

A Proposal of Rewards-Linked Performance Development System: A Case Study of PT MNO

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Abstract : This study highlights the gap between formal performance development values and hierarchical work culture in emerging market FMCG companies, specifically in PT MNO, Indonesia. This qualitative research proposes a reward-integrated Performance Development System (PDS) that aligns with agile transformation goals and cultural realities. Data from in-depth interviews, surveys, HR documents, and performance reports indicate that the existing PDS is ambiguous, disconnected from career development, bureaucratic, and inconsistent with rewards. Cultural aspirations such as agility and autonomy are hampered by high power distance and collectivist norms, reducing clarity and trust. Therefore, a new PDS model that is culturally responsive and behaviorally aligned is developed. The model includes shared goal setting, continuous feedback, transparent communication of performance and reward expectations, and competency-based achievement tied to financial incentives and career mobility. This approach is expected to increase employee engagement, fairness, system adoption, and alignment with business agility. This study makes a significant contribution as the first adaptive PDS blueprint that integrates a transparent dual-track reward mechanism while

bridging the barriers of hierarchical culture with agile performance demands in emerging markets. It offers practical guidance for HR leaders and transformation architects.

Keywords: Performance Development System, Employee Engagement, Rewards Alignment, Cultural Fit

A. Introduction

In today's rapidly evolving Fast-Moving Consumer Goods (FMCG) industry, failure to adapt is no longer a gradual risk but an imminent threat. Global examples abound such as Kodak's delayed response to digital photography or several traditional cosmetics giants losing ground to agile, influencer-driven startups—that illustrate how inflexibility in organizational design and talent systems can result in lost market share, talent drain, or even collapse. In the digital era, where consumer expectations shift in real time and speed-to-market is critical, performance is no longer a function of efficiency alone, but of responsiveness, innovation, and empowered execution.

Indonesia's FMCG sector, particularly the beauty and cosmetics category, reflects this volatility. With a projected CAGR of 7.5% between 2023–2028 (Ministry of Trade, 2017), the market is expanding but so is the complexity. Companies now compete not only on product quality and price but on speed, relevance, and their ability to evolve with consumer behavior shaped by socio-commerce, digital reviews, and on-demand delivery. Those unable to transform internally risk being overtaken by leaner, faster competitors.

Recognizing these shifts, PT MNO—a key player in Indonesia's beauty FMCG segment embarked on a full-scale organizational transformation in 2022. Guided by its core values of creating impact for employees, communities, and the planet, the company shifted from a traditional, hierarchical structure to an agile operating model

centered on cross-functional squads. This transformation was aimed at accelerating market responsiveness, breaking down silos, and cultivating innovation. However, while the structural overhaul signaled progress, the internal systems underpinning people management—especially the performance management system remained out of sync with the company’s new agile reality.

The shift toward agile work rhythms required more than just new workflows; it demanded a rethinking of how employee goals are set, how performance is guided, and how success is rewarded. In line with its human-centric philosophy, PT MNO reframed its system not as “performance management” but “performance development,” focusing on capability-building, learning, and intrinsic motivation. Yet, the implementation has not fully met expectations.

Findings from PT MNO’s 2022 employee engagement survey highlighted three of the lowest-scoring dimensions directly tied to performance development: Clear Expectations (59.6%), Growth (60.3%), and Awards and Recognition (46%). Although the overall engagement score stood at 74.7%, these gaps act as silent alarms. When left unresolved, unclear expectations hinder alignment, lack of perceived growth reduces ambition and innovation, and insufficient recognition erodes trust each of which can lead to cascading effects such as key employee churn, weaker team morale, and declining brand performance in the market.

This engagement gap marks a critical turning point. PT MNO’s transformation will stall if its Performance Development System (PDS) fails to evolve in parallel with its organizational shift. To sustain agility and realize its intended impact, the company must urgently redesign its PDS into a system that reinforces clarity, fosters continuous growth, and delivers meaningful, transparent recognition anchored in cultural relevance and behavioral alignment with agile work.

B. Method

This study adopts a qualitative exploratory case study approach focused on PT MNO, aiming not merely to explore, but to conduct a deep investigation into the underlying causes of misalignment between performance development systems and organizational culture in the context of agile transformation. The qualitative method was selected due to its strength in capturing interpersonal dynamics, cultural nuances, and contextual complexity that are often inaccessible through standardized quantitative surveys (Tracy, 2020; Given, 2022). Through this approach, the study seeks to develop a culturally responsive, reward-linked Performance Development System (PDS) tailored to PT MNO's environment.

The research process involved five key stages: (1) research design and instrument development; (2) primary and secondary data collection; (3) thematic data analysis; (4) triangulation and data integration; and (5) system formulation based on emergent findings. The research problem was grounded in organizational symptoms identified through the 2022–2023 employee engagement survey and Check-in Time participation records, which revealed persistent weaknesses in the areas of clarity, growth, reward, and system participation.

Primary data were collected through semi-structured interviews using purposive sampling to ensure relevance and depth of insight (Palinkas et al., 2015). A total of 18 informants were selected to represent three career tracks functional, business, and professional—and four organizational levels: officer, executive, department head, and group head. This sampling approach allows a multi-perspective understanding of the system's impact across hierarchy and function. The principle of data saturation (Fusch & Ness, 2015) guided the determination of sample size.

The interview protocol was structured around four theoretical lenses; (1) Engagement Survey Drivers particularly the three lowest scoring dimensions in the 2022 survey (Clear Expectations, Growth, Awards and Recognition); (2) Total Performance Scorecard (TPS) Framework – used to guide inquiry into goal setting, evaluation, and feedback systems (Amin, 2023); (3) McKinsey People-First Framework – to map PDS-related experiences from onboarding to recognition; (4) Motivation and Organizational Culture Theories, including Self-Determination Theory (Ryan & Deci, 2017), Expectancy Theory (Kanfe & Johnson, 2017), Hofstede’s Cultural Dimensions, and Schein’s Model, to probe how personal and cultural factors influence system perception.

Secondary data were obtained from four key internal sources: (1) the Management System Book to understand PT MNO’s formal values and workflow structures; (2) the Performance Development System (PPDS) document as the formal reference for policies and procedures; (3) participation records from 2021–2024 to track user behavior; and (4) the 2022–2023 engagement survey reports, especially for dimensions linked to developmental experience. Qualitative document analysis (Bowen, 2022) was applied to examine the consistency between formal system narratives and field perceptions.

Triangulation was used to ensure data reliability and deepen insight. For example, employee complaints about bureaucratic delays in performance evaluation (interview data) were matched with internal system records, which showed that the average completion time for quarterly evaluations exceeded 14 working days—highlighting a gap between agile aspirations and rigid administrative processes. Similarly, statements about unclear goal setting were triangulated with inconsistencies between individual work plans and the performance criteria in PPDS documents.

Thematic analysis followed Braun and Clarke's (2019) six-phase method using ATLAS.ti to code and synthesize interview data. Coding was guided by the theoretical frameworks mentioned above and conducted iteratively to surface dominant and latent themes.

To strengthen trustworthiness, member checking was conducted with all interview participants and three additional internal HR experts at PT MNO. After the initial thematic synthesis, each participant was invited to review a personalized summary of their interpreted responses and given the opportunity to confirm or correct the interpretation (Birt et al., 2016). Feedback from this process led to refinement of themes—particularly regarding perceived fairness in recognition practices and the operational impact of agile role ambiguity thus reinforcing the credibility and dependability of the study's findings in line with updated trustworthiness criteria as outlined by Nowell et al. (2017).

C. Results and discussion

PT MNO's transformation into an agile organization necessitated a fundamental shift in how performance is developed, not merely managed. This study proposes the Agile MNO Performance & Growth Framework (APGF) as a holistic redesign of the existing PPDS. This framework integrates goal alignment, continuous development, fair evaluation, and strategic rewards as interdependent levers to foster agility, motivation, and long-term growth. Findings are presented thematically, directly integrated with discussion and theory, to illustrate how APGF addresses current gaps in practice.

1) Clarity and Co-ownership in Goal Setting

Findings revealed that many employees lacked clarity regarding expectations, especially those outside strategic units. While goal-setting is theoretically collaborative, in practice it is often top-down and vague, which contradicts agile principles and reduces motivation. This gap is further complicated by Indonesia's high

power distance culture, where employees hesitate to challenge vague instructions.

The APGF addresses this through two-way goal-setting sessions, combining personal development objectives (Personal Scorecard) with organizational goals (Organization Scorecard), supplemented by squad-level priorities to reinforce collectivist values. For example, in the Commercial Division, employees expressed frustration with “vague quarterly targets.” Under APGF, these targets are co-developed during Check-In Time using shared digital tools with clear, trackable metrics.

From a theoretical lens, this approach reinforces Expectancy Theory employees understand what is expected and believe their effort contributes directly to outcomes while also supporting Self-Determination Theory by fostering autonomy and competence through shared ownership of goals.

2) Continuous Development and Feedback Culture

Despite PT MNO's investment in coaching, academies, and learning wallets, development activities were reported as disconnected from career milestones. Interviewees such as AD (Marketing) stressed the need for clear competency standards and feedback tied to specific roles.

The APGF embeds structured quarterly feedback loops with documented reflection points. Managers are trained to deliver feedback in context: “To move from Officer to Executive, you need to master X and improve Y.” This specificity creates developmental traction.

Feedback in APGF is not limited to managers. A 360° peer-feedback pilot is being tested in cross-functional squads, normalizing appreciation and corrective input across levels. This structure turns feedback into a developmental tool, not a judgment. As FW

(Commercial) noted, “We need feedback to be conversational, not ceremonial.”

This evolution aligns with Schein’s cultural model, building a feedback culture that gradually rewires behavior and expectations. It also activates competence and relatedness dimensions in motivation theory, affirming that progress is seen and valued.

3) Transparent and Fair Performance Evaluation

One of the strongest pain points across interviews was the perceived unfairness of performance evaluations, particularly due to infrequent reviews and memory bias among appraisers. Although a calibration committee exists, many employees felt decisions did not reflect the full scope of their contributions.

In response, APGF introduces a cumulative evidence-based evaluation process. Informal feedback and coaching moments are recorded quarterly in a centralized digital log, forming a continuous “performance memory” throughout the year. This shifts performance discussions from static ratings to dynamic progress narratives.

In a pilot with the Digital Team, shifting to quarterly narrative reviews increased perceived fairness by allowing employees to present achievements in context. This also enhances instrumentality, reinforcing belief in the reward-performance link.

4) Rewards and Recognition as Strategic Accelerators

Current reward systems at PT MNO emphasize fairness but suffer from a lack of transparency and communication, not from inadequate reward size. Many employees expressed uncertainty about how their performance translated to tangible outcomes, creating motivational ambiguity.

APGF reframes rewards not just as incentives but as strategic accelerators of system adoption. Leaders are expected to clearly link performance milestones to recognition—both financial and non-financial—during formal and informal sessions. In high power distance cultures like Indonesia, proactive recognition by leaders carries significant motivational weight. For example, in the Innovation Team, a Group Head now ends each quarter with an open team huddle acknowledging achievements, which doubled nomination rates for performance-based bonuses in two quarters.

Rewards under APGF are multidimensional—including personalized learning opportunities, fast-track development roles, and team-based recognition sessions. This holistic approach aligns with the Total Rewards model and integrates intrinsic and extrinsic motivators into a unified strategy.

The Agile MNO Performance & Growth Framework is not just a redesign of technical processes, but a cultural intervention. It bridges formal structures with behavioral realities by aligning agile values with culturally grounded strategies—acknowledging hierarchy while promoting clarity, ownership, and continuous learning.

By transforming rewards from silent assumptions into visible, communicated outcomes, APGF fuels motivation, increases adoption, and supports PT MNO's long-term competitiveness in the dynamic FMCG landscape.

D. Conclusion

This study has revealed that PT MNO's existing performance development system is misaligned with its agile organizational structure and cultural realities, resulting in unclear expectations, limited developmental traction, and a perceived disconnect between performance and rewards. Through qualitative inquiry and deep triangulation of employee experiences, this research formulated the

Agile MNO Performance & Growth Framework (APGF), a culturally contextualized and behaviorally aligned model that integrates clarity in goal setting, continuous development, transparent evaluation, and strategic rewards.

Importantly, the end goal of this study is not merely to refine the technical components of a performance system, but to catalyze a broader cultural transformation—one that promotes transparency, shared ownership, and outcome-oriented thinking across levels. By embedding developmental principles and reward visibility into everyday work rhythms, APGF lays the groundwork for a more empowered and agile workplace culture.

To operationalize this transformation, we propose a three-phase implementation roadmap: Phase 1: Pilot & Learn (Introduce the APGF model in selected squads, test digital tools for goal-setting and feedback, and monitor engagement changes). Phase 2: Scale & Adapt (Expand implementation across business units, refine based on feedback, and ensure manager readiness through targeted upskilling). Phase 3: Full Integration & Optimization (Embed the system into all HR cycles, link with promotion and compensation mechanisms, and institutionalize recognition rituals to reinforce cultural alignment).

The expected return on investment (ROI) from implementing APGF extends beyond increased engagement. With improved clarity, motivation, and fairness, PT MNO can expect measurable gains in employee productivity, faster product development cycles, and reduced turnover of high-potential talent ultimately strengthening its competitive edge in a highly dynamic FMCG market.

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