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OPTIMIZING X COMPANY'S COMPENSATION MANAGEMENT SYSTEM

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Abstract: In the knowledge economy era, intensifying global competition has made high-caliber talent a critical factor in corporate core competitiveness. This study examines X Company—an education and training provider—to identify issues within its compensation management system and propose optimization pathways. As a comprehensive educational institution integrating postgraduate exam preparation, online education, and book publishing, X Company faces challenges including talent attrition, high costs, and increased operational pressure due to the COVID-19 pandemic and the "Double Reduction" policy. Its compensation management suffers from issues such as disconnect between compensation policies and corporate strategy, lack of position-specific compensation standards, structural imbalances, unscientific performance evaluations, limited benefits, and insufficient non-monetary compensation.This study systematically analyzes X Company's current compensation management practices by integrating foundational theories such as Equity Theory, Two-Factor Theory, and Human Capital Theory. It employs multiple research methods including literature review, case analysis, questionnaire surveys, and interviews. Based on this analysis, targeted optimization proposals are presented. These include aligning position-based compensation standards with corporate strategy, optimizing compensation structures, refining performance evaluation and benefit systems, and strengthening non-monetary compensation development. Implementation safeguards encompass conceptual innovation, feedback mechanisms, oversight systems, and communication channels. This research aims to enhance X Company's compensation management effectiveness, maximize cost-benefit ratios, strengthen talent attraction and retention, improve employee satisfaction, and elevate the company's overall competitiveness. It also provides reference for compensation management optimization in the education and training industry and other small and medium-sized enterprises.
Keywords: Compensation; Compensation management; Solution optimization; Education and training enterprises

1 INTRODUCTION

1.1 Research Background

Economic globalization and intensified market competition have made talent the core competitive advantage for enterprise development. Under the dual impact of the "Double Reduction" policy and the COVID-19 pandemic, the education and training industry faces multiple challenges including declining productivity, talent attrition, and cash flow constraints. X Company, an adult postgraduate exam preparation institution in Henan Province, has developed a diversified business portfolio over fifteen years. However, during the pandemic, restrictions on study abroad and educational travel programs led to talent attrition, increased refund requests, and stagnant sales. Consequently, optimizing human resource cost management and compensation systems became critical for the company's survival and growth.

Compensation, as the core means of attracting, retaining, and motivating talent, directly impacts corporate stability and market competitiveness. The current competition in the education sector is fundamentally a competition for talent. As enterprises' human capital investment costs continue to rise and employees' compensation expectations keep increasing, coupled with increasingly stringent policy regulations, companies must ensure their compensation management solutions are legally compliant and aligned with strategic development needs. X Company's existing compensation system contains numerous unreasonable aspects, urgently requiring optimization and adjustment to address the development challenges of the post-pandemic era.

1.2 Research Objectives and Significance

This study uses Company X as a case to deeply analyze its current compensation management status and core issues. Based on relevant theories, it proposes a scientifically sound compensation structure optimization plan. This provides practical guidance for Company X to enhance its compensation management level while offering reference for compensation management optimization in peer enterprises.

Employee Level: Fair and reasonable compensation management enhances employee satisfaction and loyalty, reduces turnover rates, lowers recruitment and training costs, and fosters mutual growth between employees and the company.Corporate Level: Strengthens talent attraction and market competitiveness, optimizes labor cost structures, improves employee efficiency and corporate innovation capabilities, advances strategic goal achievement, and informs

operational decision-making.
Industry Level: Offers solutions to compensation management challenges in the education and training sector, enriching practical experience for optimizing compensation management in small and medium-sized enterprises.

1.3 Current State of Research at Home and Abroad

Compensation management, as a significant field within economics and management studies, has always attracted extensive attention. Compensation, being one of the most critical concerns for workers, holds substantial importance for employees of both international and domestic enterprises. Scholars worldwide have conducted in-depth research on compensation management from multiple dimensions, publishing numerous findings. This section will summarize and analyze the primary research outcomes and conclusions reached by these scholars in the field of compensation management.
International research on compensation management began earlier and has developed a relatively mature theoretical framework. Darma demonstrated that fair and competitive compensation plans enhance employee satisfaction, thereby increasing loyalty and productivity[1]. Dwianto emphasized that compensation distribution should align with employee performance and responsibilities, noting that fair and reasonable compensation strategies can reduce employee turnover[2]. Iptian et al. indicate that clear compensation and benefits policies positively foster employee belonging[3].
Regarding compensation management optimization: Franholz highlights the role of rational incentives in enhancing operational efficiency[4]; Raziel proposes that gradual compensation increases can reduce employee attrition[4]; Marcia PM recommends aligning compensation strategies with both external industry standards and internal employee capabilities[5]; Martorello highlighted that effective compensation control is crucial for corporate management[6].
Domestic research places greater emphasis on localized practices and industry applicability. Menqi proposed integrating corporate culture into human resource management processes such as compensation management[7]. Ni Xiaojun recommends adopting broad-banded compensation strategies to diminish the influence of administrative ranks on pay while emphasizing individual competency value[8]. Qin Xiangdong advocates incorporating education and training into welfare policies to enhance the professionalism of human resource management[9].
Regarding compensation system implementation, Zhu Jiaqi advises small and medium-sized enterprises to adopt dynamic incentive systems to ensure compensation aligns with individual capabilities[10]; Tian Junfeng emphasizes that enterprises must establish compensation systems and effective performance evaluation systems tailored to their specific needs[11]; Zhang Xutong points out that addressing issues in compensation incentive mechanisms is key to reducing employee turnover[12]; Li Ruizhi proposes managing human resource recruitment and training costs through modern business models and cost control concepts[13].
International research began earlier, emphasizing close integration with corporate strategy and developing a robust theoretical framework. Domestic research, while drawing on international findings, places greater emphasis on practical implementation and localization, focusing on pain points in SME compensation management. Currently, amid rapid changes in the market economy and knowledge economy, SME compensation management still requires new theoretical support and practical exploration. This study, which examines compensation management optimization for Company X in the education and training industry, combines theory with practice and holds significant practical relevance.

2 CORE CONCEPTS AND RELATED THEORIES

2.1 Core Concepts

Compensation refers to the monetary and non-monetary rewards employees receive for providing services to an organization, representing the material return for their labor contributions. Different groups interpret compensation differently: management views it as a tool for attracting and retaining talent and as an operational cost, while employees perceive it as a means of livelihood security and a reflection of self-worth realization.
Compensation encompasses all rewards employees receive for their work, typically categorized into base pay and incentive-based rewards. Base pay focuses on providing stable livelihood security, while incentive-based rewards aim to align closely with employee performance, fostering alignment between individual and company objectives. As shown in Figure 1:

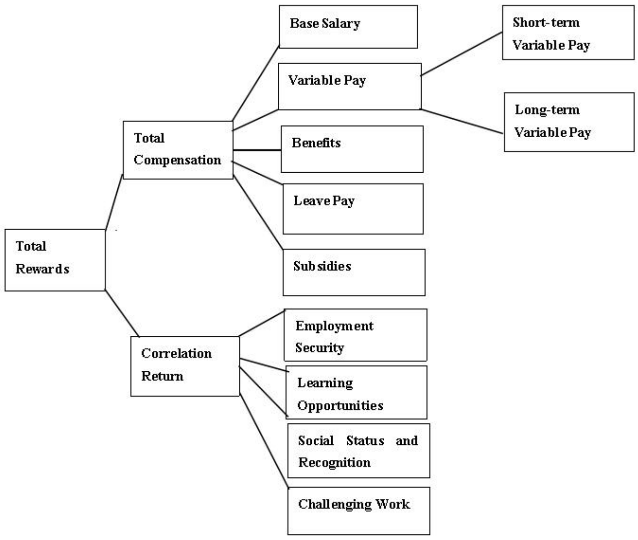

Figure 1 Company Compensation Structure Framework Diagram

The overall compensation structure comprises both direct cash components (such as base salary and performance-related bonuses) and indirect benefits provided through welfare programs (such as social insurance and medical benefits). These two forms respectively address employees' extrinsic and intrinsic motivation needs. In modern human resource management practices, total compensation alone is insufficient to attract and retain top talent. Therefore, non-monetary forms of compensation, such as career development opportunities and work environment, must also be fully considered.

Compensation management is the process of formulating and implementing compensation policies, encompassing compensation types, structures, levels, standards, and adjustment mechanisms. Core decisions must consider factors such as compensation objectives, market competitiveness, internal equity, employee contribution, and management transparency. Corporate compensation level strategies primarily include leading, matching, lagging, and hybrid approaches, each with applicable scenarios and respective advantages and disadvantages. As shown in Table 1:

Table 1 Company Compensation Level Strategy Table

	Advantages	Disadvantages	Compensation Level	Applicable Scenarios
Leading Strategy	Attract a large pool of needed talent, enhance company image and visibility	Higher costs	Compensation levels exceed market averages	Large scale, few market competitors, strong profitability, high return on investment, low proportion of compensation costs relative to total costs
Matching Strategy	Low risk, moderate costs	Compensation adjustments lag behind market rates, leading to talent attrition.	Compensation levels are generally in line with the market.	Moderate competitiveness, moderate profitability
Lagging Strategy	Low cost	High talent turnover rate, making it difficult to attract high-quality talent	Compensation levels below market average	Small scale, weak competitiveness, low marginal profit, limited cost-bearing capacity
Hybrid Strategy	High flexibility and strong targeting	High management complexity	Implement differentiated compensation levels based on job roles	Maintain market competitiveness while being able to bear a certain level of risk

2.2 Theoretical Foundations

Equity Theory emphasizes the importance of compensation fairness for employee satisfaction and work engagement, encompassing four dimensions: external equity, internal equity, individual equity, and process equity[14]. External equity requires compensation to align with industry standards for comparable positions; internal equity stresses reasonable pay differentials among various roles within the organization; individual equity demands compensation proportional to personal contributions; process equity focuses on transparency in compensation policy formulation and implementation.

The Two-Factor Theory categorizes factors influencing employee behavior into hygiene factors and motivators[14].

Hygiene factors (e.g., base salary, benefits) eliminate dissatisfaction but fail to stimulate motivation; motivators (e.g., performance bonuses, promotion opportunities) effectively enhance employee enthusiasm and satisfaction. Compensation management must balance both types to build a system that provides security while offering incentives.Proposed by Schultz and further developed by Becker, human capital theory posits that human capital growth is directly proportional to national income growth, typically outpacing the growth of physical capital[15,16]. This theory emphasizes that the value created by individuals influences their compensation levels. Enterprises should comprehensively evaluate the contribution of employees' human capital to the organization to ensure fairness and rationality in compensation distribution.

3 ANALYSIS OF X COMPANY'S CURRENT COMPENSATION MANAGEMENT STATUS AND ISSUES

3.1 Analysis of X Company's Current Compensation Status

Founded in 2006, X Company is a formally approved graduate entrance exam training institution. Its current business spans diverse fields including graduate exam preparation, professional qualification training, and international study programs. Following the pandemic impact in 2020, certain operations faced restrictions, leading to challenges such as revenue decline and talent attrition. The company adopts a functional organizational structure, with the President serving as the top executive. Reporting to the President are the President's Assistant and multiple functional departments alongside operational units. This structure suffers from issues including overly complex departmental setup, redundant functions, excessive management layers, and poor communication. These factors result in low management efficiency and increased labor costs. The current organizational chart of X Company is shown in Figure 2 below:

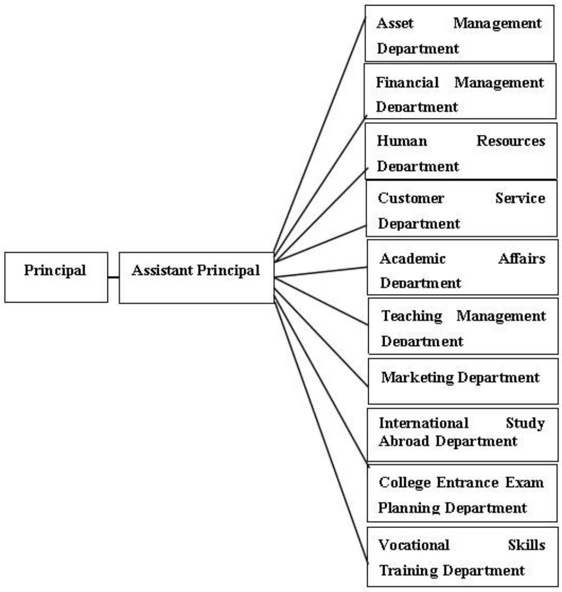

Figure 2 Company Organizational Structure Framework Diagram

X Company currently employs 225 full-time staff members and 45 part-time instructors. In terms of gender, there are 146 female employees (65%) and 79 male employees (35%); The workforce exhibits a youthful age profile, with employees aged 25-30 comprising 50%—below the industry average. While this injects vitality, it also presents challenges such as limited experience and higher turnover rates. Position levels span senior executives, managers at various tiers, service personnel, and general staff. Educational backgrounds are predominantly associate's and bachelor's degrees, with postgraduate degrees accounting for 17%. Detailed data for X Company is provided in Table 2:

Table 2 Company Employee Composition at Year-End 2023

Position level	senior manager		first-level manager		second-level manager	third-level manager	service staff	regular employee		Full-time Total	Part-time job Teacher
Position	Headmaster	Assistant to the principal	Director	Deputy Director	Manager	Supervisor	Service	Employee category	Full-time teacher		
Number of people	1	1	3	2	15	30	30	82	43	225	45

As a training-focused institution, Company X generates revenue directly from the educational services provided by its instructors. In contrast, while non-teaching staff are indispensable for operational support, an excessive number may lead to idle resources and increased costs. Analysis of instructor age groups in Figure 3 reveals that X Company's faculty and staff are generally younger than the industry average. While this injects vitality into the company, it may also bring challenges related to inexperience. Particularly when the proportion of younger employees is too high, it could impact the continuity and stability of the company's operations. A younger workforce typically correlates with higher turnover rates. This not only increases recruitment and training costs but also risks knowledge and skill attrition. The departure of employees around age 30—who have typically attained significant operational proficiency—can have a particularly substantial impact on the company.

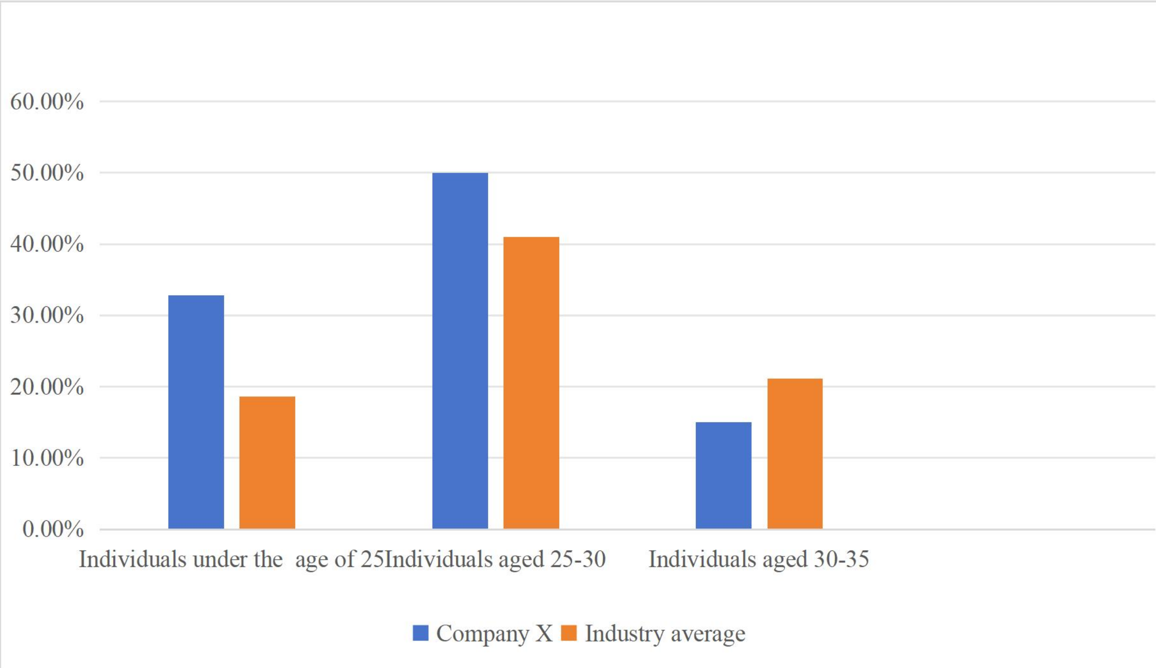

Figure 3 Age Distribution of Teachers in the Education and Training Industry

The company's compensation structure primarily consists of base salary, performance-based pay, and position allowances. Base salary accounts for over 40% of total compensation, while performance-based pay constitutes over 60%. Certain administrative and service staff are excluded from the performance-based pay system. Position allowances include transportation and meal subsidies, though the standards are relatively low. Performance-based pay is tied to teaching hour completion rates and departmental target achievement, resulting in limited incentive effects. Specific levels are detailed in Table 3:

Table 3 Company Employee Compensation Levels

Job Level	Base Salary	Commuting Allowance	Communication Allowance	Performance-Based Pay	Annual Compensation Standards
Senior Manager	17000	900	200	15000	397200
Level 1 Manager	11000/9000	900/600	200	9000/8000	253200/213600
Level 2 Manager	5500	600	200	6500	123600
Level 3 Manager	3500	200	100	3500	100800
Regular Employee	3000	200	100	2150	65400
Service Staff	2500	200	100	1700	54000

Employee compensation levels are categorized into six grades and nine standards based on job level. Within the same grade, compensation differences are not significant. Overall base salaries fall below the regional average for the education industry, lacking market competitiveness.

Employee compensation satisfaction surveys reveal low overall satisfaction with pay. Most employees feel their compensation fails to reflect personal value and work effort. Dissatisfaction exists regarding performance evaluations, benefits, and promotion mechanisms. Insufficient transparency in compensation policies contributes to low employee engagement and sense of belonging. Interview findings corroborate frontline employees' dissatisfaction with low fixed income, inadequate performance-based incentives, and limited benefits. As shown in Table 4 below:

Table 4 Employee Information Form for Company Questionnaire Survey

Job Level	Number of people	Ratio（100%）
Senior Manager	3	1%
Level 1 Manager	8	4%
Level 2 Manager	24	11%

Level 3 Manager	60	27%
Regular Employee	100	44%
Service Staff	30	13%
Age	Number of people	Ratio（100%）
23-30	110	50%
30-40	50	22%
45 and above	66	28%
Gender	Number of people	Ratio（100%）
Male	79	35%
Female	146	65%
Service Staff	Number of people	Ratio（100%）
Junior high school or below	30	13%
High school	20	8%
College/Technical School	75	33%
Bachelor's Degree	60	26%
Graduate Degree	40	17%
Years of Work Experience	Number of people	Ratio（100%）
Less than one year (excluding one year)	75	6%
One to two years (excluding two years)	40	4%
Two to three years (excluding three years)	35	8%
Three to five years (excluding five years)	40	27%
Five to ten years (excluding ten years)	25	31%
Ten years or more	10	15%

The questionnaire is designed as a single-choice format with five options listed in alphabetical order, each assigned a different point value. Results are derived by summing the point values for all questions and calculating a weighted average. The questionnaire scoring is shown in Table 5 below:

Table 5 Company Survey Questionnaire Scoring Table

No.	Survey Item	Average Score
1	Are you familiar with the company's compensation structure?	2.3
2	Does the company's current compensation management system meet your expectations?	3.6
3	Are you satisfied with your current income level?	1.8
4	Does your salary adequately reflect your personal value?	2.2
5	Do you feel your actual contributions align with your expected income?	2.1
6	How does your income level compare to colleagues in other positions?	1.8
7	Do you find the compensation levels for different job grades within the company reasonable?	4.4
8	Do you believe the company should adjust compensation based on differing job responsibilities?	3.1
9	Does the current compensation level serve as a motivating factor for you?	2.2
10	Do you consider the company's current performance evaluation ystem fair?	3.1
11	Do you feel the current promotion process aligns with your career goals?	2.8
12	Are you satisfied with the company's benefits package?	2.5
13	Do you believe adjustments to compensation and benefits could enhance your work efficiency?	4.6
14	Do you think the company's compensation package is attractive to external talent?	1.3
15	Do you believe the company needs to reform its compensation optimization system?	3.9

The survey results reveal issues of unfairness in the company's compensation distribution. Findings indicate that many employees feel their efforts are not adequately rewarded through compensation. Furthermore, unclear promotion pathways hinder the recognition of individual contributions, while similar pay levels further diminish employee satisfaction. The survey also indicates that only a minority of senior management are familiar with the compensation system, resulting in a lack of transparency in compensation policies. This diminishes employees' sense of involvement and belonging within the company. The majority of employees express dissatisfaction with the existing compensation structure, significantly impacting the company's ability to attract and retain new talent.

3.2 X Issues in Company Compensation Management

X Company's position-based compensation system is static, failing to establish compensation standards based on position value assessments. Instead, it relies heavily on management's subjective experience, leading to unfair compensation distribution. The absence of a dynamic compensation adjustment mechanism prevents timely revisions based on market shifts and individual performance. Compensation management is not integrated into the company's overall strategic planning. When formulating compensation budgets, the HR department overlooks corporate strategy adjustments and market changes, resulting in insufficient retention incentives for key talent. This exacerbates employee turnover and hinders the achievement of strategic objectives.

The ratio between fixed salary and performance-based pay is imbalanced. An excessively high performance pay component places undue pressure on employees, while the low fixed salary undermines stability. Job compensation design fails to align with market and business needs, resulting in insufficient differentiation between positions that fails to reflect individual capability and work contribution. Promotion pathways lack clarity, with no transparent, unified advancement mechanism. Ambiguous career development paths lead to high turnover among young employees and increased slackness among senior staff. Supplementary compensation is limited to basic statutory benefits, lacking company pensions, supplemental medical insurance, equity incentives, etc., failing to meet diverse employee needs and lacking long-term motivational impact.

Performance assessments lack specificity, failing to establish tailored evaluation criteria for different positions and departments. Evaluation outcomes are influenced by managers' subjective preferences, compromising fairness. Benefit design lacks innovation, with standardized benefit packages unable to meet the personalized needs of employees across different functions and levels. Non-monetary benefits are underutilized, lacking additional perks such as paid leave and annual health checkups, which diminishes employees' identification with and loyalty to the company.

4 X COMPANY COMPENSATION MANAGEMENT OPTIMIZATION PLAN

4.1 Optimization of Design Objectives and Principles

In formulating optimization strategies for Company X's compensation system, a comprehensive analysis based on the company's current development needs and status has been conducted to clearly define targeted optimization objectives and directions.

Align the compensation system with corporate strategy to enhance external competitiveness; Establish a fair, reasonable, and motivating compensation structure to boost employee engagement and innovation; Design a compensation framework tailored to talent development needs to effectively attract and retain key personnel; Optimize labor cost structure to maximize cost-effectiveness in compensation management.Fairness Principle: Fully reflect the alignment between job value, employee seniority, capabilities, and performance. Motivational Principle: Establish a scientific incentive mechanism by integrating factors such as work experience, educational background, and professional skills. Economic Principle: Balance the company's financial status, salary payment capacity, and market compensation levels to ensure the sustainability of the compensation system. Adaptability Principle: Develop differentiated compensation strategies tailored to the company's business characteristics and employee needs.

4.2 Overall Approach to Compensation Management Optimization

Based on Company X's specific circumstances, the proposed solution is as follows: First, establish reasonable compensation levels according to job responsibilities and competency requirements. Implement position-based performance evaluations, adjusting compensation based on employee performance outcomes. Introduce a comprehensive compensation system to meet the expectations of employees in different roles, ensuring the fairness and motivational effectiveness of the compensation structure. Reform the performance appraisal mechanism by establishing an evaluation system grounded in Key Performance Indicators (KPIs) to guarantee fairness and effectiveness. Additionally, offer diversified benefit options allowing employees to select programs aligned with individual needs, thereby enhancing the personalization and satisfaction of the benefits system. Simultaneously, regularly review and adjust the compensation structure to ensure the company's pay levels remain competitive in the market and commensurate with employee performance.

First, Company X must establish an incentive-driven compensation system by creating dedicated incentive funds to boost motivation for entry-level employees. For these employees, beyond base pay and performance-based compensation, reward funds will enhance their total compensation to increase work enthusiasm. This aligns with individual development plans and the company's long-term strategic goals. Second, for management, introduce long-term incentive strategies to align their interests with the company's, motivating them to deepen self-improvement, innovation, and long-term contributions. By rationally adjusting the compensation structure, the pay gap between entry-level positions and management roles is narrowed. Simultaneously, this approach encourages management to focus on aligning long-term corporate objectives with personal growth. Company X should design a scientifically sound and forward-looking incentive system based on internal realities and market conditions. This ensures the fairness and competitiveness of the compensation system, thereby more effectively attracting and retaining key talent to support the achievement of the company's strategic goals.

4.3 Implementation Plan for Compensation Management Optimization

Refine position compensation standards: Implement a differentiated compensation system. Senior management will receive annual salaries, non-senior management will be paid under a position-based performance wage system, teaching department personnel will be compensated through a project-based system, and sales positions will operate on a performance commission structure. This ensures compensation is closely tied to job responsibilities and performance contributions.

Promoting Alignment Between Employees and Company Strategy: Adhere to a “people-oriented” human resources management strategy to stabilize core talent and expand business scope. Implement a tiered commission system and reinforce the management mechanism of “daily tasks completed daily, daily progress achieved daily” to motivate employee initiative and creativity. As shown in Table 6 below:

Table 6 Company Compensation Differentiation Table

Compensation Categories	Personnel Categories	Specific Positions	Salary Structure
Annual Salary System	Level 1 Managers and Above	Principal, Assistant Principal, Director, Deputy Director	Annual Income = Base Salary + Annual Performance Pay + Business Revenue + Allowances + Benefits
Position Performance Pay	Level 3 Managers and Above	Managers, Supervisors, Frontline Team Leaders	Monthly Income = Monthly Performance Salary + Allowances + Benefits
Project Compensation System	Faculty Department Personnel	Teaching and Research Department Faculty	Monthly Income = Base Salary + Quarterly Performance Pay + Project Bonus + Allowances + Benefits
Performance-Based Commission System	Sales Sequence Positions	Marketing Manager, Marketing Representative, Media Specialist	Monthly Income = Base Salary + Commission + Allowances + Benefits

The current compensation system of Company X does not align with its actual operational needs and exhibits numerous irrationalities, particularly in terms of incentive mechanisms, resulting in an overly simplistic compensation structure. Therefore, redesigning the compensation system to make it more diversified and in line with actual conditions can effectively stimulate employees' work motivation and enthusiasm. In terms of job design, adjustments have been made especially in the area of job compensation design. Company X combines compensation positioning with market and business needs, and at the same time, makes relative adjustments based on different job levels, accurately reflecting employees' individual abilities and work input to ensure fairness in compensation. Regarding compensation standards, the company has established clear and transparent evaluation and promotion criteria, allowing employees to have a clearer understanding of the compensation system and increasing their work enthusiasm. In addition, the company has dynamically adjusted the compensation structure to adapt to market and internal talent development needs, ensuring the vitality and competitiveness of the compensation system. By enhancing compensation standards and reasonably distinguishing compensation differences based on different positions and individual contributions, the company can enhance its talent attraction, maintain employee satisfaction, and maintain its competitiveness. The company has supplemented the diversity of its compensation items, which are divided into monetary compensation and non-monetary compensation, including overtime pay, incentive bonuses, basic statutory benefits, company annuities, additional medical insurance, training and career development opportunities, and other supplementary benefits. This closely binds employees' personal interests with the company's profits, giving employees a sense of belonging to their long-term work input, thereby strengthening their overall sense of responsibility and loyalty to the company.As illustrated in Figure 4 below:

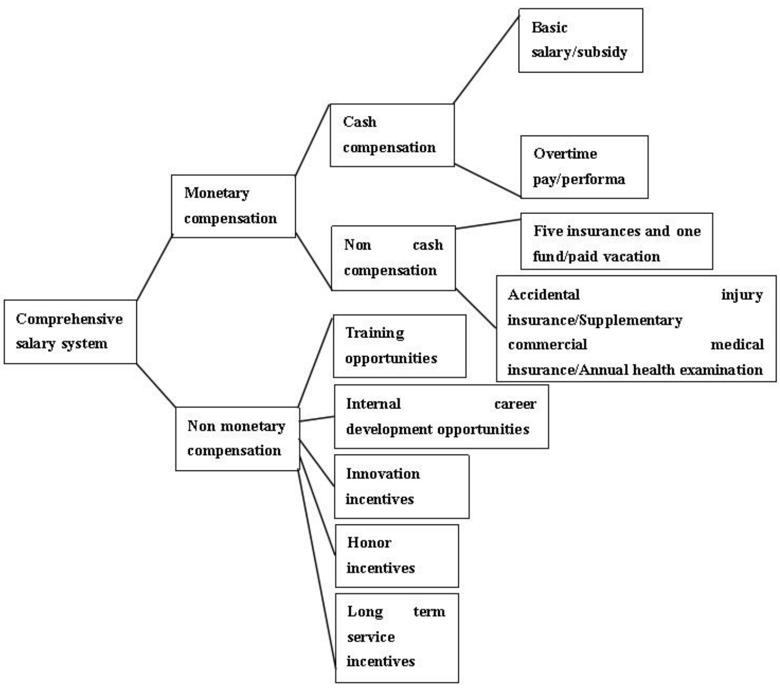

Figure 4 Company Total Compensation System Framework Diagram

Optimizing the Performance Evaluation System: Implement quarterly and monthly comprehensive performance assessments for senior managers, with evaluation metrics covering performance outcomes, job responsibilities, and skill/competency assessments. See Table 7 below:

Table 7 Breakdown of Annual Compensation for Senior Executives

Job Category	Compensation Category	Compensation Income Composition	Percentage
Senior Management	Fixed Compensation	Position-Based Salary	40%
		Allowances	5%
		Benefits	5%
	Variable Compensation	Annual Performance Pay	40%
		Operating Profit Bonus	10%

Compared to the original compensation system, the previous approach was relatively static, primarily consisting of fixed monthly salaries with weak linkage to individual performance and overall company results. The reformed compensation strategy places greater emphasis on performance impact, tightly aligning senior executives' compensation with company performance. Simultaneously, a bottom-tier elimination mechanism enhances managerial pressure and motivation. See Table 8 below:

Table 8 Performance Evaluation Metrics for Senior Annual Salary Personnel

Performance Evaluation Metrics	Weighting	Detailed Metrics A/B	A	B	C	D
Performance Evaluation	70%	Monthly average performance score multiplied by 70%				
		Previous Year's Plan Completion Status	5	4	3	2
Position Evaluation	20%	Next Year's Work Plan	5	4	3	2
		Internal Departmental Management Approach Enhancement and Improvement Measures	5	4	3	2
		Cost Control	5	4	3	2
Competency Assessment	5%	Management Capabilities	2.5	1.5	1	0.5
		Workforce Development	2.5	1.5	1	0.5
Evaluation and Assessment	5%	Democratic Evaluation	5	4	3	2

For middle managers and regular employees, establish 3-5 quantitative KPIs and 2 qualitative indicators. Implement a comprehensive data collection and review system, along with a performance consultation and communication mechanism. Promote direct communication between supervisors and employees, discuss, analyze, and set goals based on performance evaluation results, in order to enhance the consistency and clarity of individual and organizational goals. This optimization of performance evaluation aims to improve the practicality of job evaluation, establish adaptive performance standards according to the specific requirements of each department and position, ensure the scientific and fairness of the compensation system, and consider employee ability differences and market competitiveness, thereby clarifying the proportion of fixed and variable income for each position.See Table 9 below:

Table 9 Income Composition of Middle Managers and General Employees

Job category	Salary category	Salary income composition	Proportion
Middle-level managers (level 2/level 3)	Fixed salary	position salary	55%
		Allowance	10%
		Benefits	5%
	Variable pay	Performance-based pay	30%
Ordinary employee	Fixed salary	position salary	65%
		Allowance	5%
		Benefits	5%
	Variable pay	performance-based	25%

pay

Enhancing the Diversity Benefits System: Benefits are categorized into core benefits and optional benefits. Core benefits include statutory holidays and social insurance, while optional benefits encompass health benefits, education and training, and personalized items. Employees can redeem benefits based on their needs, with beneit points allocated through performance evaluations and seniority. This approach enhances employee belonging and satisfaction. As shown in Figure 5.

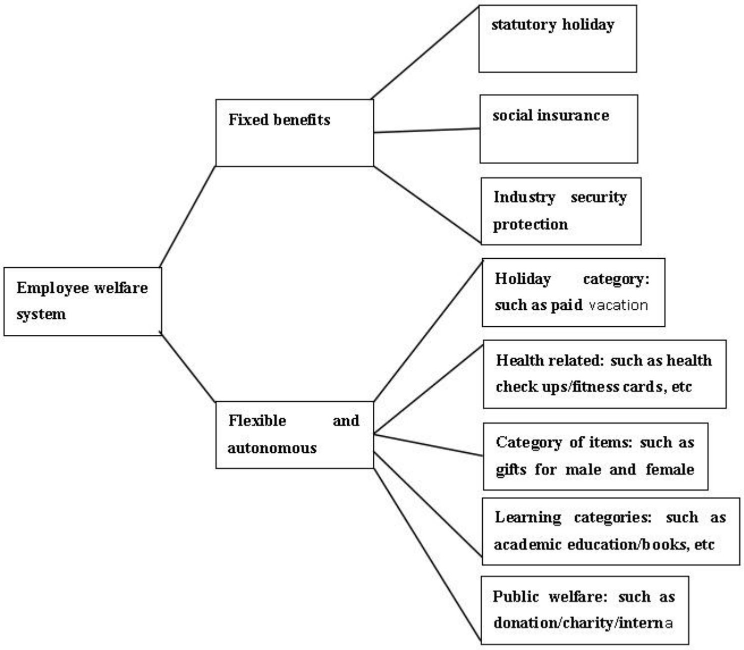

Figure 5 Employee Benefits System Framework Diagram

5 IMPLEMENTATION SAFEGUARDS FOR X COMPANY'S COMPENSATION MANAGEMENT PLAN

5.1 Innovative Compensation Management Philosophy

During the optimization of its compensation management plan, X Company must ensure conceptual renewal and institutional innovation. Specifically, the following principles and strategies should be adopted: First, embrace new concepts: Identify gaps using the “dual bucket theory,” adhere to the principle of equal pay for equal work, establish unified compensation standards, uphold a “people-oriented” approach, and prioritize employee needs. Second, strengthen management safeguards: Establish a dedicated task force to oversee compensation system implementation, incorporate employee feedback, regularly communicate progress and outcomes, and periodically review the compensation framework to ensure alignment with market and corporate needs. Finally, elevate senior management commitment: Executives must actively participate in compensation system design and optimization, maintain regular communication with HR, and personally engage in major compensation decision-making and communication. Senior leaders should proactively contribute to designing and refining the compensation management system. They should regularly consult with HR to understand employee feedback on the compensation system, ensuring adjustments to compensation strategies reflect corporate objectives and market shifts.

5.2 Establish Feedback Mechanisms to Optimize Management Systems

Establish feedback and communication channels: Collect feedback through periodic employee satisfaction surveys, compensation reviews, and face-to-face interviews. Implement anonymous rating systems to promptly adjust and refine compensation management. Optimize Information Management Systems: Invest resources to enhance the HRIS, ensuring accurate and real-time compensation data. Support compensation strategy simulations and predictive analytics while tracking employee growth and development to avoid “machine-driven management.”

5.3 Establish Compensation Management Oversight Mechanisms

To ensure the smooth implementation of X Company's compensation management optimization process, the company should establish a comprehensive management framework encompassing oversight and performance evaluation. This framework should feature the following characteristics: First, establish a dedicated oversight body: Create a compensation management oversight team to monitor the implementation of compensation systems. This team should collaborate closely with the finance department to ensure transparent and fair compensation distribution and conduct regular reviews of compensation policy compliance. Second, refine and adapt the performance appraisal system: Design targeted assessment metrics based on company strategy and departmental characteristics. Ensure standards are clear and specific while maintaining flexibility. Periodically evaluate the effectiveness of the compensation management system and make adjustments for improvement.

5.4 Establishing Clear Communication Channels for Compensation Management

In optimizing X Company's compensation management system, communication must be prioritized as the cornerstone. Effective communication is crucial for ensuring transparency, fairness, and effectiveness in compensation management. To achieve effective communication, Company X must establish a systematic communication strategy, with specific measures including: First, creating a multi-channel communication mechanism: Utilize internal websites, emails, employee assemblies, and other methods to disseminate compensation policies and changes, while regularly publishing Q&As and case studies on compensation management systems. Second, enhancing managers' communication capabilities: Through training, improve managers' ability to convey compensation information, listen to employee feedback, and address compensation concerns, thereby strengthening employee buy-in for the compensation system.

6 CONCLUSION

This study systematically analyzed the current state and issues of X Company's compensation management through multiple research methods, drawing on relevant theories to propose optimization plans and implementation safeguards. The following conclusions were reached: The rationality of the compensation system directly impacts employee motivation, talent attraction, and retention rates, playing a crucial role in the company's core competitiveness. X Company's compensation management suffers from issues including the absence of clear compensation standards, strategic disconnect, structural irrationality, unscientific performance evaluation, and limited benefit options, all of which constrain the company's development.

To address these issues, this study proposes optimization strategies centered on company strategy: establishing a differentiated compensation system, optimizing compensation structure, improving performance evaluation and welfare systems, and strengthening non-monetary compensation. Implementation safeguards include innovating compensation management concepts, establishing feedback mechanisms, enhancing oversight, and ensuring open communication channels.

The compensation management optimization plan developed in this study aligns with X Company's practical context and possesses strong operational feasibility. It will enhance the company's compensation management effectiveness and overall competitiveness while providing reference for compensation management optimization in the education and training industry and other SMEs. Moving forward, X Company should continuously refine its compensation system through practical implementation to adapt to market changes and evolving business needs.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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