are not taken into account. It is unfavorable to the knowledge staffs own development and growth. Finally, the salary difference is not considered to different regions, different industries and different markets. The knowledge staffs under this system feel less competition than external salary levels in order that it is not good for attracting and retaining excellent knowledge staffs.

In addition, traditional salary system can't reasonably show staff's contribution to the enterprise. Those SMES which put traditional salary system into practice don't convey long-term goal and development strategy of the enterprise to their staffs. In those SMES, knowledge staffs training and personal development opportunities are lack. Because of job levels, the good communication is lack among staffs and the interpersonal atmosphere is not enough harmonious within SMES and so on.

B. The lack of modern salary management concept

Domestic and foreign scholars are attaching great importance to the management of knowledge staffs. Researchers and business circles have generally realized the importance of the interaction between the enterprises and staffs. (Fig. 1)

Knowledge staffs have participated in the distribution of the enterprise value in part of the foreign enterprises, so that they have sense of enterprise belonging, and put their best enthusiasm to the work. So the final result is win-win between SMES and knowledge staffs.

However, it is hard to construct efficient salary system because SMES lack modern salary conception and win-win idea in our country. Some SMES may already realize the importance of the interactive relationship between enterprises and knowledge staffs, but they do not know the knowledge of payment for knowledge, staffs shareholding and stock option, so that they lack the methods and the technologies to construct effective system of salary incentive. It is hard to make their ideas coming true.

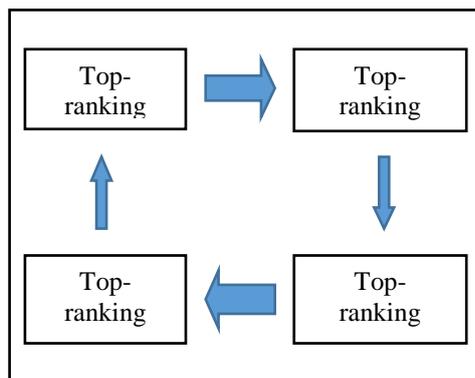


Figure 1. Benign circle graph between knowledge staffs and companies.

C. Management quality of SMES managers is relatively low

First of all, top managers are lacking to recognize it. They do not think about the problems from the staffs' position and do not pay attention to the communication with their staffs as well as do not take into account the vital interests of the knowledge staffs. This concept is the basic reason that leads to the reduction of knowledge staffs' loyalty.

Followed by, some managers do not choose proper talents according to job posts. On the one hand, they always appoint people by favoritism but do not appoint people by abilities, and the phenomenon still exists in the enterprises. On the other hand, the managers make a mistake to choose talents. That is a big fish in a small pond or a man of little ability in high capacity.

Once again, the enterprise managers do not pay attention to development and training of knowledge staffs. SMES usually imitate "official standard thought" of state-owned enterprises and single development channel of professional title promotion. Therefore, personal career development of some professionals & technical with skills is hindered and their working enthusiasm is affected.

Finally, SMES do not attach great importance to the career planning of knowledge staffs. Some SMES are concerned only with their own development, ignore the career planning of knowledge staffs and limit the career development of knowledge staffs within the enterprise. It causes the imbalance and the contradiction between the needs of human resource development and the needs of personal career planning.

In short, SMES attach great importance to the creation of value themselves. However, the realization of self-worth and comprehensive development are the pursuit of knowledge staffs. Thus producing different target between enterprises and knowledge staffs, both are not coordinated so that knowledge staffs are dissatisfied with current situation and even jump ship.

D. Own reasons of knowledge staffs

The characters of knowledge staffs are as follows: Unique values and demand patterns, sustainable learning ability and creativity, stronger liquidity and flow will. Those characters determine their particularities. If managers do not realize especial psychological needs and behavior rules of knowledge staffs and still use traditional controlling management mode, some knowledge staffs cannot get real motivation. Because knowledge staffs have independent work and decision-making ability and more employment opportunities, they will leave to find new jobs if they are not satisfied with the enterprises.

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