

How Far Does Performance Analysis Apply to Indonesia Today?

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ABSTRACT

This study analyzes the suitability and relevance of implementing Armstrong's (2000) organizational performance theory in the context of Indonesian organizations in 2025. Armstrong developed a strategic, sustainable, dialogue-based performance management model that is integrated with all human resource management practices. However, when this framework is adopted in the Indonesian context, both in the private and public sectors, there are various inconsistencies due to differences in organizational culture, bureaucratic structure, industrial relations, and employment regulations such as Law No. 13/2003 and Law No. 6/2023. The analysis shows that Indonesian organizations still face challenges in the form of an administrative understanding of performance management, minimal continuous feedback practices, weak links between performance appraisal results and reward systems, and the dominance of a paternalistic and hierarchical work culture. Comparison with Indonesian performance theories (Mangkunegara, Wibowo, Hasibuan, Rivai) reveals that Armstrong's model does not fully encompass micro variables such as motivation, work discipline, compensation, and leadership, which are actually very important determinants of performance in the national context. This study concludes that Armstrong's (2000) theory is compatible as a strategic framework, but requires contextual adaptation through the addition of local variables for effective application in Indonesia.

INTRODUCTION

Human resources (HR) are a crucial factor in achieving organizational goals. These resources must be well managed and developed to ensure employees perform optimally, resulting in optimal output. In an increasingly competitive era, organizations are required to achieve superior performance to maintain their existence and enhance their competitiveness. One strategic factor that significantly contributes to achieving organizational goals is human resource management (HR). HR is considered a key organizational asset, as strengthening quality work practices is expected to create competent, adaptive, and highly competitive human resources, thereby supporting optimal organizational performance.

The development of human resource management (HRM) in the last two decades has demonstrated a global shift from an administrative approach to a strategic one, making individual and organizational performance the primary focus of modern institutional development. In the context of globalization, organizations, both public and private, face demands to increase effectiveness, transparency, and productivity through integrated performance management systems. Modern theories such as strategic HRM, competency-based management, and performance management systems (PMS) emphasize that organizational success is largely determined by the extent to which human resources are systematically developed, motivated, and measured.

Within this framework, Armstrong's (2000) theory of organizational performance serves as a comprehensive reference. It emphasizes a systematic performance management cycle consisting of goal formulation, performance indicators, measurement, assessment, feedback, and employee development as a continuous process. When this framework is adopted from the private sector to the public sector, these core principles are retained but must be recalibrated to align with the public purpose, political accountability, and legal constraints inherent in public administration. At the operational level, this adoption requires the transformation of indicators from purely profit and efficiency measures to measures of public service, legal compliance, and social impact indicators. Meanwhile, incentive mechanisms must be aligned with bureaucratic norms and the protection of public officials' work.

The performance management paradigm has begun to be transferred to the public sector, including Indonesia, beginning with the development of academic studies. Academic studies encompass sociological and political analysis. Academic papers serve to examine the relevance, contextual suitability, risks, and sociopolitical impacts of implementing performance management in the private sector in the public sphere. From a sociological perspective, the adoption of performance theory triggers changes in symbolic structures and power relations. New managerial norms embody a performance orientation, a target-oriented culture, intersecting with the old bureaucratic (Weberian) culture, patronage practices, and industrial relations. In public, these changes are not only technical but also normative, altering collective expectations about the role of civil servants, professional standards, and the relationship between the state, employees, and society. Politically, the adoption of private performance theory

in the public sector is often overseen and facilitated by the New Public Management (NPM) paradigm, popular since the 1990s, which emphasizes efficiency, decentralization, contractualization, and accountability for results. However, the implementation of NPM in the public sphere depends on political power, legislative coalitions, and stakeholder pressure from labor unions and civil society.

In principle, Armstrong's (2000) theory positions performance management as a strategic, ongoing, dialogue-based, goal-driven process integrated with all HR practices. When linked to the Indonesian context, the most comprehensive alignment is seen in Law No. 13/2003. Law 13/2003 places a strong emphasis on competency development, participatory industrial relations, increased productivity, worker protection, and the balance between performance and returns. This pattern aligns with Armstrong's (2000) view of performance not merely as an administrative evaluation, but as a process of learning and enhancing organizational value. Thus, the strongest conceptual alignment occurs between Armstrong (2000) and the articles on training, employment relations, productivity, and work assessment in Law No. 13/2003.

In practice, a comparison between the implementation of Armstrong's (2000) theory in the United States and its implementation in Indonesia in 2025 reveals a significant discrepancy. Armstrong (2000) developed the concept that performance management cannot be effective without a supportive organizational culture, and that culture must be oriented toward openness, dialogue, personal accountability, collaboration, and results orientation. At that time, American companies were already in a relatively mature modern management ecosystem characterized by low power distance, high trust in data, meritocracy, and flexible work structures. This culture enabled the consistent implementation of performance agreements, continuous feedback, and individual development planning. Employees were accustomed to voicing their opinions, supervisors possessed coaching skills, and the organization instilled the value of "shared responsibility for performance." This culture aligns closely with Armstrong's logic because performance management is understood not as administration but as an organizational value. Meanwhile, Indonesia is known for its high power distance, hierarchical work culture, social harmony that prioritizes conflict avoidance, and formality-oriented bureaucracy. This situation results in appraisals becoming an annual formality, minimal vertical communication, superiors becoming instructional providers rather than coaches, and innovation being limited by procedures. This culture is inconsistent with Armstrong's (2000) emphasis on openness, feedback, and empowerment.

In the public sector, a procedural and normative bureaucratic culture tends to create a performance culture that is ritualistic and document-based, but the spirit of evaluation is not fully realized. In the private sector, some modern companies (technology, multinational, and financial) have approached Armstrong's model, but many still have a paternalistic work culture and dependency on leadership figures. Differences in work culture between sectors and regions are also sharp, so Armstrong's implementation cannot be done homogeneously. Therefore, it can be seen that Armstrong's theory (2000) cannot

be fully adopted in Indonesia without considering differences in context, culture, and regulations.

Based on the background above, the research problem can be found as "is the application of organizational performance theory according to Armstrong (2000) in line with what will happen in Indonesia in 2025?"

LITERATURE REVIEW

Organizational Performance Theory, Armstrong (2000)

According to Armstrong (2000), organizational performance is the ability of an organization to achieve its strategic goals through achieving results (outcomes) that are consistent with the established vision, mission, and strategic plan, which are achieved through the integrated contribution of individuals, teams, structures, systems, and work culture. Armstrong emphasized that organizational performance is not just the sum of accumulated individual performance, but is the result of alignment between organizational goals, internal processes, human resource capabilities and an organizational culture that supports learning, collaboration, and innovation. Thus, organizational performance is seen as a function of how effectively the organization manages the entire performance management cycle starting from planning, organizing, competency development, coaching, measurement, to evaluation and continuous improvement.

Armstrong (2000) also emphasized that organizational performance is greatly influenced by an integrated management system. This means that organizational strategy, job design, employee competencies, leadership, reward systems, and work culture must all work in harmony. According to Armstrong (2000), a high-performing organization is one that is able to create productive working relationships, facilitate open communication, set clear performance standards, and provide feedback mechanisms that enable continuous improvement. Therefore, organizational performance is measured not only by productivity but also by effectiveness, service quality, innovation, employee satisfaction, and the organization's ability to adapt to environmental changes.

Theoretically, Armstrong (2000) defines performance as the result of a performance management process consisting of:

1. Performance Planning
2. Performance Management
3. Performance Development
4. Performance assessment
5. Reward Culture of Performance

In this case, in Indonesia there are several opinions from similar theories that are influenced by work culture and employment regulations.

Indonesian Performance Theory – Mangkunegara (2009–2017)

Core concept: Performance is the result of work that is influenced by:

1. Ability
2. Motivation

Research variables:

1. Ability
2. motivation
3. employee performance

Indonesian Theory – Wibowo (2007–2016)

Core concept: Performance is the result of work and processes that are influenced by:

1. behavior
2. work culture
3. competence
4. job satisfaction

Research variables:

1. organizational culture
2. competence
3. work behavior
4. performance

Indonesian Theory – Hasibuan (2008–2012)

Emphasizes the role of discipline and compensation as keys to performance.

Research variables:

1. work discipline
2. compensation
3. performance

Indonesian Theory – Veithzal Rivai (2008–2015)

Performance is influenced by:

1. leadership
2. compensation
3. motivation
4. work environment

METHODOLOGY

This study uses a qualitative descriptive approach that aims to analyze the alignment between the theory of organizational performance according to Armstrong (2000) and performance management practices in Indonesia in 2025. This method was chosen because the focus of the research lies in in-depth interpretation of the concepts, regulations, and context of organizational culture, not on numerical measurements.

RESEARCH RESULTS AND DISCUSSION

The application of Armstrong's (2000) performance theory, particularly the Armstrong (2000) performance management model, has been widespread and significant in various organizations in Indonesia, both in the private sector and in government (local governments). Armstrong's (2000) theory and model are often used as primary academic references and practical guidelines in

designing Human Resources (HR) and Performance Management systems in Indonesia. The application of Armstrong's performance theory in Indonesian organizations can be seen from the following aspects:

Structured Performance Management Model

1. Determining the Organization's Mission and Strategic Goals

Within Armstrong's (2000) framework, performance management begins with the formulation of the organization's mission and strategic objectives as the foundation for performance alignment at all levels of the organization. Armstrong emphasized that organizational objectives must be cascaded into departmental, group, and individual targets to ensure consistent performance direction. This view is reinforced by Kaplan & Norton (1996)'s Balanced Scorecard, which states that individual performance is only effective when directly linked to corporate strategy. Therefore, this stage is not merely the formulation of administrative targets, but a strategic process for integrating the organization's vision with employees' operational contributions.

2. Performance and Development Agreements

Armstrong emphasized that performance agreements are at the heart of modern performance management, where managers and employees jointly develop performance goals and competency development plans. These goals generally use the SMART (Specific, Measurable, Achievable, Relevant, Time-bound) framework. Eraut (1994) supports this idea by stating that learning and skills development are more effective when planned based on actual job needs and agreed upon by both parties. Within Armstrong's (2000) framework, these agreements also serve as psychological contracts that clarify expectations, enhance role clarity, and strengthen employee ownership of the targets.

3. Continuous Monitoring and Feedback

The monitoring stage in Armstrong's model is not administrative, but rather an ongoing dialogue process focused on performance improvement, not just evaluation. Armstrong (2000) rejects the traditional annual appraisal approach and encourages organizations to shift to continuous coaching. This opinion is supported by London (2003), who asserts that continuous feedback increases employee adaptability and accelerates behavioral corrections. Continuous monitoring allows managers to identify obstacles more quickly, intervene in a timely manner, and create a transparent, learning-oriented culture.

4. Formal Review and Comprehensive Performance Assessment

At the end of the cycle, Armstrong (2000) emphasized the need for a formal review as a comprehensive process to evaluate the achievement of results, work behavior, and demonstrated competencies of individuals. Unlike traditional models, Armstrong positions this review as a strategic reflection that integrates monitoring records throughout the year, rather than simply an "annual assessment disconnected from the day-to-day process." This opinion aligns with Fletcher (2001), who emphasized that performance appraisals should serve as a

means of dialogue and development, not simply an administrative rating. Formal reviews within Armstrong's framework also serve as the basis for planning the next cycle, thus making the performance management cycle a continuous learning mechanism.

Private Sector (Companies and State-Owned Enterprises/Regional-Owned Enterprises)

In the corporate sector, especially large companies, BUMN (State-Owned Enterprises), and BUMD (Regional-Owned Enterprises), the Armstrong model is often used as a basis for:

1. Performance Appraisal System Design

In both the private sector and state-owned enterprises (BUMN/BUMD), Armstrong's (2000) theory serves as the primary reference for designing performance appraisal systems, emphasizing the principle of objective, structured, and results-oriented performance measurement. Armstrong (2000) states that performance appraisals should encompass both quantitative (output, volume, productivity) and qualitative (behavior, competence, and service quality) aspects. Armstrong's (2000) statement aligns with Bernardin & Russell (1993) who assert that an effective appraisal system must combine outcomes and behaviors to reduce bias and enhance assessment fairness. In the BUMN environment, this principle is reflected in the KPI-based appraisal system developed to ensure alignment between organizational targets and individual performance, where indicators are designed following the cascading goals structure recommended by Armstrong and Baron.

2. Competency Development

Competency development is a major focus in Armstrong's (2000) model, primarily because Armstrong views performance management as a mechanism for continuous learning. When a performance gap exists, organizations must formulate relevant training, coaching, and professional development. Spencer & Spencer (1993) support this view by asserting that individual competencies are predictors of performance that can be developed through targeted training interventions. In state-owned enterprises (SOEs) and large corporations, competency gap analysis is used as the basis for developing training needs analyses (TNAs), leadership development programs, and capacity building programs consistent with Armstrong's framework. This approach strengthens the integration between performance assessment and human resource development strategies.

3. Reward and Compensation System

Armstrong (2000) explicitly states that performance must be correlated with the reward system, as rewards serve as reinforcement for high-performance behavior. He emphasized that the compensation system must be fair, transparent, and based on results and competency. Armstrong's opinion is reinforced by Milkovich & Newman (2002), who explain that the link between

performance and compensation improves motivation, retention, and performance culture in an organization. In the practice of state-owned enterprises and large private companies, appraisal results are used as the basis for awarding bonuses, remuneration, and promotions, in accordance with the principle of performance-related pay (PRP) widely adopted in modern remuneration systems. The correlation between performance and rewards also strengthens a meritocratic organizational culture, which, according to Lawler (2003), is only effective if performance assessments are conducted validly, a principle that aligns with Armstrong's design model.

4. Public Sector (Regional Government/Institutions)

In the public sector, including local governments and institutions, Armstrong's (2000) organizational performance theory is used as a framework for analyzing and improving ASN performance management systems, even though the government already has its own regulations such as Employee Performance Targets (SKP). Armstrong emphasizes that performance management is a strategic and integrated process that links individual contributions to organizational goals on an ongoing basis, a relevant principle for ensuring the linkage between work planning, key performance indicators, and individual assessments. This approach is in line with Hood's (1991) New Public Management theory, which encourages public organizations to adopt corporate performance management practices to be more accountable and results-oriented, as well as Osborne & Gaebler's (1992) emphasis on the importance of performance measurement for the effectiveness of public organizations.

Case studies in several local governments demonstrate that Armstrong's framework has been used to identify weaknesses in the SKP system, including fragmented organizational goals and a lack of continuous feedback, thus supporting improvements through aligning individual goals with the organization's strategic objectives and implementing continuous feedback mechanisms. Thus, Armstrong's theory is not only a supporting theory but also a paradigm for public management reform that promotes efficiency, accountability, and organizational learning.

Implementation Barriers

In Indonesia, the implementation of organizational performance management based on Armstrong's (2000) theory still faces significant challenges, despite its widely recognized theoretical framework. Among the main obstacles are:

1. **Insufficient Understanding**

In practice, performance management is still seen as an annual administrative activity merely to fill out appraisal forms, not as a continuous process that emphasizes coaching, dialogue, and communication between superiors and subordinates as Armstrong emphasized.

2. **Feedback Limitations**

Mechanisms for monitoring and providing constructive and open feedback often do not function optimally, especially in rigid bureaucratic structures, thereby reducing the organization's ability to adjust performance in real time.

3. Lack of Linkage between Performance Appraisal and Reward System
In many cases, assessment results are not fully used as a basis for determining motivational rewards, including bonuses, salary increases, or promotions, thus reducing the effectiveness of the performance cycle. This situation indicates the need for a more systematic approach to internalizing Armstrong's principles, including the integration of performance monitoring, continuous feedback, and performance-related rewards so that performance management in Indonesia can truly function as a strategic tool for improving organizational productivity and service quality.

CONCLUSIONS AND RECOMMENDATIONS

In this case, based on the theoretical views that apply in Indonesia in the details of the previous discussion, it can be concluded that:

1. Armstrong is global and strategic
So when it is applied in Indonesia, it does not take into account:
 1. Work discipline
 2. Local work culture
 3. Industrial relations
 4. Paternalistic leadership
 5. Normative obligations based on Law No. 13/2003 and Law No. 6/2023
2. Armstrong's theory does not provide micro variables such as motivation, discipline, compensation which are very dominant in Indonesian research.
3. The Indonesian context requires additional variables because the work structure in Indonesia is different from America.
4. The Armstrong model is compatible for expansion, not cutting. Indonesian theory enriches, not replaces.
5. The variables that can be added in further research are:
 1. Motivation
 2. Work discipline
 3. Leadership
 4. Organizational culture
 5. Compensation
 6. Competence

ADVANCED RESEARCH

This study advances the analysis of Armstrong's (2000) performance management model by emphasizing the need for contextual adaptation within Indonesian organizations. Findings show that cultural hierarchy, administrative appraisal practices, and weak reward alignment limit the model's effectiveness, while local determinants such as motivation, discipline, compensation, and

leadership remain crucial. The research proposes a hybrid framework that integrates Armstrong's strategic principles with Indonesia-specific variables to achieve more relevant and impactful performance management.

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