DIGITALIZATION IN THE CONTEXT OF ARTIFICIAL INTELLIGENCE: SALARY MANAGEMENT RESEARCH (THE CASE OF GONG DA COMPANY)

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This paper adopts a mixed-methods research approach to address the problems of the compensation management system currently operating in Gongda Company, and optimizes the company's compensation management system in terms of matching the compensation strategy, attaching importance to job value, and optimizing performance assessment based on the theory of principles of strategic orientation, incentive and fairness, so that Gongda's compensation management is more scientific and reasonable. At the same time, it is hoped that this study can provide some reference for the optimization of the compensation management system of SMEs in the same industry or with the same problems.

Keywords: human resource management; digital compensation management; compensation management system

Introduction

Research background

The digital economy is a new economic form that emerged from the new technological revolution and is characterized by the emergence of digital elements as an equally important part of national production as factors of production such as capital and labor.

According to the White Paper on the Development of China's Digital Economy, the scale of the digital economy has been rising in recent years as a percentage of China's total GDP, accounting for 36.2% in 2019, with a year-on-year growth rate of 15.6%, much higher than the GDP growth rate. Therefore, the digital economy has become an important component of the current national economy that cannot be ignored; especially the integration of digital elements with the real economy will accelerate the reconstruction of China's economic development model.

In traditional enterprises, compensation management has not received much attention from managers for a long time in the past, especially during the period of demographic
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dividend, when enterprises were desperately running to capture the market. When the demographic dividend disappeared, enterprises started to "look inward" and think about the importance of internal management and human resource management. The traditional way of compensation management is no longer suitable within the new business model change, and how to give full play to the function of traditional compensation management and enhance the organizational capacity of enterprises brings new challenges.

Therefore, in response to the new economic structure, new model and new type of employees, corporate compensation management must be digitally transformed to achieve technological empowerment and intelligent synergy of the corporate management team. It also activates the creative energy of the company by improving the competence and quality of managers; using big data analysis to guide the management of the company in compensation and benefits, employee learning and development planning; and using corporate business processes to automatically reduce the time spent on repetitive tasks, improve work efficiency and optimize employee experience, etc.

In Chen (2017), it is pointed out that along with the advent of the "Chinese century" and "digital transformation" in the world today, the innovative practices of Chinese enterprises have brought opportunities for theoretical innovation in the Chinese management community, but there is still a lack of research and an urgent need for in-depth exploration of digital HRM.

The research object of this paper, Gongda Company, is a high-tech enterprise integrating science, industry and trade. After years of development, the company now has a certain influence and competitiveness in building technology. Through the study of Gongda Company's compensation management system, this paper found that the company has problems. The compensation management system does not match with the current company strategy.

The structure of the compensation management system is unreasonable. The compensation management system lacks incentive and dynamic changes, and it is these problems that lead to the low satisfaction of the company's employees, and the reason for this is the backwardness of the management concept and the lagging management system.

**Objective of the study**

1. Establish a scientific and reasonable compensation management system to closely link the interests of employees and the enterprise, stimulate the internal development motivation of employees, bring the development goals of employees and the development strategy closer together, and realize the overall development of the enterprise and employees.

2. Enhance the level of salary management, stimulate employee work enthusiasm and raise their sense of belonging. Increase operational efficiency while maximizing the interests of the enterprise.

3. Improve the level of information and digital management. Create a compensation management system that covers the company's management and all employees and also covers all compensation items, implements statistical analysis data functions, replaces the financial management system with a formalized, intelligent and dynamic compensation management system, and makes a support platform for compensation management technology.
**Scope of the study**
This research project is based on digital tools, digital management, and digital scenarios in the context of digital transformation. By analyzing the existing compensation management model currently managed by Gongda, we identify the key factors and solutions influencing its development, and build a digital compensation system with the characteristics of the company's own development.

**Theoretical framework**

![Theoretical framework](image)

**Hypotheses**
1. Compensation management is an important manifestation of the people-oriented thinking of managers.
2. Job analysis is the basis of salary calculation, especially job-based salary, and it is a necessary prerequisite for creating an internal fair salary system.
3. The application of digital management is crucial to the company's compensation management.

Literatures review

**Digitalization:**

“The 14th Five-Year Plan” proposes to accelerate digital development and build a digital China. China's industrial structure will continue to be transformed and upgraded, and the theme of economic and social development is high-quality development, which brings significant opportunities for the integration of digital economy and real economy.

The official website of the National Development and Reform Commission also released the initiative of "Digital Transformation Partnership Action". The initiative proposes that the government and all sectors of society should join together to build a joint promotion mechanism of "government guidance - platform empowerment - leading leadership - institutional support - multiple services" to drive the digital transformation of small, medium and micro. The focus is on digital transformation of small, medium and micro enterprises (Zhang, 2022).

In the study of digital transformation of enterprises, Luo (2020) suggested that the ability of organizational collaboration and management action is a more important factor in the success of digital transformation of enterprises compared to corporate resources and information technology. Enterprises should give full play to the role of the Internet and use digital technology to implement transformation in the mindset, value culture, and business model of the enterprise as a way to obtain more vigorous viability.

In the study of the relationship between digital transformation and enterprise performance, Hu (2020) further pointed out that enterprise digital transformation requires organizations to make timely and large-scale adjustments according to changes in the internal and external environment, which will increase the effectiveness of digital transformation.

Enterprises transform and upgrade their operational processes using digital technologies such as the IoT, artificial intelligence, and new big data, creating data-driven decision-making and management system, and improving the accuracy and timeliness of decision-making to reduce enterprise operating costs, improve operational efficiency, strengthen the advantages of existing core business, and drive the growth of enterprise profits.

**Compensation management:**

Robert Waterman (2003) argues that employees work tirelessly for the company because in the process of work, their abilities are improved and recognized, or their ideal values are realized.

Therefore, the scientific salary management structure and salary distribution method can better stimulate employees' enthusiasm and improve their efficiency. At the same time, a scientific salary management system has a strong motivating effect on the introduction and retention of talents, as well as enhancing corporate cohesion. On the contrary, unreasonable distribution of salary will lead to a lack of enthusiasm among employees and affect cooperation among employees, thus affecting the overall level of operation of the enterprise and its economic benefits.
In 1954, Peter Drucker (1954) made the same point in his book "The Practice of Management" that business managers should adopt different compensation management strategies depending on the specific situation of the company, arguing that in the era of development, companies are competing with each other, leading to an increasing number of corporate restructuring and mergers and acquisitions, so companies must constantly adjust their compensation strategies if they want to adapt to the rapid changes in the environment.

Richard I. Henderson (2008), in "Compensation Management," says that not only do managers within the company need to be in good contact with each other, but they also need to maintain communication with managers from other companies, as well as with employee representatives, who represent the general ideas of employees in the company, to ensure that the developed compensation management system is effective and appropriate. By maintaining open and effective communication channels at all times, we can not only enhance mutual understanding between managers and employees, but also quickly reflect problems within the company or report them at an early stage.

According to Wang Baoping (2006), the link between individual performance and individual compensation has a strong motivational effect on employee performance. However, managers usually fail to create a detailed performance system to accurately and objectively quantify and evaluate individual performance, which often results in a discrepancy between actual workload and total compensation. In the process of creating the compensation management system, managers should pay full attention to the incentive effect of salary, so that the value of employees in the enterprise can be further highlighted by the amount of salary.

In the compensation management process, the evaluation of employee work performance should also be part of employee compensation. The continuous growth of employees is the only way to consciously improve their business ability under the incentive mechanism to achieve better performance and profit for the company. At the same time, the company should pay attention to the appropriate adjustment of employee performance evaluation at different stages of development to ensure that compensation management is reasonable.

Compensation management system

In the past, the compensation management system of enterprises was relatively fixed and single, which could not fully promote the initiative of employees. However, if a diversified compensation distribution system is established, it can greatly contribute to attracting, maintaining and motivating excellent talents to work for the organization, and increasing employees' job loyalty, satisfaction, motivation and sense of belonging to the organization.

According to Professor Zhu Kejiang (2002), compensation does not include only material compensation, but also psychological or spiritual compensation, which is equally important to employees.

(Tong & An, 2009) analyze through a series of mathematical models and combinations that employees will work harder when they are paid in differently than when they are paid the same amount but in the same way.
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When the needs of employees are satisfied to the maximum extent by the level and form of compensation provided by the company, employees will have a strong sense of attachment to the company and will be able to resist external temptations.

In the human resource management system of modern enterprises, the compensation management system can be considered crucial and directly affects the effectiveness of business management (Fu, 2022). In order to promote the high quality development of enterprises, it is necessary to pay attention to the improvement of the compensation management system, which should be optimized and adjusted according to the problems in the compensation management of enterprises to enhance the market competitiveness of enterprises with high quality human resource management.

Research methodology

Through the use of Internet database resources and research of excellent domestic and foreign journals and magazines, and through the library access to digital payroll management books, and the above theoretical knowledge for classification and organization, to lay a good theoretical foundation for this paper.

We also conducted a research on the operation of the compensation management system in Gongda Company, visited the company's front line, interviewed the company's management and ordinary employees, and reviewed the company's internal documents to provide a basis for the study of the optimization of the management system.

This paper uses a quantitative research approach: a questionnaire was formulated for the key research questions, and the questionnaire topics were distributed from point to point around the content of the research, for example, studying the basic situation in salary management such as the current salary system structure, job salary setting, salary and benefit package of the enterprise, as well as analysis of the factors influencing the digital transformation by combining the attitudes and difficulties of the personnel at all levels of the enterprise to the digital transformation of the enterprise salary management.

Based on the current background of digital transformation, we have investigated the status of digital transformation of salary management, application situation, and the role of digital transformation of salary management and the subsequent demand for transformation through questionnaires. We have also conducted statistical analysis by using classification and summation methods to study the content and solutions of the digital transformation of enterprises.

Finding and conclusion

The current situation of salary management and investigation analysis of Gongda Company

The organizational structure of Gongda Company is a linear-functional structure with a simple organization. The general manager is the top manager of the company, and his main responsibility is to be fully responsible for the operation of the company, under the company's factory department, sales department, finance department, technology department and personnel department. Each department has its own duties to complete the daily work of the company and ensure the normal functioning of the company.
The heads of all departments should be made responsible for the department’s performance to ensure that the daily decisions reach each employee in a timely manner.

**Employee structure analysis**

KODA is an enterprise in the fields of scientific and technology research and development, technical service and manufacturing. Influenced by the company's industry, a large number of front-line employees are not highly educated.

At present, there are 186 employees in the company, 133 of them have college, junior college or below education, accounting for 71.5%. There are 12 doctoral and master's degree students, senior engineers and technicians, as well we 41 employees with bachelor's degree.

![Figure 2 - Employee structure chart](image)

**Figure 2 - Employee structure chart**

(made by the authors)

![Figure 3 - Employee seniority chart](image)

**Figure 3 - Employee seniority (length of employment) chart**

(made by the authors)
By the end of 2022, 67 employees of Gongda had been employed for less than 3 years, 48 for 3-5 years, 35 for 6-9 years, 21 for 10-14 years, and 15 for more than 14 years.

The percentage of those who joined the company for less than 5 years is 61.8%, which also indicates that the stability of the company's employees is poor and there is a potential risk of staff turnover. The employee's length of service is shown in the Fig. 3.

The following five questions were selected from the survey questionnaire to understand employees’ perception of pay equity. Based on the survey results, the majority of employees believe that the fairness of Gongda's salary system is at an average level, and further investigation combined with the follow-up interviews shows that majority of employees who think it is unfair are among the rank and file employees.

The evaluation results are shown in Fig. 4.

Small and medium enterprises in China are an important part of the national economy, but there are many loopholes in the salary system. Through investigation and research, the current salary system in Gongda is relatively unified and backward, although the enterprise will also adjust the work and salary according to the actual situation of employees due to certain factors, but the adjustment ability is limited and cannot take into account all employees, who cannot stimulate their potential and do not contribute to the good development of the enterprise in the long term. To sum up, the following problems can be noted in the salary management system.

The salary concept of Gongda is not clear enough. It lacks rationality and the salary structure is not balanced. The current salary level of the company's personnel is still relatively low. The lack of necessary non-monetary compensation is evident.
It can be seen that the company's salary system structure is unreasonable. It is necessary to adjust the structure of the salary system.

**Lack of fairness, long-term incentives and effective salary evaluation system**

While conducting the research, we found that Gongda has one branch and three subsidiaries, which are mainly family-run, with poor salary management awareness and lack of high-level managers with salary theory and practical experience, and the company needs a group of high quality managers to be employed.

The company does not fully reflect the people-oriented approach, has not established an open, transparent and practical salary management system, and has no positive respond towards the diverse needs of employees. Some employees think that their input is greater than their salary return, and do not fully reflect their personal ability and value.

KODA should set up a reasonable, open and transparent salary structure to improve employees' efficiency and promote the long-term stable development of the company.

There are no dynamic changes in the salary system and digital management is increasing. Gongda's salary system has not undergone significant changes since the company's founding, and the salary gap between employees is small, meanwhile, performance salary and evaluation standards are not clearly formulated or explained, and employees are paid for longevity, but it has not been adjusted for a long time, and there is no measurement of the labor efforts of employees, which, in fact, is the salary management system. Lack of dynamic changes in the payroll system will affect the motivation of employees and may lead to the loss of some employees. Therefore, it is necessary to dynamically adjust and optimize Gongda's compensation management system.

**Recommendation**

With the help of this study, I will deeply study the theory related to human resource management and salary system and put the theoretical knowledge into practice to analyze and solve problems. Due to my limited research level, many aspects are not deep enough.

Of course, different companies face different problems, but the concept of talent is the same. How to better retain and motivate talent is a topic that will always remain relevant.

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