

Proposed improvements on performance management system at PT JIEP by using balanced scorecard

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Abstract

Purpose: This research delves into the vital topic of performance management in the realm of human resources. With the increasing demand for effective performance management systems in organizations, this study aims to bridge the gap between current practices and the need for a holistic approach that aligns individual goals with organizational objectives.

Method: To achieve this, we employ a mixed-method approach, gathering data through surveys and interviews from a diverse range of employees and managers. Statistical techniques are used to analyze this data and providing insights into the effectiveness of the proposed model.

Results: We expect our results to validate the proposed model, demonstrating clear improvements in employee and organizational performance metrics when implemented. The findings should reveal strong correlations between the use of our model and enhanced performance outcomes. The contribution of this study to the field of performance management is noteworthy. It introduces a comprehensive, adaptable model that can be applied across different organizations, offering both academic insights and practical solutions. This research not only advances theoretical knowledge but also provides a valuable tool for practitioners aiming to enhance performance management practices in their organizations.

Keywords: *performance management, organizational performance, human resource development, performance improvement*

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1. Introduction

In today's fast-paced and rapidly changing business environment, organizations face the imperative of adaptability as a fundamental factor for survival and success. The ability to respond effectively to shifting market conditions, emerging technologies, and evolving customer demands is crucial for sustained competitiveness. Amidst this challenging landscape, human resources emerge as the cornerstone of an organization's journey toward achieving its goals. This thesis focuses on the critical role of employee performance management as the mechanism through which organizations align their human capital with their strategic objectives.

A wealth of research underscores the central role of human resources in organizational success. Human resources are the lifeblood of an organization, providing the essential skills, knowledge, and motivation required to achieve its objectives (Ford & Ford, 1995; Stone, Cox, Gavin, & Carpini, 2024). Therefore, optimizing human capital utilization becomes paramount for PT JIEP to navigate the volatile business terrain successfully.

Performance management represents the systematic process through which executives, managers, and supervisors endeavor to harmonize employee efforts with the overarching goals of the company. It encompasses a multifaceted approach that considers various components: organizational goals, leadership, strategic planning, human resources, and individual performance (Fletcher, 2001).

The principal aim of this final project is to conduct a comprehensive analysis and evaluation of PT JIEP's existing performance management system. In today's fiercely competitive landscape, organizations recognize that the key to achieving their goals lies in the strategic management of their human resources. Effective employee management through a robust performance management system holds the potential to enhance productivity, foster competitiveness, and secure sustainable advantages over rivals (Macey & Schneider, 2008; Oreg, Vakola, & Armenakis, 2011; Quinn, 2012).

It is important to dispel the common misconception that performance management equates solely to performance appraisal. Performance appraisal, while an essential component, represents just one facet of the broader performance management system (Aguinis, 2013; Margolis, 2015). A more comprehensive approach to performance management includes ongoing communication, goal setting, and feedback mechanisms.

Several challenges can hinder the effective operation of a performance management system. These challenges may encompass errors in assessment, inadequate assessment methodologies, insufficient support from top management, a lack of commitment, and communication breakdowns among managers and employees (Meyer, Becker, & Vandenberghe, 2004).

Organizations often view performance management as primarily an administrative function, inadvertently neglecting its developmental aspects. This limited perspective can hinder the system's capacity to contribute to organizational growth and employee development.

To harness the full potential of their human resources, organizations must align individual employee objectives with the broader company goals (Locke & Latham, 2019). This alignment ensures that every employee's daily efforts are directed toward the fulfillment of the company's overarching mission.

One crucial aspect of performance management is not only to monitor employee performance but also to motivate individuals to actively contribute to the achievement of the company's objectives (Fletcher, 2001). This involves creating a culture that encourages employees to excel and providing clear incentives for goal attainment.

In conclusion, this thesis delves into the proposed enhancements for PT JIEP's Employee Performance Management System. Recognizing the dynamic nature of today's business environment, the study emphasizes the importance of adaptability, underscores the significance of human resources, and advocates for a holistic approach to performance management that goes beyond mere appraisal. By addressing these critical aspects, PT JIEP can unlock the full potential of its employees, fostering competitiveness, innovation, and sustainable growth in an ever-evolving marketplace.

PT JIEP, a former industrial-focused entity primarily engaged in land lease, warehousing, and factory operations, is undergoing a transformation into a modern, digitally-driven, and environmentally conscious industrial area. This evolution aims to establish PT JIEP as a business and residential hub that prioritizes eco-friendly development, resident comfort, and comprehensive amenities, including offices, commercial spaces, residences, and green areas.

One of the key challenges PT JIEP faces in this transition is optimizing employee productivity to remain competitive in the market. To achieve this objective, it is essential to develop and implement an effective performance management system. This paper explores the significance of performance management at PT JIEP, its historical evolution, and its implications for employee performance, organizational goals, and competitive advantage.

PT JIEP initiated its performance appraisal system in 2019, initially using Key Performance Indicators (KPIs) as the primary evaluation metric. However, in 2021, the organization transitioned to Objectives and Key Results (OKRs), and at the start of 2023, top management decided to revert to using KPIs.

To address this issue and enhance organizational performance, it's imperative for PT JIEP to revamp its performance management system. The current system, primarily focused on the distribution of annual bonuses and serving administrative purposes, falls short in effectively utilizing employee appraisals for development and strategic alignment.

Transitioning from Key Performance Indicators (KPIs) to Objectives and Key Results (OKRs) in 2021 and subsequently reverting to KPIs in 2023 suggests a lack of consistency and alignment with organizational objectives. This inconsistency underscores the importance of establishing a robust performance management framework that aligns individual performance with broader organizational goals. Addressing inflated ratings, misalignment with organizational goals, and development deficits mandates a strategic approach, integrating principles of the balanced scorecard framework.

Key issues identified within the current system include inflated ratings, misalignment with organizational goals, and a lack of performance improvement initiatives. These issues not only undermine the accuracy of performance evaluations but also hinder employee development and organizational progress. PT JIEP need to enhancing and improving the performance management system is imperative for PT JIEP to achieve its goals effectively.

Based on the earlier mentioned business issue in Human Capital at PT JIEP, it is necessary to analyze the performance management system. In this research, several questions that will be addressed through recommendations are defined as follows:

1.1 Research Questions:

1. What is the current state of the performance management system at PT JIEP, and how does it align with the intended purpose and activities?
2. What are the primary factors hindering the effectiveness of the current performance management system's implementation at PT JIEP?
3. How can PT JIEP enhance its performance management system to efficiently utilize employee appraisals for both development and strategic alignment?
4. What critical considerations should PT JIEP take into account when developing and implementing a more efficient performance management system, considering the balanced scorecard approach?

1.2 Research Objective:

1. Identify the existing gaps between the intended purpose and activities of the performance management system at PT JIEP and its actual implementation.
2. Identify obstacles and challenges in the successful implementation of an efficient performance management system at PT JIEP.
3. Develop actionable recommendations for enhancing PT JIEP's performance management system to better align individual performance with organizational objectives and promote employee development, incorporating elements of the balanced scorecard approach.
4. Design and propose a performance management system for PT JIEP that enhances organizational effectiveness and cultivates a culture of high performance, integrating the principles of the balanced scorecard framework.

2. Literature review

This literature review establishes a theoretical foundation for the study, connecting relevant theories and concepts to the research questions and objectives. It emphasizes the importance of aligning PT JIEP's performance management system with organizational goals, fostering motivation and competence among employees, and creating a high-performance culture to gain a competitive advantage.

2.1 Theoretical Foundation

Effective performance management is a critical element in modern organizations, impacting employee engagement, competence, and ultimately, competitive advantage. This literature review explores relevant theories and concepts to provide a foundation for the study's research questions and objectives at PT JIEP.

2.1.1 Performance Management

Performance management is a crucial process that aims to improve employee performance, enhance organizational effectiveness, and drive overall success. Numerous studies have explored various aspects of performance management, including its components, practices, and impact on employee and organizational outcomes.

Performance management encompasses activities such as goal setting, performance measurement, feedback, and development planning. It serves as a means to align individual and organizational goals, provide feedback and coaching, and recognize and reward high performance.

Several researchers have emphasized the importance of clear and specific goal setting in performance management. Locke and Latham (1990) found that setting challenging and achievable goals can significantly enhance employee motivation and performance. Furthermore, the use of SMART goals (Specific, Measurable, Achievable, Relevant, and Time-bound) has been recommended to ensure clarity and effectiveness in goal setting.

The provision of regular feedback is another essential component of performance management. Research has shown that ongoing feedback and communication between managers and employees are crucial for clarifying expectations, addressing performance issues, and promoting employee growth and development (Kaplan & Norton, 1996; Kotter, 1995).

Performance appraisals, which involve formally evaluating employee performance, have been a common practice in performance management. However, researchers have highlighted the limitations of traditional appraisal systems, such as bias, subjectivity, and a lack of validity. As a result, there has been a shift towards more continuous and feedback-oriented performance management approaches, such as regular check-ins and real-time feedback.

Studies have also examined the impact of performance management on various outcomes. For instance, research has demonstrated a positive relationship between effective performance management practices and employee job satisfaction, engagement, and commitment (Aguinis, Joo, & Gottfredson, 2013), *What monetary rewards can and cannot do: How to show employees the money*, 2013). Additionally, effective performance management has been found to contribute to improved organizational performance, including increased productivity, profitability, and customer satisfaction.

2.1.2 Purpose of Performance Management System

Performance management systems serve multiple purposes within organizations, as outlined in Noe, Hollenbeck, Gerhart, and Wright (2006). These purposes encompass strategic alignment, administrative efficiency, employee development, communication facilitation, organizational maintenance, and documentation. Each of these purposes contributes to enhancing organizational effectiveness and gaining a competitive advantage in the marketplace.

1. **Strategic Alignment:** One of the primary purposes of a performance management system is to align individual and team performance with organizational goals and objectives. By setting clear performance expectations and linking them to strategic priorities, organizations ensure that employees' efforts are directed towards achieving overarching strategic targets.
2. **Administrative Efficiency:** Performance management systems play a crucial role in streamlining administrative processes related to performance evaluation, feedback, and compensation. By providing a structured framework for evaluating employee performance, organizations can efficiently manage personnel-related tasks such as promotions, transfers, and terminations.

3. **Employee Development:** Another essential purpose of performance management systems is to foster employee growth and development. Through ongoing performance discussions, feedback sessions, and goal setting, organizations can identify employees' strengths and areas for improvement. This information enables targeted development initiatives, including training, coaching, and mentoring, to enhance employee competencies and skills.
4. **Communication Facilitation:** Performance management systems facilitate effective communication between managers and employees. Regular performance discussions provide opportunities for managers to provide feedback, clarify expectations, and address any performance-related issues promptly. Clear communication helps build trust, enhance morale, and foster a positive work environment.
5. **Organizational Maintenance:** Performance management systems contribute to organizational maintenance by promoting fairness, transparency, and accountability in performance evaluation and reward allocation. By establishing clear performance criteria and evaluation standards, organizations ensure consistency and equity in decision-making processes, thereby promoting employee satisfaction and retention.
6. **Documentation:** Performance management systems serve as a valuable tool for documenting employees' performance history and achievements. By maintaining accurate performance records, organizations can track individuals' progress over time, identify patterns or trends, and make data-driven decisions regarding talent management, succession planning, and performance improvement initiatives.

The purpose of a performance management system extends beyond merely evaluating individual performance. It encompasses strategic alignment, administrative efficiency, employee development, communication facilitation, organizational maintenance, and documentation. By effectively fulfilling these purposes, organizations can optimize employee performance, drive organizational success, and gain a competitive advantage in today's dynamic business environment.

2.1.3 Key Performance Indicator (KPI)

Key Performance Indicators (KPIs) are a set of measurable metrics that provide insights into the extent to which strategic objectives assigned to an organization have been achieved. Parmenter (2015) defines KPIs as strategic measures that serve as monitoring tools to track progress towards goals and aid management in understanding the actions taken by the company to achieve its objectives. Moreover, Eccles (1991) emphasizes the significance of KPIs in his Performance Measurement Manifesto, highlighting their role in providing a clear picture of organizational performance.

KPIs serve as both financial and non-financial metrics used by companies to determine and measure performance (Noe et al., 2006). They are designed to convey information concisely, focusing on the most critical aspects of organizational performance for current and future success. In essence, KPIs are indicators that concentrate on the organizational performance aspects crucial for the success of the organization both presently and in the future.

Key Performance Indicators (KPIs) play a pivotal role in the success of a company. With KPIs, companies are required to have clear visions and missions to realize their goals. KPIs enable companies to measure target achievement and overall performance. KPIs play a crucial role in providing direction, understanding, and clarity regarding the targets to be achieved by all members of the organization. Moreover, they furnish valuable information for decision-making processes within the company. From the above explanation, it can be concluded that KPIs are beneficial in providing direction, understanding, and clarity on company goals for all members and informing decision-making processes (Eccles, 1991).

2.1.4 Balanced Scorecard

The Balanced Scorecard (BSC) is a strategic management tool utilized to translate an organization's mission and strategy into various objectives and measures structured across four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan & Norton, 1996). This framework provides a language and framework for communicating the mission and strategy of the

organization. By articulating desired outcomes and the factors driving those outcomes, senior executives aim to channel the energy, capabilities, and specific knowledge of the organization's human resources towards achieving long-term objectives (Cummings & Worley, 2008).

The Balanced Scorecard serves as a contemporary management tool aimed at enhancing organizational performance, particularly in financial aspects. It comprises two key elements: the scorecard and balance. The scorecard is utilized to record the performance results of human resources and plan future performance scores. Through the scorecard, comparisons between current and future performance results can be utilized for human resources performance evaluation. The term "balanced" indicates that human resource performance is measured holistically, considering both financial and non-financial aspects, short-term and long-term perspectives, as well as internal and external factors.

2.1.5 Perspectives of the Balanced Scorecard

The four perspectives of the Balanced Scorecard provide a balance between short-term and long-term objectives, as well as between desired outcomes and the factors driving their achievement. Kaplan and Norton (1996) elaborate on these perspectives:

1. **Financial Perspective:** Focuses on financial objectives such as revenue growth, profitability, and cost reduction. It provides insights into how well the organization is performing financially and how it can improve shareholder value.
2. **Customer Perspective:** Concentrates on customer-related objectives such as customer satisfaction, retention, and market share. It helps organizations understand and meet the needs of their customers, thereby enhancing customer loyalty and competitiveness.
3. **Internal Business Processes Perspective:** Addresses internal processes and operational efficiency objectives. It evaluates how well the organization is performing in delivering value to customers through its internal processes and identifies areas for improvement.
4. **Learning and Growth Perspective:** Emphasizes employee training, development, and innovation objectives. It assesses the organization's capacity for learning and adapting to change, driving continuous improvement and innovation.

Balanced Scorecard provides a comprehensive framework for organizations to align their strategies with operational activities and measure performance across multiple dimensions. By considering financial and non-financial aspects and balancing short-term goals with long-term objectives, organizations can effectively monitor progress and drive sustainable growth and competitiveness.

2.2 Conceptual Framework

In the context of this research, the purpose of the performance management system at PT JIEP is to optimize employee productivity and effectiveness during the organization's transition into a modern, environmentally conscious industrial area. By diagnosing the existing challenges within the performance management system, such as inflated ratings and misalignment with organizational goals, the research aims to identify opportunities for improvement and develop solutions to enhance the system's effectiveness.

The framework for the purpose of the performance management system and performance management activities used in this research is derived from the literature in "Human Resources Management: Gaining a Competitive Advantage" (12th ed.) by Noe et al. (2006). This comprehensive framework has been instrumental in structuring the research and providing a theoretical foundation for the analysis.

Through a comprehensive analysis of human capital practices, specifically focusing on performance management activities, the research seeks to address the identified problem and contribute to the attainment of PT JIEP's strategic objectives. By presenting feasible solutions and an implementation plan, the research aims to support PT JIEP in achieving its goals of fostering employee development, aligning individual performance with organizational objectives, and sustaining competitiveness in the market. Ultimately, the research concludes by presenting several solutions along with a feasible implementation plan.

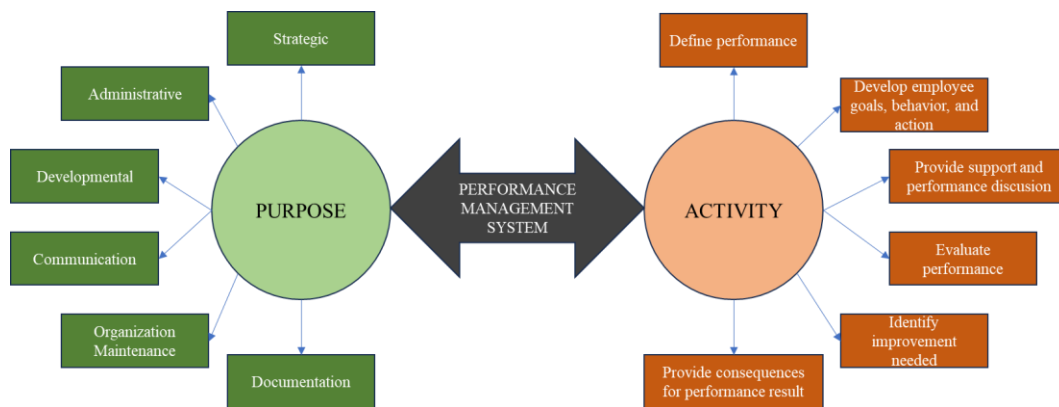


Figure 1. Research Framework from Noe et al. (2006)

3. Methodology

3.1 Research Design

For this study on the proposed Performance Management at PT JIEP, a mixed-methods research design was employed. This approach combined qualitative and quantitative methods to gain a comprehensive understanding of the research topic. The use of both questionnaire surveys and focus group discussions (FGDs) allowed for a rich exploration of employees' perceptions and experiences related to the performance management and provided quantitative data to measure its effectiveness.

3.2 Data Collection Method

Questionnaire surveys were administered to employees within PT JIEP to assess their perceptions and experiences related to the performance management system. The sample was determined using random sampling methods, and the number of samples was calculated using the Slovin formula to ensure an appropriate sample size based on the total population size and desired level of confidence.

The surveys were designed based on the framework derived from the literature review, focusing on the six key purposes and activities of the performance management system, which included:

1. Purpose of Performance Management System: Strategic Alignment, Administrative Efficiency, Employee Development, Communication Facilitation, Organizational Maintenance, Documentation.
2. Performance Management System Activities: Define Performance, Develop Employee Goals, Behavior, and Action, Provide Support and Performance Discussion, Evaluate Performance, Identify Improvement Needed, Provide Consequences for Performance Results.

The questionnaire surveys consisted of statements reflecting each variable based on the writer's understanding, structured using a Likert-scale response format ranging from "strongly disagree" to "strongly agree." This format allowed participants to express their opinions and experiences on each aspect of the performance management system clearly and comprehensively. Furthermore, each survey statement was discussed and brainstormed with colleagues from relevant units to ensure that the questions were comprehensive and accurately represented the diverse perspectives within the organization. This collaborative approach helped refine the survey to address specific nuances and contexts unique to different departments, ensuring the collected data would be both meaningful and actionable.

Table 1. Survey Statements for Purpose of Performance Management

| No | Variable Purpose of Performance Management | Survey Statements |
|----|--|--|
| 1 | Strategic Purpose | <p>a. I believe that my individual performance card is aligned with the strategic goals and objectives of the organization, as it reflects the key priorities outlined by the company.</p> <p>b. My individual performance card is align with the strategic goals and objectives of the organization</p> |

| No | Variable Purpose of Performance Management | Survey Statements |
|----|--|---|
| | | c. The content of my individual performance card adequately incorporates both tangible and intangible resources, ensuring alignment with the broader strategic direction of the organization. |
| 2 | Administrative Purpose | <p>a. In this company, various awards (not just salary increases or bonuses) are given based on performance, indicating efficient administrative handling of the performance management system.</p> <p>b. Employee retention in this company is based on individual performance, suggesting effective administrative processes in place for performance evaluation and reward allocation.</p> <p>c. The performance management system in this company ensures that administrative tasks such as performance appraisal scheduling and documentation are handled efficiently and effectively.</p> |
| 3 | Development Purpose | <p>a. I regularly engage every quarter in discussions and receive feedback and encouragement from my superiors to achieve the expected performance targets.</p> <p>b. My supervisors actively encourage the improvement of my skills during performance reviews, indicating a strong focus on employee development within the organization</p> <p>c. The performance management system provides ample opportunities for skill enhancement and growth, contributing to my professional development and career advancement.</p> |
| 4 | Communication Purpose | <p>a. The performance management system facilitates seamless communication between me and my managers regarding performance expectations and feedback, enabling clear and constructive dialogue.</p> <p>b. I believe that the performance management system promotes open and transparent communication about performance-related matters, fostering a culture of accountability and continuous improvement.</p> <p>c. Regular performance discussions and feedback sessions with my managers ensure that communication channels remain open and effective, allowing for timely adjustments and improvements.</p> |
| 5 | Organization Maintenance Purpose | <p>a. The performance management system significantly contributes to maintaining fairness and consistency in performance evaluation and reward allocation across the organization, fostering a positive and equitable work environment.</p> <p>b. I trust that the performance management system ensures compliance with organizational policies and procedures related to performance assessment, promoting a sense of integrity and accountability among employees.</p> <p>c. The performance management system plays a crucial role in upholding organizational standards and values, ensuring that all employees are evaluated fairly and objectively based on their performance.</p> |
| 6 | Documentation Purpose | <p>a. The performance management system effectively documents my performance history and achievements, providing a comprehensive record of my contributions to the organization.</p> <p>b. I rely on the performance management system to provide accurate and reliable records for decision-making purposes and future reference, ensuring transparency and accountability in performance evaluations.</p> |

| No | Variable Purpose of Performance Management | Survey Statements |
|----|--|---|
| | | c. The documentation generated by the performance management system serves as a valuable resource for tracking progress, identifying areas for improvement, and recognizing achievements, supporting continuous growth and development within the organization. |

Tabel 2. Survey Statements for Performance Management Activity

| No | Variable Performance Management System Activities | Survey Statements |
|----|---|--|
| 1 | Define Performance | a. I find the performance expectations and criteria set for my role within the organization clear. |
| | | b. I understand the key performance indicators (KPIs) or objectives relevant to my job responsibilities to a great extent. |
| | | c. I feel that the performance criteria accurately reflect the expectations of my role. |
| 2 | Develop Employee Goals, Behavior, and Action | a. I am involved in setting my performance goals and objectives. |
| | | b. I receive guidance on the behaviors and actions necessary to achieve my performance goals. |
| | | c. I believe that my performance goals are aligned with the overall objectives of the organization. |
| 3 | Provide Support and Performance Discussion | a. I have performance discussions with my manager or supervisor regularly. |
| | | b. I feel supported by my manager in achieving my performance goals. |
| | | c. I find the performance discussions effective in addressing my strengths and areas for improvement. |
| 4 | Evaluate Performance | a. My performance is evaluated against set objectives and criteria frequently. |
| | | b. I receive constructive feedback during performance evaluations. |
| | | c. I perceive the performance evaluation process to be fair and accurate. |
| 5 | Identify Improvement Needed | a. Areas for improvement are identified during performance evaluations. |
| | | b. Areas for improvement are communicated to me clearly. |
| | | c. I receive support or resources to address identified areas for improvement to a great extent. |
| 6 | Provide Consequences for Performance Results | a. Consequences, such as rewards or recognition, are provided based on my performance results. |
| | | b. The process of determining consequences for performance outcomes is transparent. |
| | | c. I feel motivated by the consequences provided for my performance results. |

3.3 Data Analysis Method

Quantitative analysis was conducted on the data obtained from the questionnaire surveys. The Likert-scale responses provided by the survey participants were quantified and subjected to statistical analysis using SPSS (Statistical Package for the Social Sciences). Additionally, SPSS was utilized to assess the

validity and reliability of the survey results. These analyses ensured the accuracy and robustness of the survey findings.

Qualitative analysis was performed on the data collected from the Focus Group Discussions (FGDs). The audio recordings and notes from the FGD sessions were transcribed verbatim and subjected to thematic analysis. This involved identifying recurring themes, patterns, and insights within the qualitative data. The thematic analysis process began with familiarization, where researchers immersed themselves in the data to gain a comprehensive understanding of the content. Subsequently, themes and patterns were identified through systematic coding of the data. Codes were grouped into broader themes based on their relevance and significance to the research objectives.

To determine the sample size for the survey, the Slovin formula was applied. With a population of 156 employees and an acceptable margin of error of 10%, the sample size (n) was calculated as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N = the population size (155),

e = the margin of error (0.10).

Thus, a sample size of approximately 61 respondents was needed to achieve the desired margin of error. For the Likert-scale responses, the following range was used to interpret the survey results:

1.00 - 1.75: Poor

1.76 - 2.50: Less

2.51 - 3.25: Fair

3.26 - 4.00: Good

The analysis focused particularly on the Poor and Less categories to identify areas of the performance management system at PT JIEP that required improvement. By examining these lower-rated scales in detail, the research aimed to provide actionable insights to enhance the effectiveness of the performance management system within the organization.

Triangulation of qualitative and quantitative findings was conducted to corroborate and validate the results obtained from both data analysis methods. The integration of qualitative and quantitative data provided a comprehensive understanding of employees' perceptions and experiences related to the performance management system at PT JIEP. By employing a mixed-method approach, this research aimed to leverage the strengths of both qualitative and quantitative analysis techniques to gain deeper insights into the effectiveness and challenges of the performance management system within the organization.

4. Result and Discussion

4.1. Analysis

The questionnaire statements provided encompass a comprehensive evaluation framework designed to gauge employees' perceptions and experiences related to the performance management system within PT JIEP. These statements cover a range of key areas, including strategic alignment, administrative efficiency, development opportunities, communication effectiveness, organizational fairness, and documentation accuracy. By utilizing a Likert-scale response format, respondents can express their agreement or disagreement with each statement, offering nuanced insights into the strengths and areas for improvement within the performance management system. The structured approach of the questionnaire, derived from literature review frameworks and industry best practices, ensures a thorough analysis of crucial aspects such as goal alignment, feedback mechanisms, employee support, and performance evaluation fairness.

To analyze the current state of the performance management system at PT JIEP and its alignment with intended purposes and activities, we can start by looking at the average ratings for each purpose and activity based on the provided data. To analyze the current state of the performance management system at PT JIEP and its alignment with intended purposes and activities, we can start by looking at the average ratings for each purpose and activity based on the provided data.

The survey results indicate that the administrative and development purposes of the performance management system at PT JIEP have areas that need significant improvement. These purposes received average ratings below the 2.5 threshold, indicating that employees perceive substantial deficiencies in these areas. The specific statements and their averages are as follows:

1. The average rating for statement 2(a), "In this company, various awards (not just salary increases or bonuses) are given based on performance, indicating efficient administrative handling of the performance management system," is 2.44. This low average suggests that employees feel their efforts are not adequately recognized or rewarded, which can lead to decreased motivation and morale. When awards and recognitions are perceived as insufficient or unfairly distributed, it creates a sense of inequity and dissatisfaction among employees.
2. The average rating for statement 2(b), "Employee retention in this company is based on individual performance, suggesting effective administrative processes in place for performance evaluation and reward allocation," is 2.46. This low average suggests that employees may feel the criteria for retention are not clearly linked to their individual performance, leading to uncertainty and mistrust in the evaluation and reward processes. When retention does not seem merit-based, it can result in decreased motivation and morale, as employees might perceive that their performance does not significantly impact their job security. This perception can lead to dissatisfaction and a lack of engagement, ultimately increasing turnover rates as employees seek workplaces where their performance is more directly tied to their retention and advancement.
3. The average rating for statement 3(c), "The performance management system provides ample opportunities for skill enhancement and growth, contributing to my professional development and career advancement," is 2.49. This low average suggests that employees feel there are insufficient opportunities for skill enhancement and professional growth within the current performance management system. As a result, employees may feel their career development is stagnant, leading to decreased motivation and engagement. The lack of perceived growth opportunities can cause dissatisfaction and potentially higher turnover rates, as employees may seek other organizations that offer better development and advancement prospects.

The survey results highlight several areas within the performance management system at PT JIEP that require immediate attention. These areas received average ratings below the 2.5 threshold, indicating significant dissatisfaction among employees. The specific statements and their averages are as follows:

1. The average rating for statement 2(b), "I receive guidance on the behaviors and actions necessary to achieve my performance goals," is 2.49. This low average suggests that employees feel they are not receiving sufficient guidance on how to meet their performance goals, leading to uncertainty and decreased confidence in their ability to succeed. Without clear guidance, employees may struggle to understand expectations and how to improve their performance, which can result in frustration and reduced productivity.
2. The average rating for statement 4(a), "My performance is evaluated against set objectives and criteria frequently," is 2.48. This low average suggests that employees feel their performance evaluations are not conducted frequently enough. Infrequent evaluations can lead to a lack of timely feedback, making it difficult for employees to adjust their performance and improve. This can result in a feeling of neglect and lack of direction, ultimately impacting overall job satisfaction and performance.
3. The average rating for statement 4(b), "I receive constructive feedback during performance evaluations," is 2.49. This low average suggests that employees feel they are not receiving enough constructive feedback during evaluations. Constructive feedback is crucial for professional growth and improvement, and its absence can hinder employees' ability to identify and address their weaknesses. This lack of feedback can lead to stagnation in performance and development, decreasing motivation and engagement.

4. The average rating for statement 5(b), "Areas for improvement are communicated to me clearly," is 2.46. This low average suggests that employees feel that areas needing improvement are not clearly communicated. Clear communication of improvement areas is essential for employees to understand where they need to focus their efforts. Without this clarity, employees may be unsure of how to enhance their performance, leading to frustration and a lack of progress.
5. The average rating for statement 5(c), "I receive support or resources to address identified areas for improvement to a great extent," is 2.49. This low average suggests that employees feel they are not receiving adequate support or resources to address their improvement areas. Support and resources are critical for helping employees develop and overcome their weaknesses. Without sufficient support, employees may feel isolated and unable to improve, which can lead to decreased morale and performance.
6. The average rating for statement 6(b), "The process of determining consequences for performance outcomes is transparent," is 2.48. This low average suggests that employees feel the process for determining consequences based on performance outcomes is not transparent. Lack of transparency can lead to perceptions of unfairness and bias, undermining trust in the performance management system. When employees do not understand how performance-related decisions are made, it can result in frustration and decreased motivation.

Based on the employee survey and focus group discussions (FGDs), several critical challenges within the performance management system at PT JIEP have been identified. Here are the main challenges along with their potential root causes:

1. Administrative Purpose

a) Dissatisfaction with the Use of Performance Scores

From the survey, we identified low average ratings related to administrative aspects, such as awards (2.44) and retention (2.46). Similarly, the FGDs revealed that employees are unhappy with performance scores being used mainly for calculating bonuses, neglecting other rewards such as salary increases, recognition, and career development opportunities. This narrow focus on bonuses as the primary reward fails to address the diverse needs and motivations of employees. The organization's reward system is predominantly focused on financial incentives, particularly bonuses. This approach overlooks the importance of a more varied reward system that includes salary increases, public recognition, and career development opportunities. Employees feel their efforts are not fully acknowledged, leading to dissatisfaction and reduced motivation.

2. Development Purpose

a) Dissatisfaction with the Use of Performance Scores

From both the survey and FGDs, we see that skill enhancement (2.49) is a critical area where employees feel neglected. The overemphasis on bonuses instead of career development and training opportunities is leading to dissatisfaction. There is a narrow focus on financial incentives at the expense of comprehensive development plans. The organization lacks structured career advancement programs, skill development initiatives, and succession planning. This approach fails to meet employees' needs for professional growth and development.

3. Lack of Managerial Awareness for Coaching and Mentoring

Survey data showed low ratings for receiving guidance for achieving performance goals (2.49) and identifying improvement areas (2.46). FGDs indicated that line managers lack awareness and initiative in coaching and mentoring their direct reports. This might be due to inadequate training for managers on coaching and mentoring effectively. Additionally, there may be a lack of accountability and a culture that does not emphasize the importance of these activities. Managers are often too focused on immediate operational tasks rather than long-term employee development.

4. Develop Employee Goals, Behavior, and Action

a) Limited Implementation of Regular Evaluations and Monitoring of KPIs

From the survey, we found low average ratings for regular evaluations and constructive feedback, such as evaluating performance frequently (2.48) and receiving constructive feedback (2.49). FGDs identified significant limitations in conducting regular evaluations and monitoring KPIs due to a lack of flexibility for regular one-on-one meetings with supervisors. This is likely due to a lack of structured time management and prioritization within the organization. Supervisors may have heavy workloads and insufficient time allocated for regular check-ins and detailed performance discussions. Additionally, there may be a lack of training or awareness among managers about the importance of regular evaluations.

5. Evaluate Performance

a) Limited Implementation of Regular Evaluations and Monitoring of KPIs

Low average ratings for evaluating performance frequently (2.48) suggest significant limitations in conducting regular evaluations. The current performance management system is outdated and rigid, focusing on end-of-year evaluations rather than continuous assessment. Managers often have heavy workloads and insufficient time allocated for regular evaluations, leading to delayed feedback and missed opportunities for improvement. This could be due to heavy workloads and insufficient time allocated for regular check-ins. A lack of training or awareness among managers about the importance of regular evaluations exacerbates the issue.

b) End-of-Year KPI Evaluation

Survey responses indicate infrequent feedback and support for improvement, such as areas for improvement communicated clearly (2.46) and receiving support for improvement (2.49). FGD participants pointed out that KPI evaluations are conducted only at the end of the year, delaying timely feedback and improvement throughout the year. This may be due to an outdated or rigid performance management system that does not emphasize continuous feedback. The organizational culture might also prioritize annual reviews over continuous assessment.

6. Identify Improvement Needed

a) End-of-Year KPI Evaluation

The delay in timely feedback and support for improvement, as indicated by low ratings for areas of improvement communicated clearly (2.46) and receiving support for improvement (2.49), points to a systemic issue. An outdated performance management system that does not emphasize continuous feedback is likely at fault. Additionally, a culture that prioritizes annual reviews over continuous assessment needs to be addressed.

7. Provide Consequences for Performance Results

a) Dissatisfaction with the Use of Performance Scores

Employees' dissatisfaction with performance scores being used mainly for calculating bonuses rather than for comprehensive career development and recognition points to a need for broader incentive structures. This could include career development opportunities, recognition, and other non-monetary rewards. Many employees feel that their hard work and dedication are not fully acknowledged. They crave more meaningful and varied forms of recognition that reflect their contributions and achievements in a holistic manner. For instance, salary increases tied to performance can provide a more immediate and sustained sense of appreciation, while public recognition can boost morale and reinforce a positive work culture. Additionally, career development opportunities, such as training programs and promotions, can significantly enhance job satisfaction and employee retention by demonstrating a commitment to their long-term growth.

By addressing these challenges (dissatisfaction with the use of performance scores, lack of managerial awareness for coaching and mentoring, limited implementation of regular evaluations and monitoring of KPIs, end-of-year KPI evaluation) through a comprehensive performance management framework that emphasizes continuous feedback, regular evaluations, and holistic development, PT JIEP can create a more supportive and effective work environment. This involves training managers on effective coaching and mentoring, reallocating time and resources for regular performance discussions, and broadening the use of performance data beyond just financial incentives.

2.3 Business Solution

To improve the performance management system at PT JIEP, the following actions are recommended:
Tabel Proposed Improvement Action

| Challenges | Recommended Action |
|--|--|
| Dissatisfaction with the Use of Performance Scores | Diversify Rewards |
| | Enhance Employee Motivation |
| | Focus on Career Development |
| Lack of Managerial Awareness for Coaching and Mentoring | Training for Managers |
| | Foster a Supportive Culture |
| | Proper Feedback Techniques |
| | Instill a Growth Mindset |
| Limited Implementation of Regular Evaluations and Monitoring of KPIs | Regular and Informal Performance Reviews |
| | Continuous Assessment |
| End-of-Year KPI Evaluation | Continuous Feedback Mechanism |
| | Apply Balanced Scorecard (BSC) Approach |

1. Diversify Rewards

- a) **Broader Range of Rewards:** Implement a reward system that goes beyond bonuses, including salary increases, public recognition, promotions, and career development opportunities. Celebrate small wins and significant achievements publicly, reinforcing a culture of recognition and appreciation.
- b) **Holistic Recognition:** Recognize employees' efforts and achievements in more meaningful ways. Provide salary increases tied to performance for a more immediate and sustained sense of appreciation, and offer career development opportunities such as training programs and promotions.

2. Enhance Employee Motivation

- a) **Sense of Purpose:** Clearly communicate how individual roles and achievements contribute to the organization's strategic goals. Employees should understand the importance of their work and its impact on the organization.
- b) **Autonomy:** Give employees more control over how they achieve their goals by allowing flexibility in their work methods and encouraging them to take initiative and ownership of their tasks.
- c) **Mastery:** Promote mastery by offering opportunities for continuous learning and skill development. Provide access to training programs, workshops, and courses that help employees improve their skills and advance in their careers.

3. Focus on Career Development

- a) **Comprehensive Development Plans:** Create personalized development plans for each employee, including career advancement, skill development, and succession planning. Regularly review and update these plans to ensure alignment with employees' goals and organizational needs.
- b) **Training Programs:** Offer regular training programs, workshops, and learning opportunities tailored to employees' career paths. Encourage continuous education and professional growth through certifications and advanced courses.
- c) **Mentorship Programs:** Establish mentorship programs where experienced employees can guide and support newer or less experienced colleagues, fostering a culture of knowledge sharing and development.

4. Training for Managers

- a) **Effective Coaching and Mentoring Techniques:** Provide managers with training on coaching and mentoring effectively, including workshops on active listening, giving constructive feedback, and setting development goals.
 - b) **Regular Feedback Training:** Emphasize the importance of regular feedback and support for employee development. Train managers on delivering feedback that is constructive, specific, and focused on improvement.
 - c) **Accountability:** Hold managers accountable for their coaching and mentoring activities. Incorporate these responsibilities into their performance evaluations and reward them for successfully developing their team members.
5. **Foster a Supportive Culture**
- a) **Culture of Continuous Feedback:** Create a culture that values continuous feedback and employee development. Encourage open communication and regular performance discussions between managers and their teams.
 - b) **Emphasize Importance:** Highlight the importance of coaching and mentoring within the organization. Recognize and reward managers who excel in these areas, setting a positive example for others.
6. **Proper Feedback Techniques**
- a) **Constructive Feedback Training:** Train managers on giving constructive feedback effectively, ensuring feedback is specific, actionable, and focused on behaviors rather than personal attributes.
 - b) **Brain-Friendly Feedback:** Use research by Rock and Page to emphasize the importance of brain-friendly feedback methods. Avoid creating threatening situations that can cause defensiveness or withdrawal. Frame feedback in a supportive and encouraging manner, fostering a positive environment for growth.
7. **Instill a Growth Mindset**
- a) **Growth Mindset Culture:** Encourage a growth mindset as proposed by Carol Dweck, where employees believe that hard work and good feedback lead to personal growth and improvement. Promote a culture that values continuous learning and development.
 - b) **Feedback for Growth:** Ensure feedback is framed in a way that emphasizes growth and improvement, encouraging employees to view challenges as opportunities for development.
8. **Regular and Informal Performance Reviews**
- a) **Frequent Check-Ins:** Change the performance review process to be more frequent and informal, allowing for ongoing feedback and adjustments. Schedule regular one-on-one meetings between employees and supervisors to discuss performance and development.
 - b) **Continuous Dialogue:** Foster a culture of continuous dialogue where feedback is given in real-time, addressing issues promptly and keeping employees aligned with their goals.
9. **Continuous Assessment**
- a) **Ongoing Evaluations:** Ensure performance evaluations and feedback are ongoing processes, conducting regular reviews to identify improvement areas and provide necessary support and resources.
 - b) **Support and Resources:** Provide support and resources to address identified areas for improvement, including additional training, mentorship, and access to development programs.
10. **Continuous Feedback Mechanism**
- a) **Mid-Year Reviews:** Implement mid-year reviews and regular check-ins to provide timely feedback and support, ensuring that performance evaluations are not just annual events but continuous processes.
 - b) **Ongoing Support:** Provide ongoing support and resources to help employees meet their performance goals, including access to training, coaching, and necessary tools.

11. Apply Balanced Scorecard (BSC) Approach

- a) **Adopt BSC Framework:** Adopt the BSC framework to ensure regular evaluation and monitoring. The BSC incorporates multiple perspectives—financial, customer, internal processes, and learning and growth—to provide a balanced and comprehensive evaluation. The Balanced Scorecard (BSC) addresses these performance management challenges by broadening the use of performance scores, ensuring regular evaluation and monitoring, providing timely feedback through mid-year reviews, and enhancing managerial coaching and mentoring. By incorporating multiple perspectives—financial, customer, internal processes, and learning and growth—the BSC ensures a balanced and comprehensive evaluation of performance. This holistic approach recognizes employees' contributions across various areas, thereby enhancing job satisfaction and motivation.
- b) The BSC framework involves setting clear objectives and key performance indicators (KPIs) for each perspective, which are monitored regularly through periodic reviews and feedback sessions. This continuous monitoring allows for early identification of issues and ongoing support, leading to improved performance and better alignment with strategic goals. Additionally, the BSC emphasizes setting interim targets and conducting mid-year reviews, ensuring that performance evaluations and feedback are ongoing processes, not just annual events. This regular feedback helps employees make necessary adjustments throughout the year, enhancing their ability to meet targets. Furthermore, the learning and growth perspective of the BSC underscores the importance of developing managerial capabilities, including coaching and mentoring. Managers are evaluated and incentivized based on their effectiveness in these areas, fostering a supportive environment that promotes employee development and ensures that employees receive the guidance needed to excel in their roles.
- c) **Regular Monitoring:** Monitor key performance indicators (KPIs) regularly and provide feedback based on multiple performance dimensions, maintaining a holistic view of employee contributions and progress.

The proposed solutions aim to transform the performance management system at PT JIEP by addressing the identified challenges comprehensively. By diversifying rewards, enhancing employee motivation, focusing on career development, and implementing continuous feedback mechanisms, the organization can create a more effective and supportive performance management system. Adopting the Balanced Scorecard (BSC) framework and instilling a growth mindset will further ensure that the system aligns with strategic goals and fosters a culture of continuous improvement and employee development.

5. Conclusion

This chapter contains elaborations and details of conclusions written on the abstract. Suggestions for further study and practical implication of Masters' student work can be written in this chapter.

5.1 Conclusion

The research on PT JIEP's Employee Performance Management System (PMS) has provided significant insights into its current state, effectiveness, and potential areas for improvement. By addressing the research questions, the main conclusions drawn from this study are as follows:

1. Current State of the Performance Management System

The study found that the existing PMS at PT JIEP is not fully aligned with the company's strategic goals. This misalignment results in a disconnect between individual performance and organizational objectives, reducing the overall effectiveness of the performance management process. Employees are often unclear about how their roles and contributions support the broader strategic aims of the organization. This gap highlights the need for better integration between the PMS and the company's strategic vision to ensure that employee efforts are effectively contributing to organizational success.

2. Factors Hindering Effectiveness

The current performance management process relies heavily on periodic reviews, typically conducted annually or semi-annually. This approach limits the ability to provide timely and constructive feedback to employees, which is essential for continuous improvement and professional development. The lack of regular feedback opportunities hampers the ability to address performance

issues proactively. Employees expressed a need for more frequent interactions with their -msupervisors to discuss their progress, challenges, and development needs, which would foster a culture of continuous learning and improvement.

3. Employee Engagement and Motivation

The PMS does not sufficiently engage or motivate employees. Effective performance management systems should not only assess performance but also motivate employees through recognition, clear goal setting, and career development opportunities. The research indicates that PT JIEP's PMS falls short in creating a motivating and engaging work environment. This can lead to lower employee morale and productivity, as employees may feel undervalued and disconnected from their professional growth and organizational contribution.

4. Enhancing the PMS with the Balanced Scorecard

The Balanced Scorecard (BSC) framework presents a valuable opportunity for PT JIEP to enhance its PMS. The BSC approach integrates financial and non-financial performance metrics, providing a comprehensive view of organizational performance. This balanced approach ensures that performance evaluations consider a wider range of factors, including customer satisfaction, internal processes, and learning and growth. Implementing the BSC can help align individual performance with strategic goals more effectively, offering a more holistic assessment of employee contributions and fostering a culture of balanced and sustained growth.

5.2 Recommendation

Based on the findings of this research, the following recommendations are proposed to improve PT JIEP's Employee Performance Management System:

Align the PMS with PT JIEP's strategic objectives using the BSC framework. By clearly linking individual performance goals with organizational goals, employees will have a better understanding of how their work contributes to the company's success. Develop clear and concise communication channels to ensure that all employees understand the company's strategic objectives and how their roles contribute to these goals. Regularly update and communicate these objectives to keep everyone aligned.

1. Comprehensive Metrics

Incorporate a mix of financial and non-financial metrics into the performance evaluation process. Metrics should include financial performance, customer satisfaction, internal business processes, and learning and growth opportunities. This holistic approach will provide a more balanced and accurate assessment of employee performance.

2. Enhance Continuous Feedback Mechanisms

a) Regular Check-ins

Introduce regular performance check-ins between managers and employees. These sessions should be conducted monthly or quarterly to discuss progress, provide feedback, and adjust goals as necessary. Regular check-ins will help in identifying and addressing performance issues promptly, fostering continuous improvement. Encourage regular one-on-one meetings between supervisors and employees to discuss performance, set short-term goals, and address any issues promptly. This will foster a culture of continuous improvement and professional development.

b) Feedback Training

Train managers on effective feedback techniques and communication skills. Providing constructive feedback is a critical component of performance management. Training will equip managers with the skills needed to deliver feedback that is specific, actionable, and supportive, enhancing employee development and performance.

By adopting these recommendations, PT JIEP can significantly enhance its Employee Performance Management System. This will lead to increased employee engagement, improved performance, and the achievement of strategic objectives. A well-designed and implemented PMS will not only benefit the organization but also support the professional growth and satisfaction of its employees, creating a win-win scenario for all stakeholders involved.

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