

# THE URGENCY OF UNDERSTANDING THE NEW PARADIGM OF PERFORMANCE MANAGEMENT

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## ABSTRACT

*This paper discusses the significance of understanding the new paradigm of performance management, particularly in large-scale organizations and national contexts. The study identifies that poor organizational performance is often driven by suboptimal human resource management, ineffective performance systems, and unsupportive work environments. Drawing on case studies from both the public and private sectors, the paper emphasizes the critical role of human resources in achieving organizational success, particularly in the era of rapid technological change brought by Industry 4.0. The paper also highlights the Indonesian government's efforts to improve human resource quality and the nation's Human Development Index (HDI) through educational reforms and policy initiatives. By embracing a holistic approach to performance management and fostering collaboration between institutions, the paper argues that sustainable organizational growth and national development are achievable. The discussion includes strategies for effective performance management that integrate system-based thinking, human resource development, and modern technologies.*

**Keywords:** Human Resource Development, Integrate System Based Thinking, Performance Management.

## 1. INTRODUCTION

A country can be illustrated as a large-scale organization that is full of various problems of various colors and that is quite complicated and very complex. In a country, there are thousands, millions, even billions of people who work and build their performance. Indonesia itself has a very large demographic capital, namely as many as 275.77 million people, which, if appropriately managed, will be able to bring the Indonesian nation to the level of civilization as a developed country (Monavia Ayu Rizaty, 2022). There are many other types of large organizations spread around the world, both non-profit and profit-making. Some large non-profit organizations, for example, such as the United Nations (UN), NATO, ASEAN, G20, G7, OIC, APEC, etc. However, various social organizations have been established, such as NGOs = Non-Governmental Organizations, mass organizations, and foundations that directly touch people's lives.

All forms of organizations can experience extraordinary progress if managed appropriately and professionally by the organization's staff. Still, on the

other hand, they can also experience bankruptcy or destruction if managed in an improper and unprofessional way. The destruction of an organization can be caused by the poor quality of organizational performance. The issue of poor organizational performance can be influenced by several factors, including (1) poor performance of human resources (Ahmad Adnan, 2017), (2) performance management systems and mechanisms that are less effective, efficient, and productive, and (3) a less comfortable and conducive work environment (Elona Kera, Anri Kusaku, 2020).

The poor performance of organizational human resources is influenced by various factors, such as mindset, action patterns, attitude patterns, competencies or expertise, talents, interests, motivation, perceptions, and personality. Internal factors in each individual who oversees the organization can affect the behavior or work culture of an organization as a whole. The individual aggressiveness of each organizational staff greatly determines the aggressiveness of an organization. This includes establishing inter and inter-group

relationships within an organization, as well as inter-organizational relationships.

HR behavior can give rise to various kinds of conflicts between individuals, teams, and groups in organizations, and even between organizations. Therefore, leadership, as well as management mastery, are needed to be able to manage conflicts appropriately in order to dynamically the performance of the organization and the people in it so that it remains in line with the vision, mission, and goals that the organization wants to achieve. Individuals in organizations who have various desires and diverse needs must be able to be united in a common vision, mission, and goal to be directed to collaborate with each other in their achievements.

In addition to the poor quality of human resource performance, another factor that can also affect the destruction of an organization is due to the lack of good implementation of the system and working mechanism of the organizational performance management system. The lack of good quality of the organizational performance management system and mechanism makes the process, output, and outcome of organizational performance less effective, efficient and productive. This is usually more influenced by factors, such as: organizational structure, bureaucracy, leadership model, resource utilization system, and reward and punishment system. These factors are often referred to as mismanagement in implementing an organizational performance management system appropriately and professionally.

Another factor that also often contributes as a factor causing the destruction of an organization is due to a work environment that is not conducive or less supportive. The less conducive condition referred to here is a condition of discomfort and dissatisfaction felt by everyone over the existing work environment. These unsupportive conditions, for example: cleanliness, movement space, lighting, facilities, and working atmosphere. A less conducive work environment can make workers experience boredom, boredom, and dislike the work assigned to them.

## 2. LITERATURE REVIEW

### 2.1 Performance Management and Organizational Success

**Aguinis, Herman (2009), "An Expanded View of Performance Management"** In his seminal work on performance management, Aguinis emphasizes the importance of performance management systems that align individual goals

with organizational objectives. The research discusses how a well-implemented performance management system enhances employee productivity and engagement, resulting in overall organizational success. Aguinis outlines the strategic, administrative, and developmental benefits of performance management, which aligns with the paper's emphasis on proper performance systems as a key factor for organizational growth and resilience.

### 2.2. Human Resource Management in the Era of Disruption

**Ulrich, Dave (2016), "HR from the Outside In"** Ulrich's work emphasizes the evolving role of human resources in the context of digital disruption and technological advancements, particularly in the Industrial Revolution 4.0. He argues that HR needs to become a strategic partner in guiding organizations through periods of rapid change, focusing on talent management, innovation, and adaptability. This closely aligns with the paper's discussion of how organizations need to adapt to the disruptions brought about by advanced robotics, AI, and automation to remain competitive.

### 2.3 Human Resource Development and Performance Enhancement

**Swanson, Richard A., & Holton, Elwood F. (2001), "Foundations of Human Resource Development"** Swanson and Holton's book provides a foundational understanding of human resource development (HRD) and its critical role in enhancing organizational performance. The authors explore how HRD processes like training, learning, and organizational development are integral to performance improvement. They stress that HR development must be continuous, systematic, and aligned with the organization's goals, which complements the paper's emphasis on the need for systematic and sustainable human resource development to enhance performance.

### 2.4 Impact of Work Environment on Organizational Performance

**Elona Kera & Anri Kusaku (2020), "Factors Influencing Organizational Performance: Work Environment, Training Development, and Organizational Culture"** In this study, Kera and Kusaku examine how the work environment, along with training and organizational culture, directly influences employee performance and satisfaction. The authors argue that a positive, conducive work environment fosters productivity and creativity, reducing burnout and turnover rates. This research supports the paper's claim that a non-conductive work environment can be a major contributor to organizational failure.

## 2.5 Technological Disruption and Organizational Adaptation

Brynjolfsson, Erik, & McAfee, Andrew (2014), "The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies" Brynjolfsson and McAfee analyze the impact of technological disruption on industries and organizations, with a specific focus on automation, AI, and digital innovation. They argue that while technological advancements provide significant opportunities for growth, they also present challenges in terms of workforce displacement and organizational adaptation. The authors highlight the need for organizations to embrace continuous learning and performance management systems that are aligned with these technological changes, which is directly related to the paper's discussion of adapting performance management practices in the context of the Industrial Revolution 4.0.

## 3. ANALYSIS AND DISCUSSION

### 3.1 Impact of Poor Performance Management

Currently, it turns out that many countries are not able to manage their national development properly due to the poor three things mentioned above, namely: (1) the performance of their human resources, (2) the performance management system that is not effective, efficient and productive, and (3) the work environment is not conducive. These three conditions are the main causes of the country's performance as a large organization becoming worse, declining, and slumping. Moreover, it is supported by the condition of the world attacked by the COVID-19 pandemic, the war between Russia and Ukraine, and even by uncertain climate change. Several countries, such as Sri Lanka, Greece, Ecuador, Zimbabwe, and Timor Leste, are some examples of countries that have experienced bankruptcy due to a lot of debt, poor human resources, mismanagement, unequal social conditions, and declining state performance.

Various internal and external problems that afflict the five countries are caused by mismanagement by the elite, leaders, and organizational leaders in their governments. They are not able to manage their human resources, have not been able to build an effective performance system, and are less professional in creating a conducive work environment so they can have fatal consequences and bring destruction to their country. Many political leaders are only good at rhetoric and politics in order to perpetuate political power over themselves and their groups and it is not uncommon among leaders who ignore the essence of the main purpose of the establishment of a country's organization, which is to improve the welfare of all its people.

Destruction does not only affect non-profit

organizations but can also affect profitable organizations such as large companies that are very established with very well-known brands. Several large and well-known companies such as Lehman Brothers, Kodak, and Marvel Entertainment, which once triumphed as very strong, incomparably strong, and predicted not to go bankrupt, eventually had to bend their knees and collapse because they were unable to compete against their competitors who were more adaptive and quickly adapted in the era of the industrial revolution 4.0.

In the past, the employees of these large companies never thought that the company they had been involved in for many years would collapse and could not be rebuilt. They have felt such a long establishment and are lulled by brands that are already very famous everywhere. In fact, they have also experienced the pleasure of the infrastructure and facilities provided by the company very adequately. But it turned out that was precisely the main factor that caused them to be destroyed because they were too proud of what they had, so the changes that were in front of them were never thought of in their minds. His innovation and creativity became dull. The future development for the future of his organization has never been touched at all.

In fact, they never expected that small companies of competitors that were once considered trivial and small would suddenly be able to transform into companies that are global, very competitive, and highly calculated by the business world. For example, Tokopedia, Gojek, Bukalapak, Lazada, etc., materially do not have much reliable infrastructure, but these companies are actually able to penetrate the global market, even succeeding in building a very wide global digital network. The performance of the organization is also very good because it has been regulated in such a way through the implementation of an information technology-based performance management system that is able to automatically move the members and network groups involved in it.

In fact, the digitization of information technology brings a new era triggered by the power of the Industrial Revolution 4.0. The world also experienced major and fundamental changes so that there was a situation of disruption, which is an era of great and fundamental changes in all orders of human life that can have two effects at once, namely negative or positive effects, bad or good, obstacles or opportunities, weaknesses or strengths. This condition is like a double-edged knife. Those who are able to adapt to the era of disruption will experience extraordinary progress, but on the other hand, those who are not able to adapt to the era of disruption, it is possible that they will experience lagging behind and even destruction.

Industrial Revolution 4.0. which was born in the midst of the issue of globalization where every new technology is always characterized by cyber-

physical systems such as artificial intelligence, advanced robotics, autonomous vehicles, 3D printing, virtual reality, and cryptocurrency, and others, making humans increasingly have a very high position, namely as a very strategic and important resource, and holding the key to controlling the forward and backward of a country or organization. Although now technological advances supported by information technology are increasingly unstoppable and continue to develop very rapidly from time to time, humans are still a central point that cannot be replaced by anyone, including technology itself.

### **3.2 The core of Performance Management is human resources**

So, in essence, human beings have now become the first and most important instrument for progress itself, so human performance needs to be managed appropriately and correctly in order to provide the expected outputs and outcomes. Human performance outputs and outcomes can be improved both in quantity and quality through the implementation of effective, efficient, and productive performance management practices. All of these activities will be able to run well if supported by human resource development efforts that are carried out in a planned, systematic, and sustainable manner.

Given the position of human beings as the main key holder for the progress and decline of a country or organization, the quality of its performance must always be maintained, controlled and even improved from time to time towards complete human development. Indonesia is one of the countries that has realized and has a high commitment to improving its human development index (HDI). Various efforts, steps, and ways have been made by the Government of the Republic of Indonesia to build the quality of Indonesia's human performance through collaboration between countries, between ministries, and between all components of the nation. The goal is only one, namely so that Indonesia can progress with superior quality of human resources.

The development of superior human resources will greatly support Indonesia's progress. This means that human resource development is the main key to success and success for the future of Indonesia nation in the future. Indonesia's human resources must excel in all fields so that they are able to compete at the national, regional and global levels. Especially in the era of the Industrial Revolution 4.0. This requires adaptation and mastery of the latest

technology. Intensive and massive collaboration between educational institutions, research institutions, agencies, and industry is urgently needed to work hand in hand in building a more competitive Indonesia's human resources.

Indonesia's HDI is always calculated and evaluated periodically by the Central Statistics Agency of the Republic of Indonesia (BPS RI). Based on statistical data released by BPS RI (2022), Indonesia's HDI in 2022 continues to increase and progress even though it is running rather slowly. Indonesia's HDI in 2022 reached an index of 72.91. This figure increased by 0.62 points or grew by 0.86 percent compared to 2021. Over a ten-year period, Indonesia's HDI continued to increase by an average of 0.77 percent per year.

How does Indonesia's HDI achievement compare to other countries? In 2021, based on the release of the United Nations Agency for Development or UNDP (Goodstat, 2022), Indonesia's HDI was ranked 114th out of 191 countries, almost equivalent to Viet Nam ranked 115th, and the Philippines ranked 116th. Indonesia is far behind Thailand which is ranked 66th, Malaysia is ranked 62nd, and Singapore is ranked 12th. Compared to the G20 countries which number 20 countries, Indonesia is ranked 19th (Natasha, 2022). HDI measures three main aspects of human development, including: purchasing power and consumption, health, and education. Indonesia's HDI is relatively low; this indicates the low quality of human capital as a result of the still high poverty gap and uneven access to health and education services. In fact, these three aspects are the main key to determining HDI.

The Government of Indonesia has homework to immediately accelerate poverty alleviation and increase access to health and equitable and quality education. The three main aspects of HDI assessment will be achieved quickly if the Government of Indonesia has a strong commitment and consistency in implementing its programs. The basis for the policy of poverty alleviation programs has been the Presidential Regulation of the Republic of Indonesia Number 15 of 2010 concerning the Acceleration of Poverty Alleviation. Since 2017, the Government of Indonesia has made a new breakthrough by rolling out the Healthy Indonesia Program with a Family Approach (Oscar Primadi, 2017). Through this program, it is possible

for the community to get direct access to health services as needed. The basis of the education access policy has been stated in Article 31 paragraph 4 of the 1945 Constitution 4th Amendment, where the constitution has mandated an education budget of at least 20% of the state budget (Hasan Ashari, 2014).

The HDI achievements that Indonesia has achieved show the human performance value index of Indonesia in general. The progress achieved despite the increase still needs to be improved, considering that the competitiveness of Indonesia is still inferior to other developing countries, especially in Southeast Asia. That is why the President of the Republic of Indonesia, Joko Widodo, in the second term of his administration (2019 – 2024) launched the vision of "Superior Human Resources, Advanced Indonesia". One of them is by preparing superior human resources and continuing to modernize technology through sustainable national development. Thus, the Indonesia nation will become an advanced, strong, great, and sovereign nation, in accordance with what is aspired.

In order to build good human resource performance, one of the programs of the Joko Widodo Government that should be appreciated is the declaration of bureaucratic reform, which will end its achievement period in 2024, where it is hoped that all State Institutions and SOEs throughout Indonesia can completely achieve good and clean government. Bureaucratic reform is essentially an effort to reform and make fundamental changes to the system of government administration, especially regarding institutional aspects (organization), administration (business process) and apparatus human resources.

Bureaucratic reform is one of the efforts to eliminate the perception of corruption that has been attached to the bureaucracy. Transparency International (Corruption Perception Index 2020) published a document in the form of the Corruption Perception Index in 2020, which placed Indonesia at 102 with a score of 37, while Singapore was ranked 3rd with a score of 85. Indonesia's position is almost on par with Thailand and Viet Nam ranked 104th. The high level of corruption in Indonesia has been anticipated by the Government with the issuance of Presidential Regulation number 81 of 2010 concerning the Grand Design of Bureaucratic Reform 2010 – 2025. If the policy is implemented appropriately and seriously, it will be able to produce results, namely a reduction in the level of corruption in each bureaucratic institution.

### **3.3 The Urgency of Understanding the New Paradigm of Performance Management**

Database design is a collection of data tables. The discussion of this new paradigm of performance management has a fairly high value of urgency and benefits. Every organization is established with a goal that its founders, all supporting members and stakeholders want to achieve. Success in achieving the expected goals is the main goal and the final goal set. Even though the main goal and the final goal have been achieved, the continuity of the results that have been achieved must be felt and even improved both in quantity and quality. In order to be able to get the expected processes and results, it is necessary to implement proper Performance Management in order to advance the organization in the future. At least by studying the theory and practice of performance management, many benefits are obtained, including:

- a. Providing a proper understanding of the importance of thinking using a systems approach so that solving every existing problem can be done holistically and comprehensively based on a systems theory approach. Activities in organizing are basically activities full of complexity of problems, so it really needs system thinking to solve every problem that arises.
- b. Applying performance management appropriately will make every organization able to manage its performance appropriately and correctly, where all resources it has can be coordinated, integrated, controlled and harmonious. Through performance management, organizational performance can be improved by implementing stages and steps in accordance with the performance management process cycle where planning, acting, monitoring, and reviewing, can be ensured to be carried out properly.
- c. Understanding performance management appropriately will place human resources as the main element in the performance management system itself, and always strive for continuous and sustainable development of human resource quality. The organization will be used as a forum and vehicle that is conducive to learning and sharing, so that human resources will continue to learn and learn in order to build a more advanced organization in accordance with the expected goals. Thus a learning organization will be created, where everyone will be able to learn anywhere, anytime, with anyone, about

anything, whether online or offline, structured or independent which is necessary for self-development that is useful both for each individual in the organization and for the organization itself. Understanding and applying performance management and human resource development appropriately is the key to the success of the organization in the future.

d. Providing a proper understanding of the importance of collaboration, communication and partnership dialogue between leaders and subordinates, between managers and their employees, between employees and their colleagues, between internal stakeholders and external stakeholders. Collaboration, communication and partnership dialogue are the main strengthening elements for the realization of effective, efficient and productive performance management.

According to Herman Aguinis (2009), the implementation of a performance management system has a high urgency reviewed from the perspective of the goals to be achieved, as follows:

a. Strategic. The implementation of a performance management system has strategic value because it is able to connect organizational goals with individual goals desired by workers, so that it can strengthen behavior that is consistent with the achievement of expected organizational goals.

b. Administrative. A performance management system can present a valid and useful source of information for making decisions about employees, especially for career advancement, promotions, salary adjustments, retention, and termination of employees, achievements, punishments, etc.

c. Communication. The implementation of a performance management system allows employees to build good communication with leaders or managers or with other peers in order to improve the quality of organizational development in the future.

d. Development. The implementation of a performance management system provides positive feedback opportunities that are useful for continuous improvement in the context of better organizational development.

e. Maintenance of the organization. The implementation of a performance management system is able to produce valid information about skills, abilities, promotion potential, employee assignment history that can be used for workforce planning, assessing future training needs, evaluating

performance at the organizational level, and evaluating the effectiveness of human resource interventions.

Documentation. Performance management systems are capable of presenting data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions.

### 3.4 The Position of Performance Management in HR Management

The discussion of the position of Performance Management and Human Resource Development in the discipline of Human Resource Management (HRM) can be described as follows:

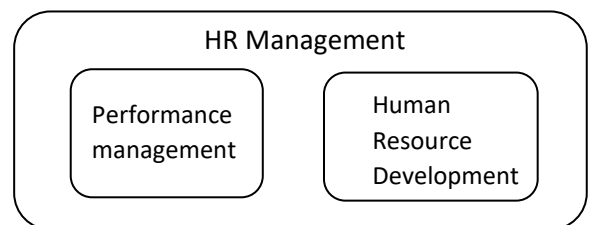


Figure1. Human Resource Development

Based on the figure as mentioned above, the position of Performance Management is as a part or small slice of the discipline of Human Resource Management which has a wider field coverage. In HR Management, there are efforts to utilize a number of individuals, teams, or groups selectively, effectively and efficiently in order to achieve the goals expected by the organization. In HR Management, it also concerns the design and implementation of the planning system, the preparation of human resources, the development of human resources, the performance of human resources, career management, evaluation, compensation, the pattern of relationships between human resources, and others.

The Indonesia National Work Competency Standard (SKKNI) has even stipulated that the field of HR Management has a scope of fields that focus on the design of formal systems in the organization to ensure the effective and efficient utilization of workers' potential in order to achieve the organization's strategic goals. HR management is also concerned with how to manage workers or employees in an organization, focusing on policies, systems, and their implementation. The HR Management Department or Unit in the organization is responsible for the preparation of HR Management strategies, workforce planning, recruitment and

selection, training and development, talent management, career management, organizational development, performance management, remuneration, worker information management, and industrial relations.

In essence, HR Management always involves all decisions in every management practice that can directly affect human resources. In the study of the discipline of Human Resource Management, activities in Performance Management cannot be separated from other aspects and management functions because they are related to each other as an integrated system.

#### 4. CONCLUSIONS AND SUGGESTIONS

##### 4.1 Conclusion

As for the results of this research trial, the following conclusions can be drawn:

- a. The human resources are the most crucial asset for any organization's success. Effective performance management is essential for improving both the quantity and quality of human performance, especially in the context of national development.
- b. Poor performance management systems, inadequate leadership, and non-conducive work environments are primary factors that lead to organizational decline. Implementing robust performance management practices is necessary to prevent organizational failure.
- c. The shift to the era of the Industrial Revolution 4.0, driven by technological advancements such as automation and AI, requires organizations and nations to adapt. Failure to adapt could result in lagging behind or even organizational destruction.

##### 4.2 Suggestion

The suggestions from the author for this research are:

- a. The Organizations should adopt a systems-thinking approach to manage performance comprehensively. This includes planning, acting, monitoring, and reviewing performance to ensure that all aspects are aligned with organizational goals.
- b. To support long-term organizational growth, continuous human resource development should be a priority. Training and education programs must be planned and implemented systematically to keep pace with technological advancements.
- c. Leaders should prioritize creating a work environment that is comfortable and motivating for employees. Factors like adequate facilities, space,

and workplace culture significantly impact performance and job satisfaction.

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