

## Improvement of Performance Management and Rewards System in a Non-Profit Organization in Indonesia

Rif'ah Shofia<sup>1</sup>, Aurik Gustomo<sup>2</sup>

School of Business Management, Bandung Institute of Technology, Indonesia

Email: [rifah\\_shofia@sbm-itb.ac.id](mailto:rifah_shofia@sbm-itb.ac.id)

### ABSTRACT

*This paper analyzes the current Performance Management and rewards system in a non-profit organization in Indonesia that is undergoing significant change and aims to achieve its ambitious goals over the next five years. This research utilizes primary data in the form of interviews with staff in various positions within the organization, as well as secondary data from organizational documents, employing a qualitative methodology with thematic analysis. To evaluate the effectiveness of the current system, established frameworks from previous research were used, with slight modifications to align with the organizational environment as a non-profit entity. The results indicate several critical gaps, such as a lack of differentiation in rewards for high performance, concerns regarding the current “rating-less evaluation” approach, and insufficient alignment between organizational and individual goals. The comprehensive improvements proposed include ensuring goal alignment, incorporating SMART KPIs (Specific, Measurable, Achievable, Relevant, and Time-bound), enhancing training for managers and all staff, equipping managers and evaluators to effectively conduct performance evaluations, implementing a rating-based evaluation approach, and introducing pay-for-performance schemes to differentiate rewards based on performance.*

### KEYWORDS

Performance Management, Rewards System, Non-profit Organization, Ratingless Review, Pay-for-Performance



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### INTRODUCTION

Child poverty is a global issue that greatly impact children's development and prospects worldwide (UNICEF, 2024). In Indonesia, this is reflected in critical issues such as malnutrition, limited access to quality education facilities and healthcare services, and inadequate child protection (UNICEF - SDG, 2024). Addressing these challenges requires collaborative efforts from multiple stakeholders, including non-profit organizations, which play an important role in advocating for children's rights and providing essential services.

The role of non-profit organizations in economic and politics is increasing. Recently, there has been a growing trend for non-profit organizations (NPOs) to adopt organizational practices from profit organizations, including Performance Management and Rewards System. Unlike profit organizations, NPOs prioritize the public interest and require unique management approaches, including in their Performance Management system. Traditional Performance Management systems often focus on profit maximization, while NPOs need to balance social impact with operational efficiency and financial sustainability. This requires a different approach that considers the impact of their work on society and the diverse needs of their stakeholders (Treinta, et al., 2020).

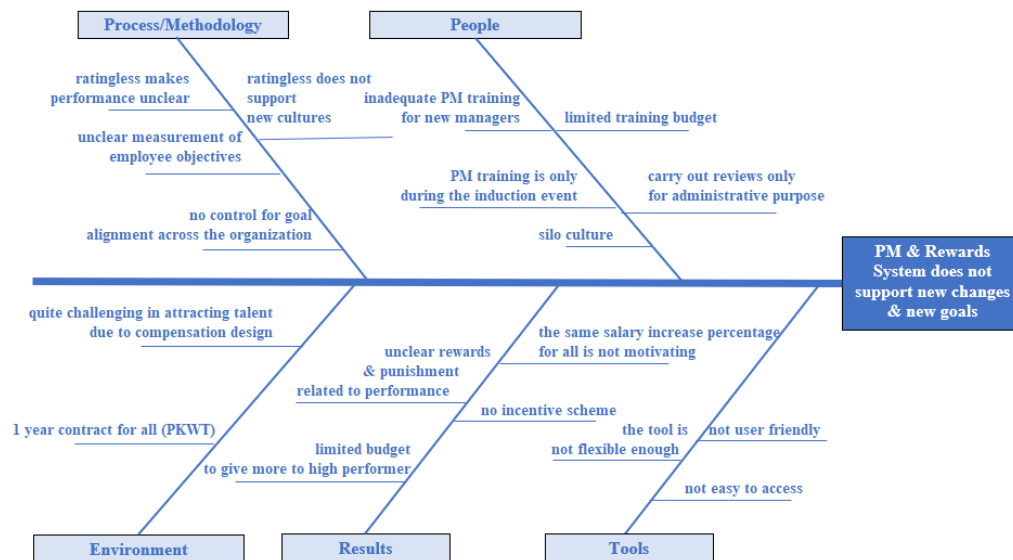
SID is a non-profit organization in Indonesia, as an associate member of SG, a global non-profit organization that emphasizes enhancement the standard of living of children around the world. By 2025, SID aims to achieve a full member status that will bring many major changes, including on its way to “search for source of incomes” and the way the organization runs its programs. SID also aims to achieve its ambitious goals in the next 5 years. With these changes, People and Organization Development needs to review existing systems, so that it can keep up with the changes and can support the organization more effectively. Systems that need to be reviewed include Performance Management and Rewards System.

The current system, which incorporates a "ratingless review with coaching" approach, requires careful evaluation to assure continued effectiveness in supporting the organization's evolving goals. This research aims to analyse the existing Performance Management and Rewards system at SID, identify areas that require improvement, and propose a more comprehensive and effective system that is aligned with best practices and supports organization's goals.

In Indonesia, SID has been operating since 1976. In 2023, SID reached over 1 million people, including more than 600,000 children, with various programs, namely preventing newborn deaths and stunting, providing high quality education for marginalized children, preventing violence against children, child-sensitive social protection, and children' rights governance and gender equality. The organization is undergoing significant transformation, aiming to achieve Full Member status by 2025 and achieving its goals in 2030, namely triple the number of children beneficiaries, double its income, and become a “one team”. This requires diversifying funding sources, advancing local partnerships, and increasing operational efficiency.

According to on an interview with the Head of People and Organization (POD) Department, since 2019 SID has implemented Performance Management with ratingless reviews accompanied by coaching. With ratingless reviews, employees with good performance and poor performance will not be differentiates based on ratings, and in SID, when it is linked to annual salary increases, all employees will get the same percentage of increase. SID also implements 360-feedback, and for employees who perform poorly, there is a Performance Improvement Plan. Still referring to the interview, the current Performance Management and Rewards system at SID does not support new changes and new goals, for several reasons as explained in the following

fishbone diagram in Figure 1. From the fishbone diagram, it can be seen that there are several reasons why the current system does not support new changes & new goals, including methodology, people, results, and tools. Further data collection, interviews, literature review and analysis will be conducted to formulate an ideal Performance Management and Rewards system, to identify gaps between the existing and the ideal system, and to propose improvements.



**Figure 1: Fishbone Diagram of Performance Management & Rewards System at SID**

Performance Management (PM) is defined as a mechanism or framework by which managers confirm that employee conduct and outcomes are aligned with organizational objectives (Noe, Hollenbeck, Gerhart, & Wright, 2023). Performance Management systems have transformed over time. Initially, Performance Management was primarily concerned with performance evaluation and accurate ratings. Over time, there has been a shift toward implementing more structured and comprehensive processes, including goals setting, competency modelling, and behaviour evaluation. This was followed by the introduction of innovative practices, such as real-time feedback and coaching that further increased the effectiveness of Performance Management systems (E. Pulakos, R. Mueller-Hanson, & S. Arad, 2019). Managing employee performance is very important, because although many factors contribute to superior organizational performance, employee performance is considered the most crucial factor (AlAntali & Zainol, 2022).

According to (E. Pulakos, R. Hanson, S. Arad, & N. Moye, 2015), (E. Pulakos, R. Mueller-Hanson, R. O'Leary, & M. Meyrowitz, 2012), (H. Aguinis, 2009), (J. Russell & L. Russell, 2010) in (Noe, Hollenbeck, Gerhart, & Wright, 2023), there are six steps in a traditional performance management system (PMS), which are:

- Step 1 Goal setting: Establish performance objectives for the organization, division and department.

- Step 2        Employee goals: Formulate employee objectives, behavior, and activities to achieve the objectives
- Step 3        Facilitate support and continuous performance discussions
- Step 4        Performance Evaluation
- Step 5        Improvement Identification
- Step 6        Provide consequences for performance results

Many companies have moved away from traditional performance management process and adopted a continuous Performance Management process is characterized as: “An approach that promotes ongoing dialogues between managers, direct reports, and teams, emphasizing work progress, delivering feedback, achievement, goals adjustment, and development needs (E. Pulakos, R. Mueller-Hanson, & S. Arad, 2019). This new approach includes gathering performance feedback from employees’ social network encompassing supervisors, colleagues, customers, direct reports, who see their work, and the feedback can be delivered using apps and websites.”

The process of gathering performance evaluation from employees’ social networks, referred to as 360-degree appraisal or 360-degree feedback, also includes self-evaluations from the employee (R. Hoffman, 1995) in (Noe, R.A., Hollenbeck, J.R., Gerhart, B., & Wright, P.M., 2023).

In its development, there is another approach of Performance Management called “ratingless review” (Gerhart, 2023). Gerry Ledford and colleagues identified three key attributes of this “ratingless review” approach, namely “ratingless review (evaluation without rating), ongoing feedback, and crowdsourced feedback”. The emphasis of this system is on delivering continuous, regular, constructive, and comprehensive feedback “in words”, not a series of numbers or ratings (Latham, Lawler III, Benson, & Ledford Jr., 2016).

The “ratingless” aspect does not mean that performance reviews have disappeared, but instead, there are more performance reviews conducted with a focus on timely and immediate performance feedback to individuals, rather than waiting for the end-of-year review. Also, “ratingless” does not mean an end of pay differentiation and promotion based on performance differences (pay-for-performance). Such decisions will still be made, and performance ratings, whether communicated to employees or not, and whether formally recorded or not, will exist somewhere, even if only in the mind of the decision makers who choose which employees receive promotions and which receive larger pay adjustments. Or for contractual employees, related with the renewal of the contract. (Adler, et al., 2016) in (Gerhart, 2023).

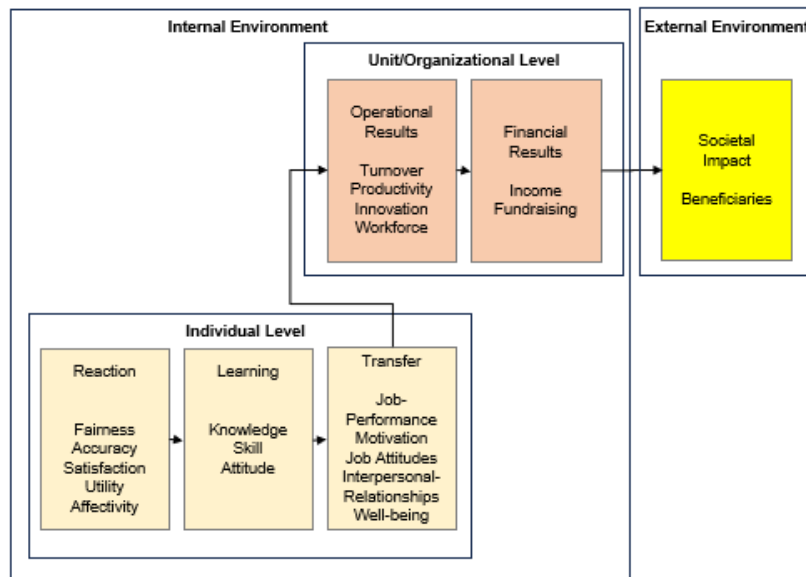
Further research has shown that eliminating ratings can have some negative consequences. Firstly, pay differentiation becomes less obvious, potentially demotivating high-performing employees who may feel their contributions are not adequately recognized. Secondly, the quality of manager-employee conversations

declines as managers struggle to provide specific, constructive feedback on past performance and guide employees toward future improvement. Thirdly, managers often fail to dedicate time to have more frequent and informal performance discussions. Finally, employee engagement suffers as managers are unable to effectively set clear expectations, conduct meaningful development conversations, and provide appropriate rewards and recognition, all of which are critical for employee motivation and retention. (Wiles, 2019).

While performance feedback is a process of delivering information to employees regarding their efficacy in performance, it is also used to link rewards to performance through the compensation system (Noe, R.A., Hollenbeck, J.R., Gerhart, B., & Wright, P.M., 2023). Research by (Mercer, 2019) showed that 85% of organizations linked performance and compensation.

Due to the increasing role of non-profit organizations in economics and politics, there is a growing tendency for non-profit organization to adopt organizational practices from profit organizations. Based on research on a non-profit educational institution - Indonesia Teaches Movement – *Indonesia Mengajar* (Wijaya, 2017), performance management (PM) is a flexible and responsive system applicable to non-profit organizations. With the appropriate of contextualization and alignment with the organization's vision and culture, performance management transform into a powerful instrument for fostering an agile organization.

The effectiveness of a Performance Management System can be assessed by the alignment between personnel and company objectives (Armstrong, 2015) in (de Araujo, et al., 2024), however, it is not as simple as it appears. The effectiveness of Performance Management System has been examined through a specific assessment and outcome criteria including evaluation errors, utilization, social context (Keeping & Levy, 2000). (Levy & Williams, 2004) introduced Social Context Theory (SCT) which examines the impact of social context on organizational practices and policies. (Ikramullah, Malik, Van Prooijen, Iqbal, & Ul-Hassan, 2016) proposed a Competing Values Framework (CVF) which consists of three dimensions namely internal vs external, control vs flexibility, and means vs goals. (Schleicher, Baumann, Sullivan, & Yim, 2019) suggested a holistic and integrative framework for assessing the effectiveness of a Performance Management System that views the system as a system with elements that are interconnected and influence each other.



**Figure 2: (de Araujo, et al., 2024) Theoretical-Integrative Model for Evaluating the Effectiveness of PM System with slight modification**

Based on the evaluation systems above and further literature study, (de Araujo, et al., 2024) proposed a theoretical-integrative model for evaluating the effectiveness of a Performance Management System. The model, with slight adaptation, is used in this study to evaluate the current Performance Management System at SID, combined with the six components of Performance Management from (E. Pulakos, R. Hanson, S. Arad, & N. Moye, 2015), (E. Pulakos, R. Mueller-Hanson, R. O'Leary, & M. Meyrowitz, 2012), (H. Aguinis, 2009), (J. Russell & L. Russell, 2010) in (Noe, Hollenbeck, Gerhart, & Wright, 2023). The modified version of the (de Araujo, et al., 2024) framework can be seen in Figure 2. The changes are in the Financial Results component, from Profitability, Market Share, and Financial Returns changed to Income and Local Fundraising, as part of the SID strategic plans, while the Societal Impact component namely Customer Satisfaction is changed to the Number of Beneficiaries.

The research aims to analyze and improve the Performance Management and Rewards System in a non-profit organization (NPO) in Indonesia, specifically focusing on SID, an organization undergoing significant transformation to achieve its ambitious goals by 2030. The primary objectives of this study are to evaluate the effectiveness of the current system, identify critical gaps such as the lack of rewards differentiation for high performance, concerns with the "rating-less evaluation" approach, and misalignment between individual and organizational goals, and propose comprehensive improvements. By addressing these issues, the research seeks to align the system with best practices and ensure it supports the organization's strategic objectives, including diversifying funding sources and enhancing operational efficiency.

A significant research gap exists in the adaptation of Performance Management systems from profit-oriented organizations to NPOs, which prioritize social impact over

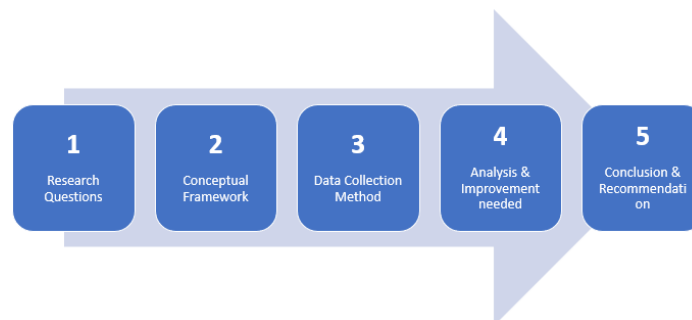


financial gains. While existing literature provides frameworks for Performance Management in corporate settings, there is limited research on its application in NPOs, particularly in the context of Indonesia. The current system at SID, which employs a rating-less review with coaching, lacks empirical validation and has shown limitations in motivating employees and ensuring goal alignment. This study bridges this gap by contextualizing established frameworks to the unique needs of NPOs, offering insights into how Performance Management can be tailored to balance social mission and operational efficiency.

The novelty of this research lies in its integrative approach, combining qualitative methodologies with thematic analysis to evaluate the Performance Management system using a modified theoretical-integrative model. The study also introduces practical innovations, such as the implementation of SMART KPIs, a rating-based evaluation system, and pay-for-performance schemes, which are uncommon in NPOs. The benefits of this research extend beyond SID, providing a scalable model for other NPOs facing similar challenges. By enhancing employee motivation, organizational alignment, and accountability, the proposed improvements can contribute to greater societal impact, ultimately supporting the organization's mission to improve child welfare in Indonesia.

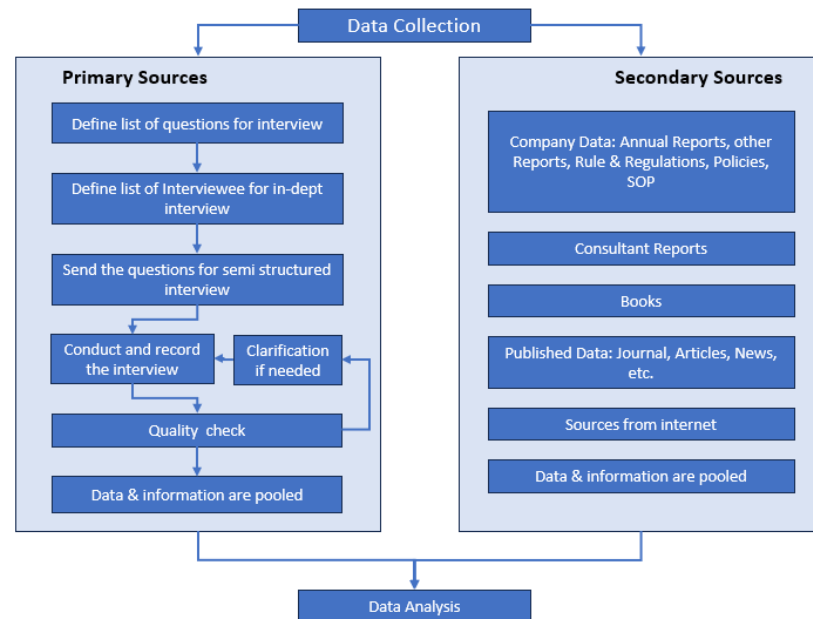
## RESEARCH METHOD

This research employs qualitative research, to investigate the significance that individuals or groups assign to a social or human issue. The research design of this study follows the diagram presented below.



**Figure 3: Research Design Diagram**

The issue in this research has been identified, that the organization needs to improve Performance Management and Rewards System, and this is one of the main priorities of POD Department. The conceptual framework is designed to guide this research starting from describing the existing systems, evaluating the effectiveness of the current system, formulating an ideal system, finding the gaps, and proposing improvements. The proposed improvements are then validated by experts, continued with the development of an implementation plan. For data collection, this research follows the data collection methodology as shown in Figure 3.



**Figure 4: Data Collection Methodology**

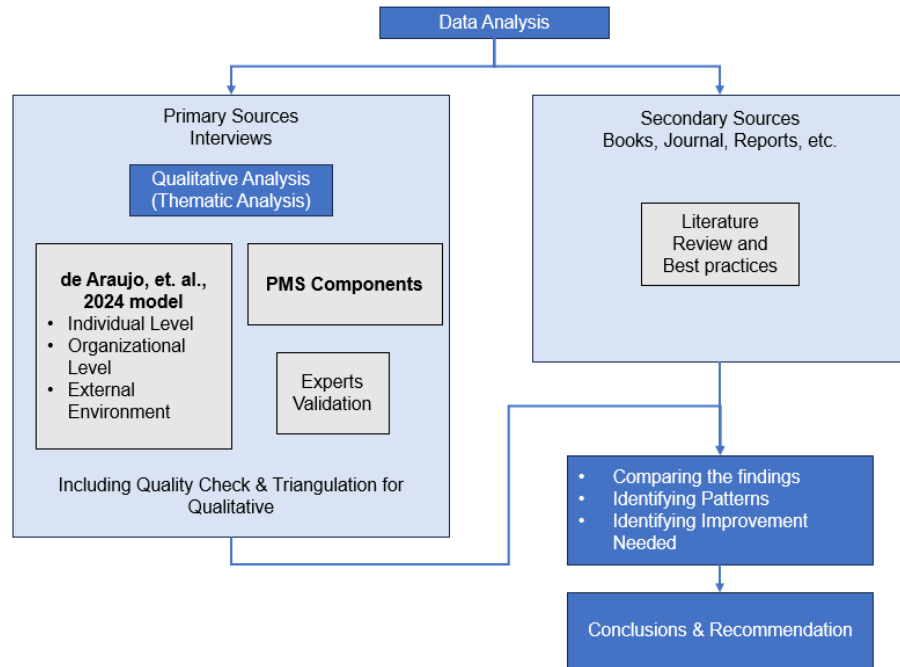
Interviews were conducted using in-depth interviews, in the form of unstructured, and semi-structured interviews. According to (Hague, 2022), when the respondents' perspectives are incorporated into the research agenda, the use of in-depth interviews in the research will increase its validity. The interview data was then analysed using thematic analysis to identify themes, concepts, ideas, patterns, and frequency of specific words, phrases, or concepts. Organizational data and documents used as secondary sources include the 2020-2023 SID Annual Report, POD Manual on Performance Management, samples of Employee Performance Goals, samples of 360-feedback, samples of job descriptions, and January 2024 Pulse Survey Reports.

To ensure quality checks, this research will use triangulation. (Sekaran & Bougie, 2016) assert that triangulation enhance confidence in a result when several approaches or sources leads to consistent outcomes. Triangulation requires that research be approached from various viewpoints. Data analysis in this research follows the diagram in Figure 5.

There were 8 internal interview participants from SID with the following demographics, which are expected to represent diverse backgrounds to obtain more comprehensive results: 2 males and 6 females, with an age range of 26 years to 49 years, work experience of 1 year to 25 years since starting work (not only in this organization), 6 months to 9 years of work experience in this organization, from 6 different departments, representing all levels in the organization namely officers, coordinators, managers, extended management, and management. Meanwhile, from external parties, there were 2 professional experts who were interviewed to validate the improvement proposals with the following demographic: 2 males, age 49-60 years, working period 24-36 years, both have experience and currently serve as Head of Corporate HR or



Human Capital Director at several reputable national and multinational companies in Indonesia.



**Figure 5: Data Analysis**

## RESULT AND DISCUSSION

After carrying out data collection and data analysis steps, including determining codes and themes, this research continued with gaps analysis. The first part of the gap analysis will compare the ideal system with the current system, following (de Araujo, et al., 2024) framework with slight modification, with a summary as follows.

**Table 1: Gap Analysis following (de Araujo, et al., 2024) framework with slight modification.**

Component	Ideal (from literature)	Current	Is there any gap?
Internal Environment			
Individual Level: Reaction	Fairness	(+) A good PM and Rewards System includes 360-feedback, 2-way communication, mutual agreement, transparency. (-) Ratingless review, same salary increase percentage, inconsistent implementation.	Yes
	Accuracy	(+) Good system, tools, online, follow guidelines, there are role-specific and personal development goals. (-) Inconsistent implementation of midyear reviews, ratingless review, not capturing culture, subjectivity.	Yes
	Satisfaction	(+) Can check progress on achieving goals, satisfied with the system and process. (-) Ratingless review, lack of communication and updates about the system.	Yes

Component		Ideal (from literature)	Current	Is there any gap?
Individual Learning	Utility		(+) Can provide feedback and improve performance, 360-feedback is useful to identify improvement, can be used for contract extension decision.	Yes
			(-) As formality only, no rewards for high performer, 360-feedback respondents' selection, reliance on managers to provide coaching and mentoring.	
	Affectivity		(+) Feel positive emotions, can use the system for self-development, can communicate anything during a review, tools are available.	Yes
			(-) No rewards differentiation for high performers, inconsistent implementation, ratingless review, inconsistent mentoring and coaching.	
	Knowledge		(+) As a supporting document to record necessary improvement, availability of the system, it can increase knowledge.	Yes
			(-) Dependence on manager capability and individual willingness, lack of regular reviews, delays in updating information for field staff.	
Individual Transfer	Skills		(+) Can improve skills, availability of Employee Development Plan, availability of tools and training.	Yes
			(-) Lack of review of employee PM documents.	
	Attitude		(+) Can measure and improve attitudes indirectly.	Yes
			(-) Dependence on individuals and managers, not sufficient to evaluate behaviour, lack of regular conversations, concerns about ratingless review.	
	Job Performance		(+) Can be aligned with organizational goals, can improve job performance, can identify contributions to the organization.	Yes
			(-) The current objectives cannot be categorized as SMART KPIs, there is no alignment check, lack of coaching and mentoring.	
	Motivation		(+) Providing good motivation, the opportunity to choose training for personal development, training as a reward, availability of punishment increases the PM completion rates.	Yes
			(-) Doesn't motivate high performance, same salary increases, dependence on managers' abilities, ratingless review.	
	Job Attitudes		(+) Clear policies and guidelines regarding job attitude, able to reach agreement from the review process, motivation to carry out the job descriptions, passion to accept additional challenges.	Yes
			(-) PM system doesn't really measure job attitudes, dependence on managers to ensure implementation.	
	Interpersonal Relationship		(+) Good system and rules can improve relationship, frequent discussion to improve relationship.	Yes
			(-) Lack of face-to-face interaction for unit with multiple locations, lack of mentoring and coaching, one-on-one meetings depending on the manager.	

Component	Ideal (from literature)	Current	Is there any gap?
Unit/Organizational Level: Operational Results	Well-being	(+) Overall wellbeing is good, availability of the system allows communication, good organization standard in terms of salary. (-) Ratingless review with the same salary increases.	Yes
	Turnover	(+) The current system support employee retention. (-) This system has no impact on turnover, lack of understanding of the talent pool.	Yes
	Productivity	(+) The availability of the system including reviews, input, appreciation can increase productivity. (-) Lack of goals alignment, lack of rewards for high performance.	Yes
	Innovation	(+) Several aspects of the tool can support creativity. (-) This system is not directly related to and support innovation.	Yes
	Workforce	(+) The system can improve the quality of the workforce, equal opportunities for training. (-) Dependence on individual willingness, lack of structured guidelines for career paths.	Yes
Unit/Organizational Level: Financial Results	Income	(+) The system can contribute to good income, discussion about targets can be linked to organization's income. (-) Departmental targets are not directly aligned with the organization's income, lack of rewards for high performance, uncontrolled situations can affect income achievement.	Yes
	Fundraising	(+) Can contribute to fundraising, tools encourage conversation to increase fundraising. (-) This PM system does not directly support fundraising (for some departments).	Yes
External Environment, refers to the organization contributions to the external environment, encompassing society, customers, suppliers, and other stakeholders (Ikramullah, Malik, Van Prooijen, Iqbal, & Ul-Hassan, 2016).			
Societal Impact: Beneficiaries		(+) PM supports or reflects the number of beneficiaries, the number of beneficiaries is tracked. (-) Lack of goals alignment and centralized document, all programs focus on children	Yes

Based on the table above, there are gaps in each component and several similar gaps have been identified, such as the problem with ratingless review, lack of alignment with organizational goals, high dependence on managers, issues with rewards and recognition for high performers, subjectivity, and inconsistent implementation.

The second part of the gap analysis is organized according to the PM & Rewards components with the following summary.

**Table 2: Gap Analysis following PM Components in (Noe, R.A., Hollenbeck, J.R., Gerhart, B., & Wright, P.M., 2023)**

Component	Ideal (from literature and best practices)	Current	Is there any gap?
Goals Setting	The goal setting process flows from organizational goals (cascading), from organization to department, to unit, to individual goals.	There are inconsistencies in the way the goal setting process is carried out. Some staff take goals from job descriptions, others from strategic plans. Lack of goals alignment in support functions.	Yes
	The effectiveness of PMS can be characterized as the congruence between personnel and organizational objectives (Armstrong, 2015).	There is no process to ensure / monitor alignment of goals within the organization.	
Employee Goals	Contains an agreement regarding performance expectations in the form of: • Results • Competencies • Required actions	Role-specific goals and personal development plans in place.	No
		• Competency is designed to be measured through 360-feedback, but currently providing feedback does not always refer to competency. • Currently does not specifically measure behaviour and culture.	Yes
	Includes Learning Objectives and Action Plans to improve performance and competence.	Already contains the components.	No
		More guidance is needed to link development plan to competencies.	Yes
	The next part is to ensure that the KPI follows SMART criteria, which are Specific, Measurable, Attainable, Relevant, and Time-bound to effectively evaluate performance (Ishak, Fong, & Shin, 2019).	Inconsistency in implementing SMART to employee goals/objectives.	Yes
Support and Performance Discussion	Provide employees and managers with training, resources, and tools for PM & Rewards System.	The majority of staff have a good perception of the training program, however, there are those who feel that the frequency of training has recently decreased and there is a need for more frequent training including about PM & Rewards.	Yes
	Provide ongoing training to enhance understanding of performance measures and for improvements to meet organizational goals.		
	Frequent feedback communications between employee and managers.	Inconsistent ongoing feedback. Need tools for monitoring.	Yes
	Performance Analytics tools can be utilized to measure and manage performance within the organization (Camilleri, 2024)	Not yet available.	Yes
Performance Evaluation	Typically involves annual or biannual formal performance appraisal.	Inconsistent midyear reviews implementation.	Yes
	Utilization of individual performance records as a basis for updating performance agreements	Some departments already have dashboards, some don't have yet.	Yes

Component	Ideal (from literature and best practices)	Current	Is there any gap?
	to finalize the performance management cycle.		
	If use ratingless review, must be accompanied by ongoing feedback and crowdsourced feedback (Latham, Lawler III, Benson, & Ledford Jr., 2016)	<ul style="list-style-type: none"> <li>• Crowdsources in the form of 360-feedback is available.</li> <li>• Lack of ongoing feedback</li> <li>• Need to emphasize that filling out 360-feedback must be based on competencies</li> </ul>	No
	Performance management (PM) is an ongoing activity characterized by the continual management of performance throughout the year.	Inconsistent ongoing feedback.	Yes
Improvement Identification	Identify potential, to provide coaching opportunities.	Inconsistent regular coaching. Managers' ability to provide coaching has not been standardized.	Yes
	Consistent monitoring of results against plans, providing or acquiring feedback, and assuring the implementation of corrective actions.	Inconsistent implementation of corrective actions.	Yes
Consequences for performance results	Timely feedback and recognition.	Lack of rewards and recognition for high performers.	Yes
	Implement performance-related pay to motivate employees. Even when using ratingless review, differentiation in pay and promotion based on performance differences should still be made . (Adler, et al., 2016) in (Gerhart, 2023).	<ul style="list-style-type: none"> <li>• Currently applies the same salary increase percentage regardless of performance.</li> <li>• Implement ratingless review with a lack of pay differentiation based on performance.</li> </ul>	Yes
	Used to inform performance pay decisions,	Lack of clear communication about pay from Manager to staff.	Yes
	Address under-performers promptly to facilitate improvements, as well as rewards and punishment implementation.	PIP already exists.	No
		There is no clear PIP threshold.	Yes
	Develop recognition programs that reward employees for achieving targets, fostering continuous improvement culture and high performance.	Lack of rewards for high performance.	Yes
	Consequences for not completing annual performance reviews	Not completing a performance review can affect salary increases for staff and immediate manager.	No

Based on the analysis, the most frequent gaps are lack of alignment with organizational goals especially for support functions, over-dependence on managers, inconsistencies in implementation, limited feedback and coaching, concerns about

ratingless review, and lack of differentiation in rewards and recognition for high performers.

After gap analysis, the next step is to design an improved PM & Rewards System to address these gaps. To once again compare with the literature, according to (Tarigan, Gustomo, & Bangun, 2023), to increase the effectiveness of performance appraisal systems, first, organizations must prioritize to improve training for managers and reviewers, providing tools to recognize and overcome biases, provide constructive feedback, and implement standardization of rating scales. To minimize subjectivity and encourage consistent assessment, transparent and clear performance criteria should be established. Combining multiple reviewers can reduce individual biases and encourage comprehensive and objective performance evaluations. Regular performance feedback sessions are crucial for transparent communication and precise evaluations.

Taking into account all of the above analysis and literature, improvement proposal was developed. The improved system emphasizes goal alignment, cascading from the Country Strategic Plans to individual goals, to ensure strategic congruence. Employee goals consist of role-specific goals that also include the behaviour / culture the organization is focused on at the time, and employee development plans that align with competencies. These goals must adopt SMART KPIs requirements. A 360-feedback, conducted anonymously, should be linked to competencies, and this should be clearly stated in the guidelines to ensure implementation. Calibration sessions among evaluators or reviewers can guarantee standardized and fair evaluation practices. Support and performance discussions component will be enhanced through detailed SOPs, more user-friendly tools, and comprehensive and regular training programs for new staff, new managers and all employees. According to (Hopkins, Meyer, Cohen-Callow, Mattocks, & Afkinich, 2019), organizations should provide ongoing training for staff to enhance their understanding of performance measures and improve their ability to meet organizational goals. Frequent one-on-one feedback between managers and subordinates is targeted at least quarterly, with training provided for managers in providing constructive feedback and coaching. The proposal also suggests to explore performance analytics tools.

Performance evaluation will implement a rating evaluation system, with 3 rating results namely "Needs Improvement", "Meets Expectations", and "Exceeds Expectations", which are linked to KPI achievement. Clear measurement and criteria must be established to ensure transparency. Self-assessment, manager assessment, and department head approval will be implemented, as well as calibration sessions with the POD. Managers will be the ones to communicate the final rating and annual salary increase to the employee, after receiving training on those subjects.

The proposed system introduces a pay-for-performance approach with differentiation of annual salary increases based on performance ratings and position within the salary range summarized in a Pay Matrix. Refer to (Armstrong & Taylor, 2023), a Pay Matrix showed a direct link between ratings and pay increases. An Annual Performance Incentive (API) is also proposed, linked directly to performance ratings. The existing PIP (Performance Improvement Plan) process will be retained but with clearer guidelines and a defined threshold. In addition, rewards and recognition programs will be established, offering various forms of recognition.



This proposal was developed based on discussions with the Head of POD and validated by two experienced HR practitioners. By implementing the improved PM & Rewards system, close and periodic monitoring, as well as continuous evaluation and improvement, we expect that the effectiveness of the PM & Rewards system will increase, at the individual level, unit/organizational level, and in societal impact, for organization sustainability.

## CONCLUSION

This research concludes that non-profit organizations (NPOs) can adopt *Performance Management* and rewards practices from profit-oriented organizations, provided these systems are tailored to fit their unique strategic plans, as demonstrated in the case of SID. While the existing system at SID is commendable for its comprehensive evaluation mechanisms, including 360-degree feedback and robust training resources, it requires enhancements in areas such as rewards differentiation for high performance, the adoption of a rating-based evaluation approach, and improved alignment between individual and organizational goals. The proposed improvements should be implemented carefully and systematically to ensure effectiveness and minimize potential negative impacts. For future research, it is suggested to conduct longitudinal studies to evaluate the long-term effects of these enhancements on employee motivation and organizational outcomes, as well as comparative analyses across different NPOs to understand how contextual factors influence the effectiveness of *Performance Management* systems. Incorporating quantitative methods and exploring the integration of digital tools, such as AI-driven analytics and real-time feedback platforms, could also provide valuable insights and innovative solutions for advancing *Performance Management* in the non-profit sector.

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