

## PERFORMANCE MANAGEMENT ANALYSIS OF EMPLOYEES AT PT INDOFOOD SUKSES MAKMUR Tbk

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### Abstract

Employee performance management is one of the important aspects in increasing the productivity and effectiveness of an organization. This study aims to analyze the performance management system implemented at PT Indofood Sukses Makmur Tbk, a large company engaged in the food and beverage industry. This study uses a qualitative approach with a case study method, which involves in-depth interviews with HR managers and analysis of company policy documents. The results of the study indicate that PT Indofood Sukses Makmur Tbk has implemented a comprehensive performance management system, which includes performance planning, monitoring, evaluation, and employee development. However, there are several challenges related to the objectivity of performance assessments and communication between superiors and subordinates. This study provides recommendations for increasing transparency in the performance assessment process and training for managers in providing constructive feedback.

**Keywords:** Performance Management, Employees, PT Indofood Sukses Makmur Tbk, Performance Evaluation, Employee Development

### A. INTRODUCTION

Performance management is a fundamental component of human resource management in any organization. This process aims to ensure that employees perform at their best, aligned with the organization's goals and expectations, thereby contributing optimally to achieving the organization's objectives. In today's increasingly competitive world, effective employee performance management is a key factor in a company's success. PT Indofood Sukses Makmur Tbk, one of Indonesia's largest companies operating in the food and beverage industry, is no exception in implementing performance management systems to enhance operational effectiveness and the company's competitiveness in the global market.

Founded in 1990 as a subsidiary of the Salim Group, PT Indofood Sukses Makmur Tbk has grown into a leading food company in Indonesia, offering a wide range of products, including instant noodles, snacks, dairy products, and other food staples. With its large-scale operations and diverse product offerings, the company faces various challenges, such as

maintaining product quality, improving operational efficiency, and ensuring that every employee works productively and aligns with the company's vision and mission. Therefore, implementing an effective performance management system is crucial to support the achievement of the company's strategic objectives.

According to Armstrong (2014), performance management is a systematic process designed to enhance individual and organizational performance through clear goal setting, outcome measurement, and employee development. In the context of PT Indofood, performance management is not merely about evaluating work results but encompasses managing and continuously monitoring performance to ensure alignment between individual goals and corporate objectives. A good performance management system should involve several stages, starting from performance planning which includes setting measurable and relevant goals to continuous performance monitoring, as well as periodic evaluation and employee development.

Several performance management models widely adopted by major companies include the Balanced Scorecard (Kaplan and Norton, 2005), which offers a holistic approach to assessing performance through multiple perspectives, and the OKR (Objectives and Key Results) model, commonly used by tech companies to manage goals and key outcomes in a transparent and measurable way. Given the large organizational complexity and diverse product portfolio, PT Indofood Sukses Makmur Tbk needs to adopt a systematic and integrated approach to performance management to support the company's overall vision achievement.

However, despite PT Indofood Sukses Makmur Tbk having implemented a relatively well-established performance management system, several challenges persist in its execution. As highlighted by Schiemann (2014), one of the main challenges in performance management is ensuring that the evaluation process is conducted objectively and fairly. This includes issues related to defining appropriate performance indicators and the importance of effective communication between managers and subordinates in providing feedback and career development. Without transparency and objectivity in performance evaluations, employee development and motivation may be hindered, ultimately affecting the productivity and overall performance of the organization.

This study aims to conduct an in-depth analysis of the implementation of performance management at PT Indofood Sukses Makmur Tbk and identify factors influencing the effectiveness of its performance management system. Through a case study approach, this research will explore various stages within the performance management system implemented at PT Indofood and examine the challenges faced by the company in optimizing employee performance. Additionally, the study seeks to provide recommendations for the company to enhance the effectiveness of its performance management implementation, thereby driving productivity and ensuring the company's sustainability in the future.

More broadly, the findings of this research are expected to contribute to the development of performance management theories, particularly in the context of large companies operating in highly competitive markets, such as the food and beverage industry.

The study will also serve as valuable input for other companies aiming to optimize their performance management systems to become more competitive at a global level.

## **B. LITERATURE REVIEW**

Performance management is a series of activities designed to ensure that employees contribute maximally to the company's objectives. According to Asiva Noor Rachmayani (2015), performance management encompasses goal setting, performance measurement, feedback, and employee development. Fundamentally, performance management aims to enhance work outcomes through a structured and systematic approach.

Several performance management models commonly applied in various companies include the Balanced Scorecard (Kaplan and Norton, 2005) and the Objectives and Key Results (OKR) model, often used by technology companies. These models offer a more measurable and objective approach to evaluating performance.

### **Theoretical Framework and Empirical Studies**

The theoretical framework in this research focuses on key concepts underlying performance management, as well as the models frequently employed in corporate performance management practices. Performance management involves a series of processes starting from performance planning to evaluation and employee development to achieve corporate objectives. Several theories relevant to understanding performance management include the following:

### **Definition and Concept of Performance Management**

Performance management can be defined as a systematic process used to improve the performance of individuals and groups within an organization. Armstrong (2014) states that performance management is about ensuring employees work in alignment with established goals, monitoring their performance progress, and providing feedback to support employee development. This process consists of several key stages:

1. **Performance Planning:** The first stage in performance management involves setting clear and measurable goals aligned with the company's strategic objectives. These goals should be achievable and relevant to the employee's role within the organization (Locke, Latham, and Edwin, 2002).
2. **Performance Monitoring and Measurement:** Monitoring is conducted to evaluate the extent to which performance goals are achieved over a specific period. During this stage, it is crucial for managers to provide constructive feedback to help employees improve their performance (Dinh Van, 2022).
3. **Performance Evaluation:** This stage assesses the performance of individuals or teams after a specific period. Performance evaluations serve as the basis for decision-making regarding rewards, promotions, or even further training (DeNisi & Pritchard, 2006).
4. **Employee Development:** Performance management also includes continuous development processes through training, mentoring, and providing career development opportunities to help employees reach their full potential (Armstrong, 2014).

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## **Models and Approaches in Performance Management**

Several performance management models and approaches commonly used by large organizations are as follows:

- **Balanced Scorecard (BSC)**  
The model developed by Kaplan and Norton (2005) emphasizes evaluating company performance through four perspectives: financial, customer, internal processes, and learning and growth. BSC helps companies link individual and team performance to long-term organizational goals. In the context of PT Indofood, this model can be utilized to ensure that employee performance evaluations are not solely based on financial outcomes but also on employee competency development and customer service quality.
- **OKR (Objectives and Key Results)**  
The OKR model focuses on setting ambitious objectives and measurable key results. This model is often used by technology and innovation-focused companies. In performance management, OKR assists PT Indofood in establishing more transparent and measurable goals, motivating employees to achieve greater results.
- **Goal Setting Theory**  
Developed by Locke, Latham, and Edwin (2002), this theory emphasizes that specific and challenging goals can enhance performance when employees feel capable of achieving them. Clear and measurable goals can improve employee focus and work motivation.

**Several factors can influence the effectiveness of performance management, including:**

- **Leadership**  
Effective leadership is crucial in performance management. Managers with strong communication skills who can provide constructive feedback tend to boost employee motivation (Dinh Van Thang and Nguyen Quoc Nghi, 2022).
- **Fairness and Objectivity**
- One of the challenges in performance management is ensuring that the evaluation process is conducted fairly and objectively. Subjective assessments can lead to employee dissatisfaction (Roberts, Hughes, and Kertbo, 2014).
- **Employee Engagement**  
Employee engagement in the performance management process can enhance their motivation and commitment to organizational goals. Employees involved in setting performance goals are more likely to feel motivated to achieve them (Dinh Van Thang and Nguyen Quoc Nghi, 2022).

## **Empirical Studies**

Empirical studies on performance management provide insights into how the aforementioned theories are applied in practice by large companies, including PT Indofood Sukses Makmur Tbk. The following are several empirical studies relevant to this research topic:

## **Performance Management in Multinational Companies**

A study conducted by Pulakos revealed that multinational companies often face challenges in managing employee performance due to cultural differences and varying

systems across countries. Companies must ensure that the performance appraisal systems implemented are globally accepted while remaining relevant to the local context. Similarly, PT Indofood, with operations across various locations in Indonesia and several countries, needs to tailor its performance management approach to be effective at different operational levels.

### **Performance Management and Employee Development**

A study by Tzafrir (2006) found that an effective performance management system is closely linked to employee career development. Companies that provide constructive feedback and support employee development tend to have higher retention rates and more productive employees. At PT Indofood, implementing employee development programs through performance management could enhance their skills and loyalty.

### **Implementation of Performance Appraisal Systems in the Manufacturing Industry**

A study by Jansen & Fenton (2017) in the manufacturing industry revealed that the main challenges in implementing performance management are objectivity in assessments and manager engagement in the process. The research highlighted the importance of training managers to provide constructive feedback and utilizing technological systems to improve assessment accuracy. As a company in the food manufacturing industry, PT Indofood can adapt these findings to enhance objectivity and transparency in performance evaluations.

### **The Impact of Performance Management on Organizational Performance**

Research by Locke, Latham, and Edwin (2002) demonstrated that effective performance management can improve work outcomes and organizational efficiency. By using appropriate evaluation tools and providing constructive feedback, companies can achieve more optimal results. In the context of PT Indofood, an integrated performance management system can contribute to increased productivity and employee satisfaction, ultimately supporting the company's goals.

## **C. RESEARCH METHODOLOGY**

This study uses a qualitative approach with a case study design to analyze performance management at PT Indofood Sukses Makmur Tbk. Data collection techniques were conducted through in-depth interviews with HR managers and employees directly involved in the performance appraisal process. Additionally, document analysis such as HR policies and performance evaluation reports was also carried out to understand how the performance management system is implemented. In the development of research instruments, the approach used was in-depth interviews with HR managers and the analysis of company policy documents. These instruments were designed to gather information related to the implementation of the performance management system and the factors influencing it. In-depth interviews provide qualitative data focused on the performance management process, while document analysis ensures that the data obtained is relevant and integrated with company policies. The development of this instrument can be expanded by directly involving employees, such as through surveys, to gain a broader perspective on the effectiveness of the system.

Data collection was carried out through a combination of in-depth interviews with HR

managers and analysis of related documents, such as performance evaluation reports and HR policies. This approach aims to gain a deep understanding of the performance management system implemented and identify challenges in its implementation. Data collection through interviews allows for in-depth exploration of managers' experiences and views, while document analysis provides additional information to understand the broader organizational context.

Data analysis was conducted qualitatively by identifying key themes that emerged from the interviews and documents analyzed. This process involved coding the data to find patterns and relationships between themes, such as strengths, weaknesses, opportunities, and challenges in the performance management system. Data from interviews and documents were then compared to ensure consistency and validity of the results. The results of the analysis were used to formulate recommendations to improve the effectiveness of performance management in the company, including improving the objectivity of assessments and developing managers' communication skills.

#### **D. RESULTS AND DISCUSSION**

performance management system, consisting of performance planning, monitoring, evaluation, and employee development stages. During the planning stage, the company sets key performance indicators (KPIs) that are relevant to each employee's role and responsibilities. Monitoring is carried out periodically to ensure the achievement of the established targets. Performance evaluation is done periodically using KPIs as the main reference, while employee development is carried out through training and career development programs.

Although the system implemented is fairly comprehensive, this study reveals several challenges that need attention. First, there is a lack of clarity in the formulation of some performance indicators, which makes it difficult to assess performance objectively. This can potentially lead to dissatisfaction among employees regarding the transparency and fairness of the evaluation. Second, communication between managers and subordinates in the feedback process was found to be ineffective. Several respondents expressed that the feedback provided was not specific or constructive, thus not fully supporting the development of employee performance.

These findings support previous studies by DeNisi and Pritchard (2006), which state that clarity of performance indicators and effective communication are key factors in creating a successful performance management system. In the context of PT Indofood Sukses Makmur Tbk, these challenges can be addressed through strategic measures such as the development of more specific and relevant KPIs, training for managers to provide more constructive feedback, and improving transparency in the evaluation process.

The recommendations arising from this study are expected to improve the effectiveness of performance management at PT Indofood Sukses Makmur Tbk. Furthermore, the findings contribute theoretically to the development of performance management systems in large companies, especially in the competitive food and beverage manufacturing industry. By

addressing the identified weaknesses, the company can more effectively support employee development, increase productivity, and achieve its strategic goals.

## E. CONCLUSION

Overall, performance management at PT Indofood Sukses Makmur Tbk is functioning well, but there is still room for improvement, particularly in terms of the objectivity of assessments and communication between managers and employees. The company needs to enhance training for managers to provide more constructive and clear feedback. Additionally, refining performance indicators and establishing a more transparent monitoring system are also necessary to support more optimal employee development.

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