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Construction of Performance Management System in the Context of Digital Transformation

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Abstract: With the continuous expansion of enterprise scale and the increasingly fierce market competition, performance management has become the key for enterprises to achieve strategic goals and enhance core competitiveness. From the perspective of digital transformation, this paper explores the construction of a performance management system. Firstly, it analyzes the problems existing in the traditional performance management system; secondly, it constructs the framework of a performance management system under the background of digital transformation; thirdly, it puts forward the problems encountered in the construction of the performance management system under the background of digital transformation and corresponding solutions; finally, through analysis, it summarizes the future development trend of the performance management system.

Keywords: Digital Transformation; Performance Management; System Construction

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Introduction

In the current environment of accelerating globalization and digital transformation, competition among enterprises has become increasingly fierce. Companies not only have to contend with domestic rivals but also face competition from international brands and the changing industrial landscape brought about by the continuous development of technology. Under such circumstances, the continuous improvement of enterprise performance has become the key to promoting business growth and enhancing market competitiveness. Performance management is no longer merely a "evaluation tool", but a core link that runs through corporate strategy, resource allocation, and sustainable development. It not only focuses on employees' work performance and results but also emphasizes how to comprehensively enhance employees' overall quality and work capabilities through systematic means and methods, thereby creating greater value for the enterprise.

The traditional performance management system often has many problems, such as unreasonable goal setting, single evaluation indicators, and weak process control. These issues to some extent limit employees' work enthusiasm and the overall performance improvement of the enterprise. To address these problems, we need to introduce the concepts and methods of systems engineering to comprehensively and deeply design and optimize the performance management system.

With the rapid development of digital technologies such as big data, artificial intelligence, and cloud computing, global enterprises are accelerating their entry into the digital transformation stage. According to the "2024 Global Digital Transformation Trends Report", over 85% of enterprises have listed digital transformation as a strategic core task. As a core

link in enterprise management, the traditional model of performance management is difficult to adapt to the organizational form and working methods in the digital environment[1]. The traditional performance management system is typically characterized by "annual assessment", quantification, and manual operation, making it hard to meet the real-time and accurate management demands of enterprises in the digital context[2]. This will lead to a discrepancy between the performance assessment results and the actual situation of the enterprise. Against this backdrop, reconstructing a performance management system that integrates digital technologies and meets the needs of digital organizations has become the key for enterprises to break through management bottlenecks and achieve continuous performance growth.

1.The Impact of Digital Transformation on Enterprise Performance Management

1.1 Promoting Changes in the Orientation of Performance Management

Traditional performance management centers on "annual assessment", neglecting dynamic adjustments during the process. Digital transformation can drive a shift in management orientation [3]. On one hand, digital transformation, through technologies such as the Internet of Things and big data, enables enterprises to collect key data during employees' work processes, rather than relying on "post-event summaries" to judge performance. This transforms traditional performance management, which is centered on "annual assessment", into a model of "real-time process control + dynamic results" optimization. On the other hand, digital transformation emphasizes the concept of "strategic dynamic alignment", meaning that digital technologies can make strategic adjustments in enterprises more flexible, and performance management can be iterated in real time. This shift towards a combined assessment of "process and results" can address the shortcomings of traditional performance management, such as rigid goals and loss of process control, making performance management more in line with the operations of digital enterprises.

1.2 Optimizing the Relationship of Performance Management Objects

With changes in the business environment, managers have gradually realized that the key element for creating enterprise value is human capital. Therefore, the ultimate goal of enterprise management is to stimulate employees' initiative and creativity. In traditional performance management, employees are in a passive role. However, digital transformation, through a more information-based management system design, can make employees active participants in performance management, thereby stimulating their enthusiasm in work and skill improvement [4]. On one hand, digitalization brings transparency to performance data, making employees more actively involved in performance management. On the other hand, digital performance management can provide more timely feedback to employees, allowing them to proactively request feedback from colleagues and managers and respond to it.

1.3 Ensuring the Accuracy of Performance Appraisal

Digital transformation essentially brings an upgrade in digital technology, which has completely changed the low-efficiency model of "manual reporting" in traditional performance management. Traditional performance management often relies on subjective judgment and existing experience to make decisions, thus suffering from problems such as low efficiency and unobjective evaluation, making it difficult to adapt to market changes. In contrast, digital performance management can conduct data analysis based on digital technology. With the support of technologies like the Internet and big data, digital performance management is more objective and fair, and also helps in timely adjustment of performance goals, which is conducive to improving the quality of performance appraisal and effectively enhancing the accuracy of performance management [5].

2.Construction of Enterprise Performance Management System under the Background of Digital Transformation

2.1 Construction principles of digital performance management system

(1) The principle of openness. The key to the principle of transparency in performance management is to solidify the core management elements in institutional form and establish clear standards for the entire assessment process. This standard provides assessors with a clear framework to follow and avoids subjective speculation; Make the assessed person clear about the direction of effort and evaluation criteria, and reduce cognitive bias. Ultimately, through transparent management,

fairness in performance evaluation is ensured from the source of the process, enhancing employees' trust in the performance management system[6].

(2) The principle of differentiation. The principle of differentiation aims to avoid a one size fits all approach to performance management, ensuring that assessment standards are aligned with the business characteristics of different departments and positions, while allowing performance results to reflect differences in "more work, more pay, and better performance. In standard design, customized solutions should be based on "department functions+job attributes":

(3) Principle of full participation. The principle of full participation is the key to ensuring the implementation of performance management. Only by transforming employees from "passive participation" to "active participation" can the feasibility of goals and the enthusiasm for implementation be improved. When setting goals, a communication model of "top-down" and "bottom-up" should be adopted to make them truly executable. Ultimately, employees should develop personal goals based on their own work and work together with managers to determine them in a timely manner. Only when all employees participate in the development of performance evaluation goals can they be highly recognized during implementation.

(4) The principle of regularity. It refers to transforming performance management from stage tasks to daily work tasks. Through continuous attention and intervention, the steady implementation of corporate goals can be ensured. On the one hand, managers integrate performance management into tracking the progress of daily work implementation goals, identifying problems in a timely manner and making adjustments. On the other hand, enterprises strengthen routine through systems and tools, incorporating performance management into managers' assessment standards to ensure the steady implementation of enterprise strategic goals, and managers at all levels regard performance management as routine management work.

(5) The principle of continuous communication. The principle of continuous communication is the main difference between performance management in the digital age and traditional performance management. The formulation of performance management goals, the formation of plans, and the implementation and adjustment of management goals require continuous communication between managers and subordinates. The focus and methods of communication at different stages should also be different.

2.2 Construction of Digital Performance Management System

2.2.1 Refactoring the Enterprise Strategic Guidance System

With the continuous development of enterprise digital transformation, there are new requirements for the strategic orientation of enterprise development. The traditional strategic orientation system based on "scale as the core and experience as the driving force" is no longer suitable for development. Enterprises should formulate enterprise strategic goals that adapt to the development of the times.

First of all, we should develop a dynamic adaptive digital strategic goal, which is the key driving force for its development. The digital strategic goal can break away from the traditional strategic goal, which is formulated in the mode of "experience decision-making". Based on the development of big data and the Internet, enterprises should deeply analyze their own resources and industry competition trends to find more market possibilities. After clarifying the direction, we should use digital channels to expand business, expand market share through personalized marketing and accurate services, and at the same time strengthen product research and development investment to promote the intellectualization and service of products. At the same time, we should regard human resources as the most important digital resources, increase the training and introduction of digital talents, and improve the performance management system with the goal of "value creation".

Secondly, enterprises should take "value creation" as the core activity and optimize their value enhancement path. Enterprises should place product research and development, user experience design, and other activities at the core of value creation. These activities are the key to forming product differentiation and gaining market share, directly determining the importance of enterprises in the value chain.

Finally, enterprises should set multidimensional growth capability strategic goals. The key to the sustainable development of enterprises lies in their own growth capability, which is multidimensional and measurable. Internally, enterprises optimize processes with customers at the center, taking providing high-quality products and service quality as the starting point, consciously improving customer relationships, focusing on high-value customer groups, and driving internal business

processes. Externally, learning should be the core of continuous evolution, and this growth ability should be transformed into specific measurable goals, such as the proportion of new product revenue. The reconstruction of strategic orientation system in the context of digitalization is a comprehensive improvement from static goals to dynamic measurable goals, from "linear value chain" to "networked value", from single indicators to multi-dimensional capabilities. Enterprises should take data as the core, customer as the center, learn as the instinct, and form their own core competitiveness.

2.2.2 Building a digital performance management network platform

The traditional performance management system is no longer suitable for the requirements of performance management in the digital age. Building an integrated performance management network platform that is highly compatible with digitalization is the key cornerstone for implementing "digital performance management".

The primary value of a performance management network platform is to provide a platform for digital performance management concepts. In traditional performance management models, there is often a lag in performance data collection, and there is information asymmetry between managers and managed individuals. However, the unified implementation of the network platform digitizes the entire process of setting performance goals, tracking results, and evaluating feedback, allowing performance data to be presented in real-time and transparently on the platform. This provides dynamic management capabilities for managers and clear performance goal guidance for employees, ensuring that all members work together with consistent goals. Traditional performance management has the disadvantage of "year-end summary", while online platforms can provide timely communication feedback, goal updates, etc. Managers can inspect and provide feedback on employees' work at any time, and employees can also raise questions in a timely manner. This efficient interaction can reduce communication costs for both management parties, thus building a digital bridge for sustainable communication and objective evaluation. The digital performance management network platform provides enterprises with the connectivity function of a "digital hub". By integrating with other operational platforms, it solves the problem of data silos and realizes the automation and intelligence of performance management. The data collection, organization, and verification in performance management work increase the time cost of management, while the digital performance management network platform saves the work cost of managers through the application of digital technology, indirectly improving their production capacity. The digital performance management network platform, this integrated platform can achieve cross data correlation analysis, providing unprecedented depth of investigation for performance management. This multi-dimensional, full process big data analysis upgrades performance management from "one-sided results" to "full process evaluation", thereby more accurately identifying the motives behind high-value behaviors and improving the quality of decision-making. When the performance management platform can obtain real-time operational data, it has the ability to predict, which enables managers to intervene in high-risk behaviors in advance, achieving a transition from "remedial measures" to "defense measures", enhancing the organization's defense capabilities in the face of uncertain risk behaviors, and endowing the organization with agility.

2.2.3 Establish a performance evaluation and feedback communication mechanism

Under the trend of digital transformation, the economic and innovation capabilities of enterprises have become the key to their core competitiveness. The true source of sustained competitive advantage for enterprises is human capital, rather than financial and material capital. This change requires managers to re emphasize and systematically reconstruct the performance management system, and build a modern performance evaluation and feedback communication mechanism guided by development and aimed at empowerment[7].

1、Refactoring the performance evaluation mechanism from one-way evaluation to multi-dimensional evaluation criteria. There is a contradictory relationship between the traditional performance evaluation system's assessors and the assessed. The new economic evaluation mechanism should start and core with employee self-evaluation, such as guiding employees to conduct self-evaluation through ingenious design, enabling them to find key contribution points, clarify the specific reasons for their ability improvement, and promote deep self reflection. This process can gradually enhance employees' self-awareness, self-management, and self ability improvement. The role of managers should shift from judges to process guides, helping employees to engage in self reflection. In cross departmental collaboration and project organization, the true contributions of individuals are often concealed in daily team activities, making it difficult for managers to observe all individual behaviors

and capture them comprehensively. Therefore, the performance management evaluation system introduces mutual evaluation among the assessed individuals, and conducts quantitative scoring and qualitative description of peer evaluation around multiple dimensions such as work completion. This mechanism not only provides more comprehensive and closer to the work scenario performance data, but also cultivates a team spirit of mutual responsibility and common progress, enabling employees to better join the overall collaborative work. Based on the evaluation of comprehensive managers and the determination of the final evaluation results, the performance management evaluation system can integrate multidimensional information such as self-evaluation and peer evaluation, and provide objective performance data on the basis of accurate evidence through the performance management network platform. The key to optimizing this system lies in the impact of manager evaluations, which do not determine the final evaluation results. The judgment of managers is an important component that constitutes the final evaluation conclusion.

2、Optimization of feedback communication and incentive mechanisms. If performance evaluation only stops at a specific data point rather than a new growth starting point, the value generated by performance management will be greatly reduced.

(1) Implement a feedback mechanism that combines online and offline channels. Timely and accurate feedback is the lifeline of performance management, which makes performance feedback more timely and accurate by fully utilizing the performance management platform. However, the feedback on this online platform is far inferior to face-to-face deep performance communication. Therefore, performance feedback should implement a “online+offline” dual combination model, strengthen consensus on performance results, and develop specific and measurable improvement plans.

(2) Improve diversified reward mechanisms to stimulate deeper level motivation. Enterprises should focus on building a comprehensive reward system that integrates spiritual rewards, monetary rewards, non monetary rewards, and purposeful rewards. These rewards can enable employees to meet their high-level needs for self-respect, belonging, and self realization, and can continuously and deeply stimulate their inner potential. By providing employees with autonomy and growth space, the overall human resource capabilities can be enhanced.

In summary, the construction of performance evaluation and feedback mechanisms is a dual transformation of organization and culture, achieving a shift from “controlling employees” to “developing employees”. Only when employees’ personal growth is integrated with organizational communication goals can we enter a virtuous development of mutual benefit between employees and the enterprise.

3.Problems and Solutions of Digital Performance Management System

Digital transformation provides enormous potential for performance management systems, helping enterprises overcome many problems of traditional performance management models. Make the performance management system more efficient, accurate, and flexible. However, enterprises still face some severe challenges [8-9]. Firstly, it is the operability of technical implementation. At present, many enterprises have undergone digital transformation, but the technological facilities for digital transformation of some small and medium-sized enterprises cannot support the operation of complex digital performance management systems. These enterprises also lack digital processing capabilities and computing platforms, and the cost of implementing digital performance management systems is high, which affects the efficiency of system use. In addition, the new digital performance platform cannot integrate with the core system and ultimately cannot obtain key data, requiring manual data entry, thereby increasing the burden on enterprises and forming digital formalism. Secondly, the issue of employee adaptability. Employees and managers may develop resistance and fear towards the reformed performance management system due to the lack of digital skills, which will result in low usage of new performance platforms and rendering advanced platforms virtually non-existent. Finally, data privacy and security issues. Comprehensive data collection brings accurate evaluation, but it may also touch on the red line of employee privacy. How to define the boundaries of data collection and ensure that personal information is not abused or leaked is not only a technical issue, but also a matter of organizational trust and corporate ethics.

4.Conclusion

The construction method of performance management system under the digital background can solve the problems of

traditional performance management system and improve the scientificity and effectiveness of performance management. The scientific, standardized, and efficient implementation of performance management system through systematic thinking and methods helps enterprises achieve strategic goals and enhance their core competitiveness. In the future, with the development of enterprises and changes in the market, digital performance management systems will need to be continuously improved and optimized to adapt to new environments and challenges.

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