Research on the Restructuring and Dynamic Optimization of Enterprise Performance Management Systems Driven by Digital Twins

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Keywords: Digital Twin, Performance Management, Dynamic Optimization, Real-Time Data, Cross-Departmental Collaboration, Data-Driven Decision-Making

Abstract: This research explores the restructuring and dynamic optimization of enterprise performance management systems driven by digital twin technology. As businesses face rapidly changing market environments and intense competitive pressures, traditional management models are becoming inadequate. Digital twins enable real-time interaction between physical entities and virtual models, enhancing operational efficiency and decision-making. This study analyzes the basic principles of digital twin technology, its application in performance management, and proposes a framework for restructuring performance management systems. It also presents dynamic optimization strategies, emphasizing data-driven decision-making, continuous feedback mechanisms, and cross-departmental collaboration. The findings highlight the significant potential of digital twins in improving enterprise performance and competitiveness.

1. Introduction

1.1 Research Background and Significance

With the deepening of digital transformation, enterprises are facing a rapidly changing market environment and increasingly intense competitive pressure. In this context, traditional management models and decision-making methods can no longer meet the needs of modern enterprises, necessitating the search for new solutions. Digital twin technology, as an emerging digital tool, enables real-time interaction between physical entities and virtual models, providing a new perspective and method for enterprise performance management.

Digital twin technology can not only help enterprises monitor and analyze operational data in real time but also optimize actual operating processes through dynamic adjustments of virtual models. This capability for real-time interaction allows enterprises to quickly identify problems and bottlenecks, make scientific and effective decisions, and thus enhance overall operational efficiency. For example, enterprises can use digital twin technology to simulate different production scenarios, assess the impact of various decisions on performance, and find the best operational strategies. Therefore, digital twins have significant practical significance in enhancing enterprise performance management capabilities and increasing market competitiveness.

1.2 Current Research Status at Home and Abroad

Internationally, digital twin technology has been widely applied in various fields such as manufacturing, logistics, and healthcare. Researchers have explored its significant effects on improving production efficiency, optimizing resource allocation, and reducing operational costs. For instance, many manufacturing enterprises have achieved intelligent management of production lines through the application of digital twin technology, enhancing production flexibility and response speed. Additionally, the application of digital twins in healthcare is gradually increasing, providing personalized treatment plans through real-time monitoring of patient health data, significantly improving the quality of medical services.

In contrast, domestic research on digital twins started relatively late, but it has shown a rapid development trend in recent years. More and more enterprises and universities are beginning to pay

  DOI: 10.25236/gemmsd.2025.018

attention to the application of digital twin technology, especially in intelligent manufacturing and smart city construction, exploring its impact on enterprise performance management. Some leading domestic enterprises have optimized production processes and improved resource utilization efficiency through digital twin technology, achieving significant economic benefits. However, overall, there is still a need for strengthening systematic research and in-depth application of digital twin technology in China.

1.3 Research Objectives and Content

This research aims to deeply explore the restructuring and dynamic optimization of enterprise performance management systems driven by digital twins. The specific content includes the following aspects: First, it will analyze the basic principles of digital twin technology, clarifying its importance and application potential in enterprises. Second, it will study the specific application scenarios of digital twins in enterprise performance management, discussing how to utilize this technology to improve existing management processes. Then, it will propose a framework for restructuring the performance management system based on digital twins to guide enterprises during implementation. Finally, it will discuss dynamic optimization strategies to help enterprises flexibly adjust their performance management systems in a constantly changing market environment, ensuring long-term sustainable development. Through this research, we hope to provide practical theoretical support and guidance for enterprises in the process of digital transformation.

2. Overview of Digital Twin Technology

2.1 Definition and Characteristics of Digital Twins

A digital twin refers to a virtual model created through advanced digital technologies that corresponds to a physical entity. This model can accurately simulate the characteristics and behaviors of physical objects, enabling real-time monitoring, analysis, and optimization. A digital twin is not merely a static digital copy but a dynamic, continuously updated virtual entity that can reflect the performance of physical objects under different conditions. Its main characteristics include real-time capability, interactivity, and adaptability [1]. Real-time capability allows the digital twin to instantly acquire and process various data from physical entities, helping enterprises quickly identify problems and respond. Interactivity means that the digital twin model can interact bidirectionally with the physical entity, ensuring the accuracy and timeliness of information. Adaptability enables the digital twin to automatically adjust model parameters based on environmental changes and operational needs, providing enterprises with the ability to respond flexibly to market changes. Through these characteristics, digital twins provide enterprises with a comprehensive operational view, aiding them in maintaining a competitive advantage in rapidly changing markets.

2.2 Construction Process of Digital Twins

The construction of a digital twin typically includes four key steps: data collection, model establishment, real-time monitoring, and feedback optimization. First, data collection involves using sensors, Internet of Things (IoT) devices, and other technologies to obtain various data related to physical entities in real time, such as temperature, humidity, pressure, and location, ensuring the comprehensiveness and accuracy of information. Next, based on the collected data, enterprises construct an accurate virtual model that not only reflects the external characteristics of the physical entity but also simulates its internal operating mechanisms, using advanced modeling techniques and software tools to create a high-fidelity digital twin [2]. Once established, the digital twin can perform real-time monitoring, continuously acquiring operational data to observe the status and performance of the physical entity, thereby promptly identifying potential issues and ensuring the continuity and safety of production. Finally, by analyzing the real-time monitoring data, enterprises can conduct feedback optimization, continuously adjusting the model and improving production processes, ensuring that the digital twin remains synchronized with the physical entity. Through these steps, enterprises can construct a complete and efficient digital twin system that provides strong support for

their performance management and decision-making.

3. Restructuring of Enterprise Performance Management Systems Driven by Digital Twins

3.1 Limitations of Traditional Performance Management Systems

Traditional performance management systems typically rely on static data and quarterly reports to assess a company's operational performance. The main issue with this approach is its lack of real-time capability, which fails to reflect changes in the market environment, customer demand, and internal operations promptly [3]. In a rapidly changing market, this lag can lead to erroneous decisions, impacting the company's competitiveness and responsiveness. Furthermore, traditional performance management often emphasizes historical data analysis while neglecting the effects of dynamic environments on performance, making it difficult to adapt to constantly changing business needs and technological advancements.

Additionally, traditional systems often adopt a top-down management model, where performance indicators are set by upper management, lacking employee participation and feedback [4]. This approach may lead to a disconnect between performance goals and actual operations, preventing employees' enthusiasm and creativity from being fully realized, thus affecting overall work efficiency and team collaboration. Moreover, traditional performance management systems often lack flexibility, making it difficult to adjust and optimize quickly, resulting in slow responses to market challenges. Therefore, there is an urgent need for a more dynamic and flexible performance management system to address the complexities and changes of the modern business environment.

3.2 Performance Management System Architecture Based on Digital Twins

Leveraging digital twin technology, enterprises can construct a dynamic performance management system that significantly enhances management efficiency and decision quality. The core of this system lies in the combination of real-time data monitoring, intelligent analysis, and rapid decision-making capabilities, enabling companies to respond promptly to market changes and internal demands [5].

First, the data collection and analysis module serves as the foundation of the entire system. Through sensors and IoT technology, enterprises can collect various real-time data related to operations, including production efficiency, customer feedback, and market trends. After analysis, this data can provide strong evidence for decision-making, helping companies identify potential problems and opportunities.

Next, the performance indicator setting module allows enterprises to flexibly adjust performance indicators based on real-time data. This module can set traditional financial indicators as well as introduce non-financial indicators, such as customer satisfaction and employee engagement, to comprehensively assess the company's operational performance. Moreover, these indicators can be dynamically updated according to market changes and adjustments in corporate strategy, ensuring their relevance and effectiveness.

Finally, the real-time feedback and adjustment module enables companies to make quick decisions based on monitored data. Through real-time feedback mechanisms, management can promptly understand the achievement of various indicators and take swift action to make adjustments. This flexibility ensures that enterprises can quickly respond to emergencies and market changes, enhancing organizational agility and competitiveness.

By integrating these modules, the performance management system based on digital twins can not only improve operational efficiency but also enhance employee engagement and motivation, thereby promoting sustainable development and innovation capabilities within the enterprise.

3.3 Case Analysis

Taking a manufacturing company as an example, this company significantly improved production efficiency and overall performance after implementing digital twin technology. The enterprise primarily manufactures complex mechanical components and faces high competitive pressure and

constantly changing market demands. Before implementing digital twin technology, the company relied on a traditional performance management system, using static data for analysis, which made it difficult to respond quickly to issues and changes on the production line. After introducing digital twin technology, the company first established a virtual model corresponding to the production line, allowing real-time monitoring of the operational status of various production stages. Through sensors and IoT devices, the company could collect critical data such as equipment operating speed, failure rates, and raw material consumption. This data was not only uploaded in real time to a central monitoring system but also analyzed through intelligent tools to help the company identify potential problems and bottlenecks.

For instance, during one production process, the digital twin model detected a decline in the operating efficiency of a specific piece of equipment; the system immediately issued a warning. By analyzing the data, the company found that a component of the equipment was showing wear, potentially leading to more serious failures. Thanks to this real-time feedback, management swiftly decided to perform maintenance on the equipment rather than waiting for a scheduled inspection to discover the issue. This not only avoided production line downtime but also reduced repair costs, improving the overall equipment utilization.

Additionally, digital twin technology enabled the company to adjust production plans flexibly. Through real-time data analysis, management could quickly reconfigure the production line based on changes in market demand [6]. For example, in response to increased customer demand, the company could rapidly allocate resources and increase production shifts to ensure timely deliveries. Furthermore, the company could continuously assess production efficiency and optimize production processes, further enhancing overall capacity.

Ultimately, through the implementation of digital twin technology, this manufacturing company not only increased production efficiency but also improved customer satisfaction and market competitiveness. The capability for real-time monitoring and rapid response allowed the company to maintain flexibility in a dynamic market environment, leading to significant improvements in overall performance. This case fully demonstrates the important role and tremendous potential of digital twin technology in modern enterprise performance management.

4. Dynamic Optimization Strategies

4.1 Data-Driven Decision Optimization

In modern enterprise management, data-driven decision optimization is a crucial means of enhancing performance. By utilizing big data analytics and machine learning algorithms, companies can conduct in-depth analyses of collected real-time data to identify performance bottlenecks and potential issues [7]. This process first involves data integration and cleaning, unifying data from various sources (such as production line monitoring, market feedback, and customer behavior) onto a single platform for analysis. Using advanced machine learning models, companies can not only identify patterns in historical data but also predict future trends, thereby formulating more precise optimization strategies.

For example, by analyzing production data, a company may discover that inefficiencies in a particular stage are due to equipment failures or inadequate staff training. Based on these insights, management can take targeted measures, such as scheduling equipment repairs or providing additional employee training, to effectively address the issues. This data-driven decision-making approach not only improves decision accuracy but also accelerates response times, ensuring that companies can maintain a leading position in a competitive market.

4.2 Continuous Feedback and Iteration Mechanism

To achieve dynamic optimization, companies need to establish a continuous feedback mechanism to adjust and optimize performance indicators and management processes based on the actual effects of performance management [8]. This mechanism emphasizes the importance of real-time monitoring and feedback, enabling management to quickly capture changes and challenges in operations. By

regularly evaluating performance data, companies can identify which management processes and performance indicators are effective and which need improvement.

For instance, after implementing new performance indicators, companies can use digital twin technology to monitor the achievement of these indicators in real time. If a specific indicator fails to meet expectations, management can immediately analyze the reasons and adjust relevant strategies or processes. This continuous feedback and iteration mechanism not only enhances the flexibility of performance management but also provides companies with an environment for ongoing learning and improvement, driving overall management levels upward.

4.3 Cross-Departmental Collaboration and Information Sharing

Cross-departmental collaboration and information sharing are significant advantages of digital twin platforms, which can greatly enhance overall performance. Through this platform, different departments within an enterprise can achieve real-time information sharing, avoiding information silos [9]. For example, the production department can share real-time inventory and production data with the sales department, enabling the sales team to adjust market strategies based on the latest production capabilities to ensure timely order fulfillment.

This collaboration not only promotes cooperation between departments but also integrates multiple perspectives in the decision-making process, enhancing the comprehensiveness and effectiveness of decisions. When all departments work collaboratively on performance management, companies can respond more quickly to market changes, optimize resource allocation, and thus improve overall operational efficiency. Moreover, by establishing cross-departmental working groups, companies can foster innovative thinking and discover new business opportunities and optimization solutions, further enhancing their competitiveness.

In summary, data-driven decision optimization, continuous feedback and iteration mechanisms, and cross-departmental collaboration and information sharing are vital strategies for achieving dynamic optimization of enterprise performance. The effective implementation of these strategies will provide strong support for companies in complex and changing market environments, driving their sustainable development and enhancement.

5. Implementation Challenges and Solutions

5.1 Data Integration

Integrating diverse data sources can be a complex endeavor, particularly when organizations are dealing with legacy systems that may not be designed to work with modern technologies. These systems often store data in formats that are incompatible with newer applications, creating significant barriers to integration. To address this challenge, organizations should invest in robust data management solutions that facilitate seamless integration across various platforms. This includes adopting middleware that can bridge the gap between legacy systems and new technologies.

Additionally, implementing standardized data formats and protocols is essential for enhancing compatibility. By doing so, organizations can ensure that data from all relevant sources—such as production lines, customer feedback systems, and market analysis tools—can be accurately captured and utilized. This standardized approach not only reduces errors but also streamlines the data processing workflow, enabling real-time analytics and insights. Furthermore, organizations should consider utilizing cloud-based solutions, which can provide scalable data storage and processing capabilities, further easing the integration process.

5.2 Employee Adoption

Resistance to technology adoption among employees is a common hurdle that can significantly hinder implementation efforts. Employees may feel overwhelmed by new systems or distrustful of their effectiveness, which can lead to reluctance in adopting digital twin technology. To overcome this resistance, companies should prioritize comprehensive change management strategies that include extensive training programs. These programs should not only cover the technical aspects of

using digital twin technology but also demonstrate its value in enhancing operational efficiency and decision-making.

Engaging employees early in the implementation process is crucial. Involving them in discussions about the benefits and applications of digital twins can foster a culture of innovation and collaboration. Providing opportunities for employees to share their feedback and experiences can further enhance their buy-in. Organizations might also consider appointing "digital champions" within teams—individuals who are enthusiastic about the technology and can help advocate for its use among their peers. By creating a supportive environment and emphasizing the personal and professional benefits of digital twin technology, companies can facilitate smoother adoption and integration into daily operations.

5.3 Organizational Alignment

Aligning organizational structures with digital twin initiatives is vital for the success of these technologies. This alignment requires cross-functional collaboration and clear communication regarding goals, expectations, and roles. Organizations must ensure that all departments understand how digital twin technology fits into the broader strategy and how it can benefit their specific functions.

Establishing cross-departmental teams can be an effective way to ensure that various perspectives are considered during the implementation process. These teams can include representatives from IT, operations, finance, and other relevant areas, fostering a comprehensive approach to integration. Regular meetings and updates can help maintain alignment and address any concerns that arise during implementation. Additionally, leadership should promote a culture of collaboration by recognizing and rewarding teams that effectively use digital twin technology to achieve organizational goals.

By proactively addressing these challenges through strategic planning and effective communication, enterprises can successfully implement digital twin technology, enhancing their performance management systems and ultimately driving greater operational efficiency.

6. Conclusion

This study has deeply explored the restructuring and dynamic optimization of enterprise performance management systems driven by digital twins. By analyzing the basic principles of digital twin technology and its application potential in enterprise management, we proposed a performance management system architecture based on digital twins, along with a series of dynamic optimization strategies. These strategies emphasize the importance of real-time data monitoring, intelligent analysis, and flexible adjustments, enabling enterprises to maintain efficient operations in rapidly changing market environments. Research indicates that digital twin technology can not only enhance a company's real-time understanding of operational status but also assist management in identifying performance bottlenecks through data-driven decision optimization, allowing for more precise improvement measures. By establishing continuous feedback and iteration mechanisms, companies can constantly adjust performance indicators and management processes, achieving dynamic optimization and ensuring the flexibility and adaptability of the performance management system. Additionally, cross-departmental collaboration and information sharing, facilitated by the application of digital twin platforms, promote cooperation between departments and improve overall work efficiency and innovation capabilities. In the future, as digital technologies continue to evolve, enterprises should actively explore the in-depth application of digital twins in performance management. This includes not only improving existing management systems but also focusing on the application potential of digital twin technology in emerging business models. Through continuous innovation and flexible responses to market changes, companies will gain greater advantages in fierce competition, enhancing their market responsiveness and overall competitiveness. Therefore, enterprises should regard digital twins as strategic tools and systematically integrate them into their performance management practices to drive sustainable development and long-term success.

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