

Proposed Corporate Performance Management System for CV. Pelangi Nusantara

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Abstract

This research aims to design a performance management system suitable for the company, addressing the lack of specificity in providing specifications. The design process involves translating the company's future objectives into actionable strategies that foster growth and enhance competitiveness. To address these challenges, the research utilizes the Knowledge-Based Performance Management System (KBPMS) framework, which has proven effective in similar contexts. The KBPMS framework offers a comprehensive approach to performance management, emphasizing the integration of organizational objectives, internal processes, and resource capabilities. By leveraging these perspectives, companies can align their activities with strategic goals and optimize performance. Through rigorous analysis and consultation, this research has identified 25 key performance indicators (KPIs) tailored to the company's vision, mission, and strategic priorities. These KPIs reflect various aspects of the business, including operational efficiency, customer satisfaction, and financial performance. Implementation of the performance management system will involve careful monitoring and measurement of these KPIs, ensuring that progress is tracked effectively and corrective actions can be taken as needed. By providing real-time insights into company performance, the system enables timely decision-making and continuous improvement. Overall, the research contributes to the field of performance management and business strategy by offering a practical framework for enhancing organizational effectiveness and achieving long-term success. It is anticipated that the adoption of this system will enable the company to reach its targets and strengthen its competitive position in the market.

Keywords: Leadership, Training, Work Environment, Teacher Performance

Introduction

CV. Pelangi, a construction firm specializing in procurement services, operates in an industry experiencing rapid growth, as evidenced by recent studies highlighting the construction sector's significant contribution to Indonesia's economy (Rothenberg et al., 2016). With the construction industry's expansion aligning with national economic development goals outlined in programs like the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) until 2025, the company aims to capitalize on its over two-decade experience in the sector.

However, to sustain competitiveness amidst dynamic market trends, it becomes imperative for businesses like CV. Pelangi to implement effective performance

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management systems. Such systems play a crucial role in evaluating organizational performance comprehensively. They not only facilitate the efficient attainment of organizational goals but also enhance both employee and organizational performance by providing a structured framework for assessment (Anthony Jr, 2019).

Recognizing the significance of a robust performance management system, the company seeks a solution that aligns with its strategic objectives. In this context, the Knowledge-Based Performance Management System (KBPMS) proposed by (Kusuma, 2024) emerges as a compelling choice. Unlike other frameworks, KBPMS offers several distinct advantages that cater specifically to the needs of CV. Pelangi:

- 1) **Comprehensive and Integrated Approach:** KBPMS is designed to cover all facets of performance management, from corporate-level strategies to operational-level processes. Its integrated nature ensures a holistic assessment of organizational performance.
- 2) **Simplicity and Ease of Implementation:** The framework provides a systematic and straightforward approach, making it easier to understand and implement across various organizational levels. This simplicity fosters greater acceptance and engagement among stakeholders.
- 3) **Stakeholder Involvement:** KBPMS empowers stakeholders to actively participate in strategy formulation, target setting, and performance evaluation. This inclusive approach fosters a sense of ownership and accountability, driving collective efforts towards achieving organizational objectives.
- 4) **Fair Assessment and Responsibility Assignment:** The framework ensures fairness in assessing work output by considering obligations, roles, and compensation structures. Moreover, it provides a clear framework for defining and assigning responsibilities, promoting clarity and accountability within the organization.
- 5) **Enhanced Work Performance:** By distributing responsibilities among all parties and fostering a collaborative environment, KBPMS contributes to overall work performance improvement. It encourages alignment of individual and collective efforts with organizational goals, thereby enhancing productivity and effectiveness.

In summary, the adoption of KBPMS by CV. Pelangi holds the potential to revolutionize its performance management practices, enabling the company to navigate industry challenges effectively while maximizing its operational efficiency and strategic alignment.

Method

Refining the research method for the integration of the KBPMS framework into the performance management system proposed for CV. Pelangi Nusantara involves several key steps to ensure comprehensive data collection and analysis. These steps include establishing parameters, collecting data through interviews and observation, and utilizing various documents and visual materials as protocols.

The qualitative approach has been chosen for data collection in this study, aiming to gather insights from multiple stakeholders involved in CV. Pelangi Nusantara's operations, including directors and managers overseeing various departments such as operations, finance, marketing, and human resources. The objective is to effectively implement the Knowledge-Based Performance Management System (KBPMS) framework into the company's performance management system.

Primary data collection primarily relies on active researcher involvement, particularly through interviews with five representatives from CV. Pelangi Nusantara who play pivotal roles in day-to-day corporate management. These stakeholders were carefully selected to ensure the gathering of precise and comprehensive information relevant to the integration of the KBPMS framework. To guide the interview process and ensure alignment with research objectives, an interview protocol was established. Both audio recording and handwritten notes were utilized during interviews to capture information accurately. Subsequently, the audio recordings were transcribed into written form to facilitate the extraction of key insights from the responses.

In addition to primary data, secondary data collection involves gathering historical information from CV. Pelangi Nusantara's internal sources such as company reports, financial statements, as well as external sources including books, journal articles, and government publications. This secondary data serves to provide additional perspectives and insights into the research objectives, complementing the primary data collected through interviews and observation.

Overall, the refined research method ensures a thorough and systematic approach to integrating the KBPMS framework into CV. Pelangi Nusantara's performance management system, thereby facilitating effective decision-making and strategic alignment within the organization.

Results and Discussion

Designing Performance Management System

Stage 0: Foundation

The initial step in designing a Performance Management System (PMS) involves analyzing the existing framework within the company (De Rooij, Janowicz-Panjaitan, & Mannak, 2019). The foundation for PMS design is rooted in an understanding of guiding principles. At this stage, four principles and five rules are critical in the design of a performance management system. There are 4 principles in the table below.

- a) Partnership with Stakeholders: All stakeholders accept and support KBPMS,
- b) Empowerment of Employees: Accomplished leaders enable employees by leveraging their skills, actively engaging them to contribute to the enhancement of company performance.
- c) Integrated Performance Improvement: Creating a sense of belonging among employee members improves productivity across the board.
- d) Independent Team: To gauge its performance, the business assigns authority for specific duties and responsibilities.

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In addition, the performance management system was developed by considering the 5 rules, as follows:

- 1) **Keep It Stupid Simple:** Design a performance management system that is easy to apply. It should not only aim to obtain a certificate or good score.
- 2) **Long-Term Oriented:** Focus on both financial and non-financial aspects for the long term.
- 3) **Based On Time:** Must specify a variable that is used on a real-time basis.
- 4) **Focus On Continuous Improvement:** Should be able to accommodate a continuous improvement process.
- 5) **Quantitative Approach:** Using a quantitative approach makes it easier for the company to analyze and evaluate if the target is not achieved.

Stage 1: Basic Information

SWOT & TOWS Analysis

Basic information on the business environment, which includes the information industry, the government and society, the market and rivals, and services (Cherunilam, 2021). SWOT & TOWS analysis is the result of internal and external analysis will be summarized in table in the below.

Internal External	Strength Fast and high-quality service (S1) Diverse supplier network, reducing reliance on a single supplier. (S2) Ability to return products or services in case of non-compliance. (S3)	Weakness Marketing activities are low and not optimal. (W1) Lack of innovation and employee training, leading to dependency on directives from the director (W2) Simple technology usage (W3)
	Opportunity Focus on building the company's brand and reputation in the eyes of customers to enhance loyalty and attract new business. (O1) Diversify into multiple business lines, not limiting to the procurement of construction goods and services, thus increasing company revenue. (O2) Abundance of growing industrial zones. (O3)	S-O Utilize fast and high-quality services to build a strong brand and reputation in the eyes of customers, increasing loyalty and attracting new businesses. (S1+O1) Use the diverse supplier network to diversify the business lines, not just focusing on the procurement of construction goods and services, thus increasing company revenue. (S2+O2+O3) Enhance the return policy as a tool to improve customer satisfaction and build a positive reputation. (S3+O1)
Threat There are many competitors who have the same line of business and are more experienced. (T1) Prices change from time to time for each supplier, resulting in increased operational costs. (T2)	S-T Using advantage of fast and high-quality service and supplier network to create different service to make better. (S1, S2+T1) CV, PN make agreements to collaborate with certain suppliers in order to maintain the availability of competitive goods or services. (S2+T2)	W-T Address suboptimal marketing to compete with more experienced rivals. (W1+T1) Focus on technology improvements to reduce the cost and be competitive. (W2+T1, T2)

Figure 1 SWOT & TOWS Analysis

Stage 2: Design

Vision

The vision of CV. PN is “Become one of the companies that is trusted to serve General Trade and Services”. To define whether the vision is good or not, the vision will be analyzed using vision checklist table.

Table 1 Vision Check

Criteria	Yes	No
A single sentence	v	
Give inspiration the employee and make employee comfort working in the company	v	
Written in good and true language without empty	v	

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words		
Easy to be understand by employees	v	
Focus on one or two performance aspect only	v	
The level of achievement can be tested		v
Developed by CEO or leader not by the committee	v	
Validation is conducted in yearly basis		v
Realistic, showing the current company position and limited resource owned by the company		v
Can be change depend on environment of business	v	
Easy to be remembered by employee without note	v	

From table in the below, the vision of achievement has never been tested by the company. The vision was created after approximately 5 years of the company's existence, but there is no validation to check whether the vision is still relevant with the company position and with the limited resource owned by the (Zhou, Gao, & Zhao, 2017). Therefore, researchers propose to create a new vision for CV. Pelangi Nusantara "To be a leading company in supplier services provider with the highest quality to meet the real needs of customers." (Meidutė-Kavaliauskienė, Aranskis, & Litvinenko, 2014). In line with the aspirations of the company owner who wants to prepare to upgrade the legal institution from CV to PT (Perseroan Terbatas).

Mission

A mission is a set of actions required to attain the vision. It can also be described as an elaboration of the vision The following checklist outlines the guidelines for a mission to ensure it is well-crafted:

Table 2 Mission Interpretation and Implication

Mission	Interpretation	Implication
Providing good service to business partners and mutually beneficial so as to create an effective and efficient cooperative relationship.	Focusing on partner satisfaction and the ability to work together productively.	Commit to providing adequate services to business partners, ensuring good communication, maintaining harmonious relationships, and seeking ways to improve cooperation efficiency.

Develop strong partnerships with business partners to expand market reach and increase company profits.	Finding ways to collaborate with business partners for mutual benefit.	Actively seek suitable business partners, identify market expansion opportunities, and execute mutually beneficial strategies with business partners.
Maintain customer integrity and trust by providing transparent and honest services	Commitment to building strong and sustainable customer relationships.	Having transparent business practices, maintain honest communication with customers and address issues or uncertainties with integrity. This can build a good reputation and foster customer loyalty.

Corporate Strategy

Based on the KBPMS design, all company strategies will be categorized into three groups: resources availability, internal processes, and organizational results. Here is the strategy of CV. Pelangi Nusantara based on discussions with management (Sumengkar, Iriantara, & Sulastini, 2023):

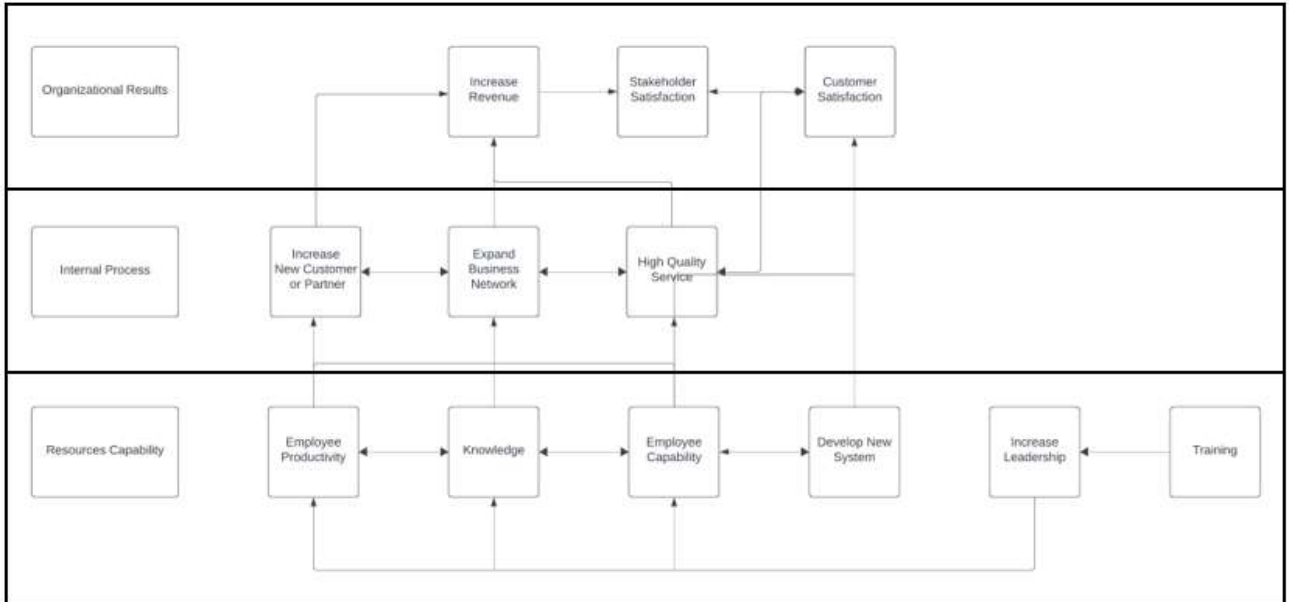


Figure 2 Strategy Map of CV. PN

Performance Variable

Determination of performance variables is based on the strategy of CV. PN, which serves as the company's standard. Variables can be categorized into two distinct

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types: qualitative and quantitative (Wischnewsy & Neuenkirch, 2021). The following is the performance table for CV. PN

Table 3 Performance Variable of CV. PN

PERSPECTIVE	ASPECT	KPI	
	a. Financial Aspect	1) Net Income (NPM)	
		2) Revenue	
		3) Expense Ratio	
		4) Return Of Asset	
		5) Return Of Equity	
		6) Current ratio	
		7) Debt Ratio to Equity	
		8) Debt Ratio to Asset	
			1) Customer satisfaction index
			2) Employee satisfaction index
	b. Non Financial Aspect	3) Supplier satisfaction index	
2. Internal process	a. Innovation	1) Service innovation	
		2) Ide Generate	
		3) Ide Conversion	
	b. Operation process	1) Service Rejection	
		2) Efficiency Project Time	
	c. Marketing	1) Number of partnership	
		2) New customer growth	
		3) New Potential Project	
d. After Sales Service	1) Customer feedback and suggestion		
3. Resource capability	a. Human resource	1) Employee productivity	
		2) Availability of Training	

b. Technology resource	1) Availability of technology
c. Organization capital	1) Teamwork and knowledge sharing
	2) Leadership

Linkage Variable

The researcher utilizes correlation analysis, with a specific emphasis on interviews and group discussions (Forenza & Lardier, 2017). This approach is employed to discern causal relationships based on the perspectives and experiences of the involved parties, as well as to identify connections between each perspective. This following linkage variabel in the figure below:

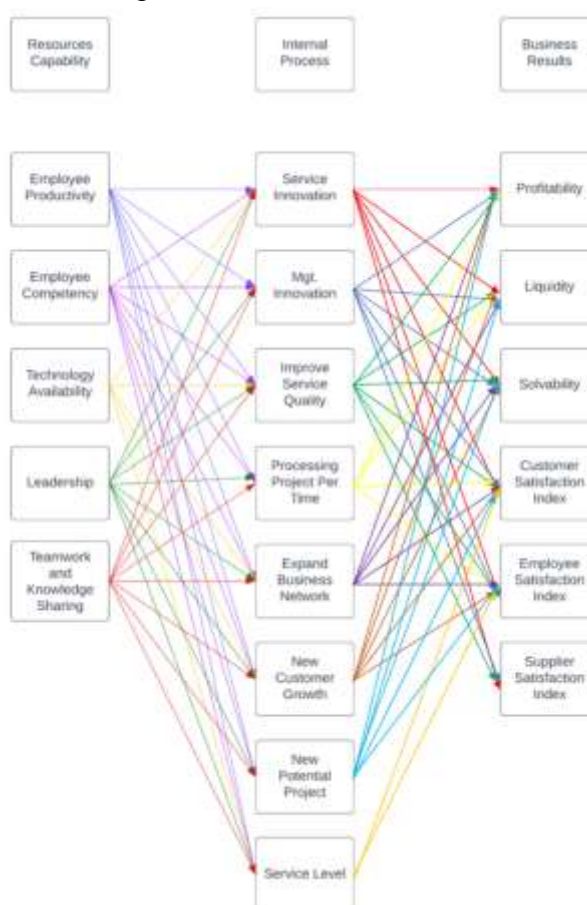


Figure 3 Linkage Variable

Benchmarking

The following is the benchmarking of CV. Pelangi Nusantara against competitors in the same business line and industry, calculated over the past 5 years.

Table 4 Comparison benchmarking with competitors

2022	2021	2020	2019	2018
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CV. PN					
Net Profit Margin	3%	3%	2%	4%	5%
Expense Ratio	97%	97%	98%	96%	95%
CV. JT					
Net Profit Margin	7%	8%	6%	7%	8%
Expense Ratio	93%	92%	94%	93%	92%
Net Profit Margin	3	3	2	3	4
Expense Ratio	97%	97%	98%	97%	96%

The table above indicates that CV. Pelangi Nusantara is still below its competitors in terms of financial aspects when compared in net profit margin and expense ratio over the last 5 years (Kumar & Subramanian, 2015). However, the company's business line continues to expand, as evidenced by the number of purchase orders (PO) or projects secured. Nevertheless, for the future, CV. Pelangi Nusantara needs to refine its strategy in winning potential (more profitable) POs or projects and not be solely focused on the quantity of projects won (Wiryoartono, 2020).

Stage 3 Implementation

The concept of performance management was first introduced by Stoop (1996), drawing an analogy from Deming's PDCA cycle (Plan, Do, Check, Action) (Godoy & Bessas, 2020). The figure below illustrates the performance management systems:

After designing the performance management system for the company, the next step is to create a proposed implementation schedule. The time required to plan the implementation schedule is approximately 51 days or 2 months and 1 week. The proposed implementation schedule for the performance management system submission for CV. Pelangi Nusantara can be seen in the table below.

Table 5 Implementation Schedule Plan

No	Activities	PIC	Duration (days)	Budget
1	Explanation an TopManagemer 1 introduction aboi & Consultant performance management system			Rp750.000

2	Explanation an TopManagement 2 analysis of current & Consultant situation (company an advantage to using performance management system	
3	Explanation an TopManagement 1 introduction about & Consultant proposal th performance management system (KBPM)	
4	Explanation an TopManagement 1 introduction about & Consultant Stage (Foundation	Rp500.000
5	Explanation an Top, Middle 1 introduction about Management Stage 1: Basis and Consultant Information	Rp700.000
6	Analysis (Top, Middle 1 internal an Management external and Consultant environment (company	
7	Explanation an Top, Middle 7 introduction about Management Stage 2: Design (and Consultant performance management system, vision mission an strategy (company.	Rp1.500.000
8	Continue Top, Middle 7 explanation from Management Stage (and Consultant Performance Variable, Linkage Variable an	

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Benchmarking.					
9	Explanation about Stage Implementation	Top, Management and Consultant	Middle	1	Rp500.000
10	Report of the new performance management system	Top, Management and Consultant	Middle	7	Rp850.000
11	Analysis of the benefit-to-cost ratio	Top, Management and Consultant	Middle	5	Rp900.000
12	Training Employee	Human Resources		5	Rp7.000.000
13	Allocation resources	Top, Management and Consultant	Middle	5	Rp1.000.000
14	Designing display of management system	Human Resources		5	Rp2.500.000
15	Socialization performance management system	All and Consultant	Employee	2	Rp650.000
16	Performance measurement	Continuous Improvement		-	-
17	Evaluation measurement	Continuous Improvement		-	-
18	Diagnosis improvement	Continuous Improvement		-	-
19	Follow up	Continuous Improvement		-	-

The table above outlines the detailed plan for the implementation of the performance management system. It begins with an explanation and introduction of the performance management system to follow-up that should be done continuous improvement. The implementation spans from January 2024 to March 2024, covering the introduction and socialization phases. Following this, there are ongoing measurements, evaluations, diagnoses, and continuous follow-up activities (Escudier et al., 2019).

Stage 4 Refreshment

The final stage of the performance management system is refreshment, involving a thorough evaluation based on current information and knowledge. It emphasizes the ongoing maintenance of the designed system and underscores the importance of leadership, commitment, and stakeholder involvement for sustained effectiveness (Masudin, Tsamarah, Restuputri, Trireksani, & Djajadikerta, 2024).

Conclusion

The business solution proposed in the research is to design a PMS using the Knowledge-Based Performance Management System framework by Wibisono. The framework involves several stages, including analyzing the existing foundation within the company, designing the PMS, implementing the PMS, and evaluating and improving the PMS. By implementing a comprehensive PMS, CV. Pelangi Nusantara can address the root cause of its problems and improve its overall business performance. The framework is chosen because it can address the needs and solve the problems that occur within the company. Additionally, this performance management system has a simple yet comprehensive design to facilitate the needs of stakeholders and is suitable for growing companies, especially in Indonesia. Below is an illustration of the comparison before and after (implementation of KBPMS) using four guiding principles and five rules as the foundation for designing the performance management system.

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