

Propose Performance Management System By Using Knowledge-Based Performance Management System For PT RAM Armalia Abadi

Kadek Novira Dwiyanti¹, Dermawan Wibisono²

¹School of Business and Management/Bandung, Institute of Technology, Indonesia

²School of Business and Management/Bandung, Institute of Technology, Indonesia

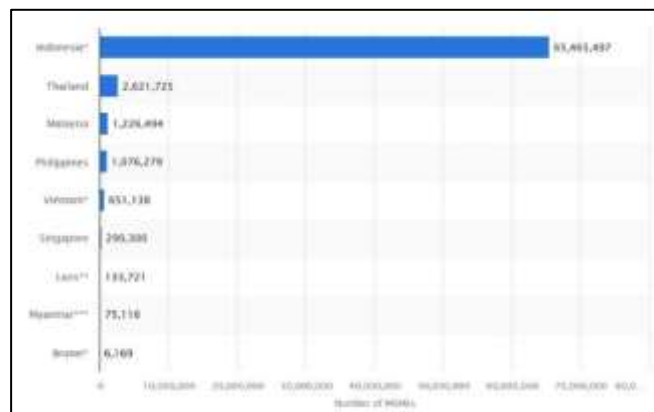
ABSTRACT: Amid increasing competition in the household appliance industry, PT RAM Armalia Abadi faces strategic challenges tied to its reliance on a traditional, financial-only Performance Management System (PMS). This research proposes a Knowledge-Based Performance Management System (KBPMS) to bridge critical gaps by integrating both financial and non-financial metrics. Using qualitative methods—including in-depth interviews, focus group discussions, and analysis of company records—the study identifies key performance areas such as customer satisfaction, production efficiency, and employee engagement that remain unaddressed by the current PMS. The KBPMS framework developed emphasizes a balanced, stakeholder-focused approach that aligns with the company’s strategic objectives, fostering operational efficiency and market resilience. Findings suggest that a phased implementation of the KBPMS can address adaptation challenges, ensuring effective integration while maintaining priority on strategic alignment. This study contributes to performance management research in emerging markets by demonstrating the benefits of a multi-dimensional PMS in supporting sustainable growth and strengthening competitive advantage. The proposed KBPMS offers valuable insights for similar organizations transitioning from conventional financial metrics to a holistic, knowledge-driven performance system.

KEYWORDS - Performance Management System, Knowledge-Based Performance Management, Stakeholder Alignment, Household Appliance Industry, Strategic Objectives.

I. INTRODUCTION

Indonesia, as the largest developing economy in ASEAN, plays a significant role in the regional economic landscape through its micro, small, and medium enterprises (MSMEs). These MSMEs are crucial drivers of economic growth, contributing 61.97% of the country’s GDP in 2024, or around 8,573.89 trillion IDR, according to the Ministry of MSMEs and Cooperatives (see Figure 1.1 here). This sector also accounts for 97% of employment and 60.4% of total investment, making it the backbone of Indonesia’s economy. However, MSMEs were severely impacted by the COVID-19 pandemic, with a Bank Indonesia survey in 2021 reporting that 87.5% of MSMEs were adversely affected, and approximately 30 million MSMEs faced closure due to declining sales and operational challenges. This situation highlights the pressing need for improved management practices and resilience strategies within the sector to ensure sustainable growth.

Fig. 1 Number of MSMEs in ASEAN



The household appliance industry is a key contributor within the MSME sector, characterized by steady demand and a vital role in improving quality of life. This industry encompasses a range of electrical and

mechanical devices that simplify household tasks, such as cooking, cleaning, and food preservation. With growing consumer preferences for convenience and energy-efficient solutions, the global household appliance market is projected to grow at a Compound Annual Growth Rate (CAGR) of 4.82% from 2023 to 2028, increasing from USD 0.63 trillion in 2023 to USD 0.81 trillion by 2028. In Indonesia, rising disposable income and a burgeoning middle class have fueled demand for household appliances, particularly among consumers seeking quality and energy-efficient products. This trend presents a valuable growth opportunity for businesses within this industry, especially as household consumption expenditure continues to rise post-pandemic, with a 3.6% increase in 2023 alone[15].

Despite favorable industry conditions, PT RAM Armalia Abadi, an Indonesian MSME specializing in household appliances, has faced declining sales from 2021 to 2023. A range of internal and external challenges has contributed to this decline, including high turnover rates in critical departments such as credit management and marketing. The company's reliance on outsourced sales teams has resulted in workforce instability, as sales personnel frequently leave to sell competitor products perceived as more appealing to consumers. Moreover, PT RAM Armalia Abadi has primarily relied on an offline direct-selling model, positioning it in direct competition with other brands in overlapping sales territories. While this model has enabled wide market coverage, it lacks strategic adaptability and has not been sufficient to maintain growth in a rapidly evolving market. These issues underscore the need for PT RAM Armalia Abadi to reassess its performance management approach to ensure long-term resilience and competitiveness.

The objective of this study is to develop a comprehensive performance management system tailored to the needs of PT RAM Armalia Abadi. The company currently uses a financial measurement system, which is limited in its ability to provide actionable insights into operational and strategic decision-making. Traditional financial metrics primarily reflect past performance and fail to capture the broader capabilities needed to compete effectively in the modern market [8]. Literature suggests that a more balanced performance management approach, incorporating both financial and non-financial indicators, is essential for businesses aiming to achieve sustainable competitive advantage in dynamic markets [5].

In this paper, we propose the implementation of a Knowledge-Based Performance Management System (KBPMS) for PT RAM Armalia Abadi. The KBPMS framework integrates financial and non-financial key performance indicators (KPIs) across multiple operational domains, enabling a holistic view of organizational performance. This approach allows the company to measure, monitor, and optimize various performance dimensions, from workforce stability to customer satisfaction and market responsiveness. To achieve this, we employed a mixed-methods approach involving qualitative interviews with key stakeholders, quantitative analysis of sales and turnover data, and a review of performance management literature. The KBPMS framework was designed to align with PT RAM Armalia Abadi's strategic objectives, focusing on creating a resilient organization capable of adapting to both internal and external challenges.

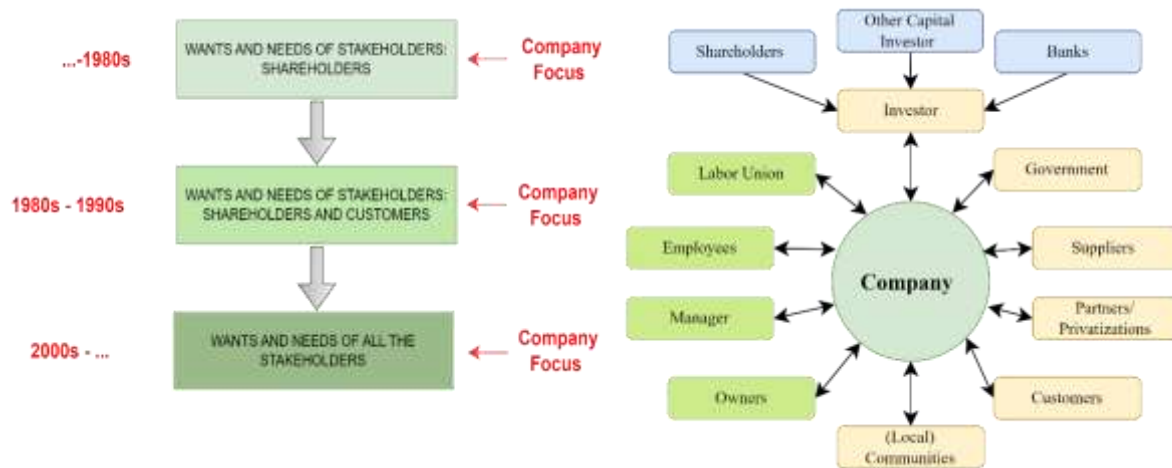
The results of this study provide valuable insights into how PT RAM Armalia Abadi can leverage its internal resources and market position to build a competitive edge. Through the application of KBPMS, the company gains a structured tool for assessing performance, identifying areas of improvement, and supporting strategic initiatives aimed at sustainable growth. This framework not only addresses the immediate challenges facing PT RAM Armalia Abadi but also offers a scalable solution that can be adapted as the company evolves in a competitive industry.

II. LITERATURE REVIEW

The development of an effective performance management system (PMS) is integral to aligning organizational activities with strategic goals, particularly within highly competitive industries like household appliances. In Indonesia, MSMEs play a pivotal role in economic growth, and companies like PT RAM Armalia Abadi, operating in the household appliance sector, rely on robust performance management practices to navigate complex stakeholder relationships and market dynamics. Performance measurement systems have historically evolved from early accounting frameworks to complex models that integrate both financial and non-financial metrics. This shift acknowledges that traditional financial measures alone are insufficient for comprehensive performance assessment, especially in dynamic industries where rapid innovation and consumer behavior shifts are prevalent. Modern PMS frameworks emphasize balanced metrics that support continuous improvement and strategic alignment, providing organizations with tools to measure, monitor, and enhance both short-term and long-term outcomes[17].

Recent literature underscores the importance of multi-dimensional performance measurement frameworks, which incorporate both quantitative and qualitative indicators. Performance measurement as a holistic approach that includes financial and non-financial metrics to capture past achievements and inform future strategic direction[1]. They outline four fundamental components of performance measurement: multi-dimensional metrics, alignment with strategic objectives, behavioral influence, and stakeholder impact. An effective PMS facilitates operational planning, budgeting, and monitoring while ensuring that organizational actions remain consistent with overarching strategic goals[14]. Additionally, performance measurement serves various roles, such as guiding operational planning, supporting decision-making, and fostering a strategic focus across all levels of the organization[7][8].

Fig. 2 Change of Company Focus Orientation and Stakeholders Network Relationship.



The need for a refined PMS at PT RAM Armalia Abadi is driven by complex stakeholder relationships and evolving market conditions. The company’s operations involve interactions with diverse stakeholders, including suppliers, customers, and regulatory authorities, each with unique and sometimes conflicting expectations. Managing these relationships requires a strategic approach that aligns stakeholder interests with organizational goals. Figures 2.2 illustrate the intricate web of stakeholders within a PMS framework, highlighting the multi-faceted relationships that companies like PT RAM Armalia Abadi must navigate. Successful stakeholder management within PMS frameworks is crucial for long-term organizational resilience, as it enables companies to adapt to external pressures while fostering strong internal cohesion[17].

In recent years, various PMS frameworks have been proposed to address the limitations of traditional financial measures and provide a more comprehensive assessment of organizational performance. Notable frameworks include the Balanced Scorecard, the Malcolm Baldrige Criteria, the Performance Prism, and the Knowledge-Based Performance Management System (KBPMS). The Balanced Scorecard integrates financial and non-financial indicators across four perspectives—financial, customer, internal processes, and learning and growth[8]. While popular, its limitations include a narrow focus on internal metrics and limited stakeholder integration. In contrast, the Performance Prism takes a stakeholder-centric approach, emphasizing stakeholder satisfaction, strategies, processes, capabilities, and contributions[12]. Although the Performance Prism provides a comprehensive view, it can be challenging to balance diverse stakeholder expectations. The KBPMS combines the simplicity of the Balanced Scorecard with the stakeholder focus of the Performance Prism, making it particularly suitable for Indonesian companies[17]. This model’s integration of benchmarking and knowledge-based components makes it highly adaptable and effective for fostering continuous improvement.

A critical component of any PMS framework is the identification and use of Key Performance Indicators (KPIs), which serve as measurable benchmarks for evaluating progress towards strategic goals. KPIs are essential for tracking performance across different phases of the business lifecycle—design, implementation, and operationalization. They allow organizations to monitor performance against set objectives, facilitating timely adjustments in response to evolving market conditions. For instance, the role of KPIs in guiding the development and evaluation of business models, while discuss their importance in setting measurable objectives during the design phase[6]. KPIs are essential for strategic alignment, enabling companies to optimize their performance by focusing on critical areas that drive organizational success[13]. In the household appliance industry, where consumer expectations and technological advancements constantly evolve, KPIs are particularly valuable for ensuring that product innovation aligns with market demand.

For PT RAM Armalia Abadi, which operates within the household appliance sector, stakeholder relationships are particularly significant. The company maintains close connections with various stakeholders, including suppliers, alliance partners, direct customers, and employees. Implementing a new PMS for PT RAM Armalia Abadi is essential for achieving its strategic objectives while meeting stakeholder expectations. Recent studies highlight that developing a PMS that effectively meets diverse stakeholder demands is challenging, particularly in terms of translating these varied needs into quantifiable metrics, ensuring alignment between performance measures and strategy, and managing conflicting stakeholder interests[13].

III. METHODOLOGY

This study employs a qualitative research approach to explore the performance management challenges faced by PT RAM Armalia Abadi, using a combination of structured and unstructured interviews and a focus group discussion (FGD) for data collection. Qualitative methods are well-suited for capturing in-depth insights into complex organizational issues, as they allow participants to share detailed perspectives on their experiences and the company's strategic challenges [3]. Structured and unstructured interviews were conducted with General Managers and Owners to gather primary data, focusing on their perspectives regarding the organization's strategic and operational issues. Interviews enable an exchange of information that helps researchers derive meaningful conclusions from participants' insights[16].

In addition to interviews, an FGD was conducted to facilitate collaborative input in formulating Key Performance Indicators (KPIs) essential to the Performance Management System (PMS). The FGD provided a platform for managers and stakeholders to discuss strategic objectives and share diverse perspectives, which enriched the research data. This technique supports the study by allowing participants to collectively analyze and interpret business challenges and potential solutions[10]. Secondary data, such as company records and relevant literature, supplemented the primary data, providing a contextual background for understanding industry-specific PMS challenges.

Data were analyzed using thematic analysis allowing for the identification of key themes related to PMS implementation and business strategy[2]. To enhance reliability, the study applied triangulation by comparing data from multiple sources—interviews, FGD, and secondary data—thereby increasing the credibility and validity of findings[4]. This approach ensured a comprehensive understanding of PT RAM Armalia Abadi's needs and helped mitigate potential biases. Finally, the study incorporated member-checking by sharing preliminary findings with participants, allowing them to confirm or clarify their responses, which further enhanced data reliability[11].

The resulting PMS framework is designed to align business activities with PT RAM Armalia Abadi's strategic goals, integrating insights from PMS model to establish performance standards, monitor metrics, and provide feedback mechanisms[5]. This tailored PMS aims to support the company in achieving continuous improvement and strategic alignment in a competitive market environment.

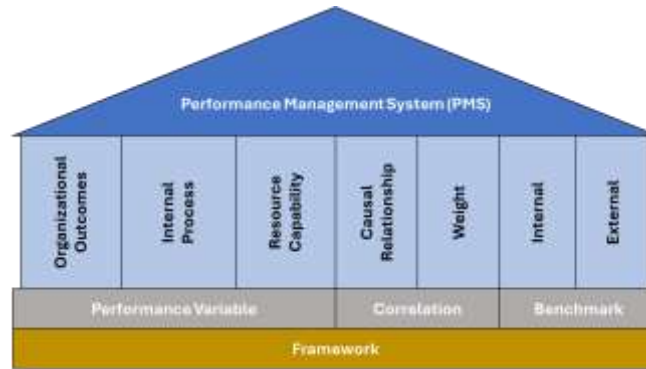
IV. RESULT AND DISCUSSION

This study reveals that PT RAM Armalia Abadi's current performance management system (PMS), which relies heavily on financial metrics, falls short in providing a holistic view of the organization's strategic and operational performance. The analysis, based on qualitative data collected from structured and unstructured interviews with General Managers and Owners, along with insights from a Focus Group Discussion (FGD), highlights significant areas for improvement in aligning the PMS with both internal and external demands. The primary finding indicates that a financial-only PMS limits the company's ability to address stakeholder expectations, manage human resources effectively, and make informed strategic decisions. Consequently, the need for a Knowledge-Based Performance Management System (KBPMS) becomes evident, one that integrates both financial and non-financial indicators to better capture organizational performance in a competitive environment.

The first critical finding is the inadequacy of financial metrics alone to support PT RAM Armalia Abadi's long-term strategic goals. Financial indicators, while useful for monitoring short-term results, do not provide sufficient insight into underlying issues such as customer satisfaction, process efficiency, and human resource stability. Interviews with managers revealed that the current system primarily reflects past financial outcomes, limiting its usefulness in diagnosing root causes of challenges like declining sales and operational inefficiencies. This limitation is consistent with findings in the literature which advocates for a balanced mix of financial and non-financial metrics to create a more comprehensive PMS framework[8].

Furthermore, the study identifies a substantial gap between PT RAM Armalia Abadi’s performance management practices and the needs of its various stakeholders, including customers, suppliers, and alliance partners. The FGD emphasized that a robust PMS must include performance indicators that reflect stakeholder priorities, such as product quality, customer satisfaction, and supplier reliability. The company’s stakeholders expressed that the current PMS does not capture these dimensions, which are critical for competitive positioning and market relevance. This finding aligns with the principles of the Performance Prism framework[12], which advocates for a stakeholder-centered approach in PMS, focusing on measuring satisfaction and value creation across all stakeholder groups.

Fig.3 Performance Management System (PMS) Developed Framework



Human resource challenges, particularly in the marketing and credit management teams, emerged as another key issue. The study found high employee turnover rates in these divisions, attributed to factors such as limited career development opportunities and dissatisfaction with existing processes. This turnover has directly impacted sales performance and operational continuity. Interviews highlighted that the lack of human resource-focused KPIs, such as employee satisfaction, training effectiveness, and retention rates, prevents the company from understanding and addressing workforce-related issues effectively. A Knowledge-Based PMS with a human resource component could provide critical insights into these challenges, helping to stabilize the workforce and improve productivity.

The need for an integrated, Knowledge-Based PMS framework is further underscored by the thematic analysis of interview and FGD data. Participants across all data collection methods indicated that a comprehensive system incorporating both financial and non-financial metrics would better align PT RAM Armalia Abadi’s performance management practices with its strategic objectives. Specifically, a KBPMS would enable the inclusion of KPIs related to customer satisfaction, innovation, and learning—areas that are currently overlooked but crucial for long-term growth and competitive advantage. This recommendation echoes the extended PMS framework which emphasizes the importance of a balanced system that aligns operational activities with organizational strategy and external market demands[5].

Table. 1 Proposed Key Performance Indicators (KPIs)

Performance Metric	Weight (%)	Performance Metric	Weight (%)
Production Efficiency	18%	Process Lead Time	12%
Financial Performance	15%	Customer Satisfaction	12%
Market Share	10%	Defect Rates	10%
Brand Reputation	8%	Response Time	8%
Equipment Utilization	7%	Workforce Skill Level	5%
Resource Availability	5%		

In arguing for the transition to a KBPMS, the findings highlight that the proposed system would provide a more accurate and actionable performance assessment framework for PT RAM Armalia Abadi. The current financial-focused PMS is insufficient for addressing stakeholder needs or managing internal processes effectively. By integrating KPIs related to customer satisfaction, employee engagement, and innovation, the KBPMS would enable the company to align its performance management system with long-term objectives, while also fostering stakeholder trust and competitive resilience. Additionally, addressing high turnover in key

divisions through HR-focused KPIs would stabilize critical functions within the organization, directly supporting the company's operational and strategic goals.

To summarize, the findings and arguments from this study demonstrate that PT RAM Armalia Abadi's reliance on a financial-only PMS limits its ability to respond to the dynamic needs of its stakeholders and workforce. A Knowledge-Based Performance Management System would provide a balanced approach, incorporating essential non-financial metrics that address the specific challenges identified, such as stakeholder satisfaction and workforce stability. This shift would enable PT RAM Armalia Abadi to enhance its strategic alignment, strengthen stakeholder relationships, and support sustainable growth in a competitive industry.

V. CONCLUSION

This study highlights the critical need for PT RAM Armalia Abadi to adopt a Knowledge-Based Performance Management System (KBPMS) that integrates both financial and non-financial metrics. The current financial-only PMS limits the company's capacity to address broader strategic, operational, and stakeholder-driven demands. A KBPMS, which includes key performance indicators such as production efficiency, customer satisfaction, and market share, offers a more balanced approach that supports both immediate operational needs and long-term strategic objectives. This multi-dimensional framework aligns with best practices in performance management, allowing PT RAM Armalia Abadi to enhance competitive positioning and drive sustainable growth.

Implementing a KBPMS does present challenges, notably in adapting existing systems to incorporate non-financial metrics and ensuring an effective balance of priorities. However, a phased, adaptive approach to KBPMS implementation can mitigate these challenges, gradually aligning the organization's performance management practices with its strategic vision and mission.

The findings of this study underscore both the theoretical and practical importance of a holistic PMS framework, contributing to the discourse on performance management adaptation in emerging markets. For PT RAM Armalia Abadi, the shift to a KBPMS is not only recommended but essential for aligning internal performance with market expectations, fostering a resilient and responsive organizational model. Future recommendations include implementing KBPMS incrementally, training staff on new metrics, and engaging stakeholders to ensure broad-based support for this strategic shift. This approach will enhance the company's capacity to sustain competitive advantage and support continuous improvement in a dynamic industry environment.

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**Corresponding Author: Kadek Novira Dwiyaniti¹*
¹School of Business & Management/Bandung Institute of Technology, Indonesia