

The Dilemma of "Fragmentation" in Private Enterprise Compensation and Performance Management: Research on the Reconstruction of a Dynamic Incentive System Based on Digital Tools

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Abstract: Through theoretical analysis, this paper systematically identifies the core problems of private enterprise compensation and performance in terms of data synergy, standard adaptation, incentive timeliness, and effectiveness evaluation. After in-depth analysis of the causes, it proposes countermeasures for reconstructing a dynamic incentive system based on digital tools. Research indicates that the main causes include insufficient capability of the HR team, lack of cross-departmental collaboration, inadequate tool adaptation, and absence of top-level design. Countermeasures such as building a dedicated data middle platform and designing a classified assessment template library can effectively resolve the dilemma, providing theoretical reference and practical guidance for private enterprises to optimize compensation and performance management.

1. Introduction

Against the backdrop of increasingly fierce market competition and accelerated digital transformation, private enterprises have put forward higher requirements for the refinement and efficiency of human resource management. Salary performance, as the core link of human resource management, directly affects employee motivation, organizational cohesion, and market competitiveness of the enterprise. Currently, the salary and performance systems of most private enterprises exhibit significant "fragmentation" characteristics, with prominent problems such as scattered and isolated data, lack of unified standards, lagging linkage between salary and performance, and vague effectiveness evaluation. This not only weakens incentive effectiveness, but also restricts the process of digital transformation of enterprises. Existing research has mostly focused on local optimization of traditional management models, and there is a lack of systematic analysis of the causes of "fragmentation" problems and exploration of digital solutions. Therefore, building a dynamic incentive system that adapts to the characteristics of private enterprises has become a key issue in promoting the upgrading of their human resource management and achieving high-quality development.

2. Identification of Core Problems in the "Fragmentation" of Private Enterprise Compensation and Performance

2.1 "Isolated Islands" of Compensation and Performance Data: Difficulty in Synergizing Multi-Source Data

Under the traditional management model, compensation data is recorded independently by the HR department, covering basic salary, benefits, allowances, salary adjustments, etc. Performance data is managed separately by various business departments, including performance goals, evaluation results, etc. These two types of data belong to different management entities and storage carriers, lacking a unified integration platform. This scattered state creates barriers to data flow. When the HR department calculates compensation, it needs to manually request performance data, a process that is cumbersome and error-prone. When business departments set performance goals, it is difficult to obtain historical data linking employee compensation and performance, preventing precise alignment with incentive directions. Furthermore, fragmented data cannot form a complete data chain, making it difficult for managers to fully grasp the operational status. Cross-departmental collaboration becomes difficult, further constraining management efficiency and value realization^[1].

2.2 "Chaotic Differentiation" in Performance Assessment Standards: Lack of Unified Adaptation Rules

On one hand, the assessment standards for different positions lack systematic design. Some indicators are disconnected from core responsibilities, failing to truly reflect job value and employee contribution. On the other hand, there are arbitrary differences in assessment standards for similar positions. Even for positions with similar responsibilities, assessment indicators, weights, and scoring criteria can vary drastically across different departments, lacking a unified design logic. This chaotic state leads to a loss of fairness and comparability in performance evaluations. Employees question the results, leading to perceptions of unfairness and weakening the team collaboration atmosphere. Simultaneously, chaotic standards fail to provide employees with clear work direction, making it difficult for them to identify priorities and areas for improvement. It also increases communication costs between HR and business departments, easily triggering disputes and affecting system acceptance.

2.3 "Lagging Linkage" between Compensation and Performance: Insufficient Incentive Timeliness

Under the traditional management model, performance evaluations are conducted on fixed cycles. Results require multi-level review before being fed back to the HR department, which then formulates salary adjustment plans. This entire process involves numerous steps and a long cycle, creating a significant time lag between salary adjustments and performance results. This lag means compensation cannot promptly reflect recent employee performance. When employees achieve excellent performance, they cannot quickly receive corresponding incentives, leading to frustration and diminished motivation. When performance is poor, timely signals for improvement cannot be conveyed through compensation adjustments, weakening the constraining and guiding role. Furthermore, incentive lag weakens employees' perception of the "performance-compensation" link, making it difficult for them to directly connect pay changes with their own input. This reduces the incentive effect and can even trigger turnover intentions, affecting team stability.

2.4 "Blurred Evaluation" of Compensation and Performance Effectiveness: Unclear Optimization Direction

On one hand, private enterprises often lack quantitative indicators for evaluating the effectiveness of compensation and performance, relying more on subjective employee feedback and managerial experience. For example, understanding satisfaction through informal interviews or judging operational effectiveness based on daily observations cannot comprehensively and accurately reflect the actual state of the system^[2]. On the other hand, evaluation content often focuses on superficial issues, such as whether salaries are paid on time or whether performance evaluations are completed, while paying insufficient attention to core effects like incentive efficiency, fairness, and strategic support, making it difficult to identify deep-seated problems. This blurred evaluation prevents enterprises from precisely locating system shortcomings. When optimizing, they lack clear direction and can only make scattered adjustments, making it difficult to solve problems fundamentally. This keeps the system in a cycle of "operation - problems - inefficient adjustments."

3. Analysis of Causes for "Fragmentation" in Private Enterprise Compensation and Performance

3.1 Insufficient Professional Capability and Weak Digital Literacy of Private Enterprise HR Teams

In terms of professional capability, some HR teams lack systematic theoretical knowledge and practical experience in compensation and performance. They struggle to grasp the core logic of "job value matching, performance fairness orientation, and effective incentive transmission" in system design, leading to design flaws in data integration, standard setting, and linkage mechanisms. For example, in data management, they lack integration awareness and methods, failing to establish unified standards, resulting in data dispersion. In standard design, they cannot formulate suitable indicators based on job characteristics, causing standard chaos. In terms of digital literacy, influenced by limited corporate resource investment and emphasis, some HR team members lack the ability to apply digital tools. They are unfamiliar with the functions and operations of tools like data middle platforms and digital assessment systems, making it difficult to solve "fragmentation" problems through digital means. Simultaneously, HR teams often lack a digital mindset, being accustomed to traditional manual management modes. They have an unclear understanding of management needs and optimization directions in the context of digital transformation. Furthermore, the lack of targeted training support exacerbates capability gaps, allowing "fragmentation" problems to persist.

3.2 Lack of Cross-Departmental Collaboration Mechanism; Disconnection between Business and HR Responsibilities

On one hand, private enterprises often lack clear cross-departmental collaboration systems. The responsibilities, collaboration processes, and communication methods between HR and business departments regarding compensation and performance are not clearly defined, leading to a lack of unified goals and action guidelines. For example, in data management, the responsibility and requirements for business departments to provide performance data are not specified, so the HR department cannot obtain needed data promptly. In standard design, business departments are not fully involved, leading to standards set by HR being disconnected from actual business needs. On the other hand, there is a disconnection of responsibilities between the business and HR sides. The

HR department often focuses on salary disbursement and process management, lacking a deep understanding of business characteristics and performance needs, making the rules they formulate difficult to adapt to reality. Business departments overly focus on business development, underestimating the importance of the management logic and collaboration related to compensation and performance, and are unwilling to invest effort in system design and data provision. Additionally, enterprises lack effective communication platforms and supervision mechanisms. When disagreements arise, timely coordination is impossible, further weakening collaboration effects and exacerbating "fragmentation."

3.3 "Insufficient Adaptability" of Digital Tools: Generic Systems Struggle to Meet Private Enterprise Needs

Existing digital tools primarily target large enterprises as their main users. System design revolves around complex organizational structures, business scales, and management needs, resulting in redundant functions and complex operations. Private enterprises generally have characteristics such as small scale, simple organizational structure, and flexible management needs. The redundant functions of generic systems not only increase usage costs and operational difficulty but also struggle to align with their need for simple and efficient management. Consequently, even if a system is introduced, enterprises cannot fully leverage its role in data integration and process optimization. They might even abandon its use due to operational complexity, exacerbating data dispersion and process chaos. Meanwhile, generic digital tools lack customized functions tailored to the characteristics of private enterprise compensation and performance, unable to meet personalized needs in areas like job classification, indicator design, and linkage rules. Furthermore, generic tools often provide insufficient service support. When enterprises encounter problems during use, it's difficult to get timely, targeted guidance, and they cannot adjust functions according to their own needs, further reducing adaptability and hindering the digital transformation process.

3.4 "Lack of Top-Level Design" in the Compensation and Performance System: Disconnection from Corporate Strategic Goals

On one hand, managers in private enterprises often underestimate the strategic value of compensation and performance, viewing it merely as a tool for "salary payment and performance evaluation." They fail to conduct top-level planning from the perspective of the company's long-term development strategy, resulting in a system lacking a unified design logic and goal orientation. For example, system design does not align with strategic goals like market expansion or innovation R&D to define incentive priorities, causing compensation distribution and performance evaluation to focus only on short-term results, disconnected from long-term development needs. Failure to plan data integration and process synergy from the perspective of the overall management system leads to modules operating in isolation, creating "fragmentation." On the other hand, top-level design lacks systematicity, failing to conduct overall planning for core modules like data management, standard setting, linkage mechanisms, and effectiveness evaluation. There is a lack of organic connection and synergistic support between modules. Additionally, top-level design does not fully consider the enterprise's development stage and changes in the external environment. The system lacks flexibility and adaptability. When strategic goals, market environment, or employee needs change, it cannot be adjusted and optimized promptly, further exacerbating "fragmentation."

4. Countermeasures for Reconstructing a Dynamic Incentive System Based on Digital Tools

4.1 Build a "Private Enterprise-Exclusive Compensation and Performance Data Middle Platform" to Solve Data "Isolation"

This task requires us to design the functions and architecture of the platform based on the principles of "integrating data, facilitating collaboration, reducing costs and improving efficiency", in light of the small scale and flexible management needs of private enterprises. First, we clarify the core positioning of the data middle platform, building it into a unified platform that integrates compensation data from the HR department and performance data from business departments, breaking down storage barriers and enabling centralized management and real-time flow. In the data collection phase, we design lightweight input functions, allowing both sides to upload data through simple operations, while setting validation rules to ensure accuracy. In the storage phase, we use a modular approach, classifying storage into basic salary data, performance goal data, performance result data, and salary adjustment data for easy query and retrieval. In the sharing phase, we establish a role-based permission access mechanism: the HR department can access full data for calculation and optimization, while business departments only access data relevant to their own department, balancing security and collaboration[3]. Second, we strengthen collaborative functions. We design a cross-departmental data communication module, allowing both sides to communicate needs and feedback problems directly within the middle platform, reducing communication costs. We set up automatic synchronization functions; when business departments update performance data, the platform automatically syncs it to the HR department's compensation management module, eliminating manual transfer. Considering cost control needs, we prioritize lightweight, low-cost cloud platform standard modules for flexible configuration, avoiding waste from redundant functions. We simplify interface design and provide clear operation guides and FAQs to lower the operational barrier. Furthermore, the middle platform needs basic data integration and analysis functions, automatically generating "compensation-performance" correlation reports to provide data support for managerial decision-making, effectively solving data "isolation."

4.2 Design a "Digital Assessment Template Library by Job Category" to Solve Standard "Chaos"

This task requires the design team to focus on the principles of "adapting to job characteristics, unifying design logic, and supporting flexible adjustments" and build an assessment template system adapted to the characteristics of private enterprise positions with diversity but simple structure. First, the design team conducts a comprehensive job analysis, categorizing positions by core responsibilities and work nature, such as technical roles, sales roles, administrative roles, management roles, etc., and further breaking them down based on sub-directions, ensuring the template library covers major job types. For each job category, it designs a standardized assessment template framework, including fixed modules like core indicators, auxiliary indicators, evaluation weights, scoring criteria, and data sources, ensuring unified design logic. The setting of core indicators must align with the core responsibilities of the position. For example, technical roles focus on the quality of technical achievements and project completion efficiency; sales roles emphasize achievement of targets and customer satisfaction. Auxiliary indicators supplement general competencies like communication, collaboration, and innovation ability, forming a comprehensive and precise indicator system. To meet flexible adjustment needs, the template library must support custom modification functions. Business departments can adjust indicator content and weight proportions within the standard framework according to their specific business characteristics and phased goals, balancing uniformity and personalization. Furthermore, the

template library should embed digital guidance functions, displaying indicator design cases for similar positions and explaining the logic and methods for setting weights, helping business departments set standards scientifically and reduce subjective arbitrariness. Through this digital assessment template library, the problem of "chaotic differentiation" in assessment standards can be effectively solved, providing a unified basis for fair and scientific performance evaluation, and enhancing the acceptance and credibility of evaluation results^[4].

4.3 Construct a "Real-Time Performance-Compensation Linkage Module" to Eliminate Incentive "Lag"

This task requires the research team to focus on the core objectives of "shortening the linkage cycle, clarifying linkage rules, and achieving automatic association", and adopt digital tools to break down the procedural barriers between performance evaluation and salary adjustment. First, the research team formulates clear correspondence rules between "performance levels and salary adjustments" based on the characteristics of private enterprise salary structures. It defines the direction and magnitude of salary adjustments corresponding to different performance levels, ensuring the linkage logic is transparent and perceptible, and avoiding incentive failure caused by vague rules. After embedding the linkage rules into the digital module, when performance evaluation is completed and confirmed, the module can automatically capture the performance level information and generate a salary adjustment plan according to the preset rules, without manual intervention in calculation and transfer, significantly reducing the time spent on intermediate links. Simultaneously, the module needs to set up real-time feedback functions. Once the adjustment plan is generated, notify the employee immediately through the system, clearly informing them of their performance result, the basis for the salary adjustment, and the specific content. This allows employees to perceive the direct link between "performance and compensation" promptly, strengthening the incentive effect. To adapt to flexible management needs, the module should also support manual adjustment functions for special circumstances. In unconventional scenarios such as special employee contributions or position changes, managers can submit adjustment applications with explanations, which can be completed after review, balancing the real-time nature of regular linkages with the flexibility needed for special cases. Furthermore, the module needs to record detailed information of each linkage, forming a complete "performance-compensation" linkage archive for subsequent tracking and management, providing a basis for system optimization. This effectively eliminates the "lag" in incentives and enhances incentive timeliness and employee satisfaction.

4.4 Establish a "Digital Evaluation System for Compensation and Performance" to Solve Evaluation "Blurriness"

This task requires the research team to achieve a shift from subjective and vague evaluation to objective and precise evaluation by means of digital tools, following the goals of "quantifying evaluation indicators, focusing on core effects, and supporting continuous optimization". First, the research team designs a multi-dimensional quantitative evaluation indicator system covering the core operational effects of the compensation and performance system. This includes: incentive effectiveness indicators (e.g., changes in employee work proactiveness, stability of core employees); fairness indicators (focusing on employee perception of fairness in performance evaluation and compensation distribution); management efficiency indicators (related to the smoothness of salary calculation and performance evaluation processes, cross-departmental collaboration efficiency); and strategic support indicators (focusing on the system's alignment with corporate strategic goals and its role in promoting business). This ensures the evaluation comprehensively reflects the system's

operational quality. After embedding the evaluation indicators into the digital evaluation module, the module can automatically obtain relevant data from sources like the data middle platform and the real-time linkage module, calculate scores for each indicator according to preset formulas, and generate intuitive quantitative evaluation reports. The reports must clearly present the current level of each indicator, the gap from expected targets, and analyze reasons for anomalies, providing clear direction for system optimization^[5]. The evaluation system should also have periodic evaluation functions. It can initiate the evaluation process automatically upon reaching a set cycle based on management needs, generating periodic reports to help managers regularly grasp the system's operational status. Simultaneously, it should support historical comparative analysis of evaluation results, showing trends in indicator changes, visually presenting optimization effects, and providing a basis for subsequent strategy adjustments. This promotes the continuous iteration and improvement of the compensation and performance system, solving the problem of evaluation "blurriness."

5. Conclusion

This article systematically analyzes the core issues and underlying causes of the "fragmentation" of salary performance in private enterprises, and proposes a dynamic incentive system reconstruction strategy based on digital tools, providing theoretical and practical support for solving the difficulties of salary performance management in private enterprises. Research has shown that building a dedicated data platform, designing a job classification assessment template library, constructing a real-time performance salary linkage module, and establishing a digital evaluation system can effectively solve the problems of data "islanding", standard "confusion", incentive "lagging", and evaluation "fuzziness".

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