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Performance Management Systems and Feedback in Public Legal Institutions: Challenges of Forced Ranking and Career Development

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Abstract

Performance Management Systems (PMS) constitute a critical component of modern human resource management strategies, particularly within public sector organizations. An effective PMS ensures alignment between individual performance and organizational strategic objectives, while simultaneously fostering employee competency development and motivation. Public Legal Institutions in Indonesia have adopted a PMS based on a Corporate Scorecard System (CSS), cascading Key Performance Indicators (KPIs) down to the individual level. However, the implementation of performance review and feedback within these institutions continues to face significant challenges.

Performance appraisal is conducted predominantly through a top-down approach using a forced ranking mechanism, which imposes predetermined performance distributions. This practice raises concerns regarding fairness, weakens employee motivation, and limits the developmental function of performance evaluation. This qualitative study examines

the gap between ideal PMS principles and actual practices within Public Legal Institutions through document analysis and literature review.

The findings indicate that performance reviews are largely administrative and one-directional, reducing their value as tools for employee development. While forced ranking provides performance differentiation, it also encourages unhealthy internal competition and undermines collaborative work culture. The study concludes that a fundamental transformation of the PMS is required—one that is more humane, participative, and development-oriented. Key recommendations include strengthening two-way feedback culture, implementing continuous feedback mechanisms, eliminating forced ranking, developing Individual Development Plans (IDPs), and integrating performance appraisal with talent management systems to promote sustainable organizational performance.

Keywords: Corporate Scorecard System (CSS), Key Performance Indicators (KPIs), Individual Development Plans (IDPs)

Introduction

Performance Management Systems (PMS) are a core element of modern human resource management strategies. Beyond evaluating work outcomes, PMS functions as a strategic instrument that aligns individual objectives with organizational goals. In the public sector, PMS plays a vital role in improving service effectiveness, strengthening governance, and fostering a performance-oriented work culture.

Public Legal Institutions in Indonesia, as administrators of social security programs for workers, position PMS as a key mechanism for achieving organizational accountability, improving service quality, and ensuring the sustainability of social protection programs. These institutions have implemented a PMS based on the Corporate Scorecard System (CSS), where organizational strategic goals are translated into KPIs at unit and individual levels.

Despite this structured framework, significant challenges remain, particularly in the performance review and feedback stages. Performance appraisal is predominantly conducted through a top-down process, reinforced by a forced ranking system. Under this system, each unit must comply with predetermined performance distributions, compelling some employees to be placed in lower performance categories regardless of their actual performance quality. Moreover, employees who do not achieve high performance ratings often receive limited support for competency development, resulting in career stagnation and declining motivation.

This study aims to comprehensively analyze the implementation of performance review and feedback within Public Legal Institutions by focusing on:

1. The alignment between PMS theory and actual performance review practices.
2. The impact of forced ranking on employee motivation and organizational culture.
3. Strategic recommendations for transforming PMS into a more participatory, fair, and career-development-oriented system.

Academically, this study contributes to the literature on performance management in public sector organizations. Practically, it provides insights and recommendations for public institutions seeking to refine their PMS to be more effective and humane.

Literature Review

Performance Management System (PMS)

Bhattacharyya (2011) ^[2] defines PMS as a continuous process that connects organizational objectives with individual performance through planning, monitoring, evaluation, and feedback. An effective PMS goes beyond measuring outcomes by enhancing employee competence, motivation, and engagement.

Armstrong (2020) ^[1] emphasizes PMS as a two-way communication tool between managers and employees, focused on achieving organizational goals while supporting individual professional development. A well-designed PMS fosters employee involvement, accountability, and continuous performance improvement. Conceptually, PMS should function not merely as an evaluation mechanism, but as a system for human capital development and empowerment.

Performance Review and Feedback

Performance review and feedback represent the core of PMS implementation. According to Bhattacharyya (2011) ^[2], performance reviews should be dialogical, allowing managers and employees to jointly reflect on achievements, challenges, and development needs. Effective feedback must be constructive, specific, and forward-looking (feedforward), enabling employees to improve future performance.

Continuous feedback—rather than annual appraisal alone—strengthens organizational learning culture, enhances employee ownership of goals, and improves supervisor–subordinate relationships. Performance review should therefore function as an ongoing performance conversation rather than a procedural formality.

Forced Ranking and Its Implications

Forced ranking, or forced distribution, is a relative performance appraisal method that assigns employees into fixed performance categories (e.g., top 20%, middle 70%, bottom 10%). Popularized by Jack Welch at General Electric, this system assumes that strict differentiation improves organizational performance.

While forced ranking may help identify high and low performers quickly, research highlights substantial negative consequences. Stewart *et al.* (2010) ^[4] found that forced distribution systems often generate unhealthy internal competition, employee anxiety, and reduced teamwork, ultimately undermining morale and collaboration. In public sector contexts, forced ranking is particularly problematic

when performance differences are marginal, yet employees are compelled into lower categories for quota compliance, leading to perceptions of injustice and resistance.

PMS in the Public Sector

Performance management in the public sector presents unique challenges. Dessler (2020) ^[3] notes that public organizations tend to adopt bureaucratic and one-way appraisal approaches, rendering performance reviews administrative rather than developmental. As a result, PMS often fails to stimulate proactive performance improvement. To enhance PMS effectiveness, public institutions must foster open feedback cultures, strengthen managerial coaching capabilities, and ensure that performance appraisal outcomes translate into concrete development actions. Such reforms align with broader public sector reform initiatives emphasizing meritocracy and competency-based human resource management.

Research Methodology

This study employs a qualitative case study approach focusing on Public Legal Institutions. Data collection relies on document analysis and literature review, including internal PMS guidelines, performance appraisal policies, and organizational performance reports, alongside relevant academic literature.

Data analysis is conducted descriptively through content analysis, comparing actual PMS practices with ideal PMS principles derived from theory and prior research. Data validity is strengthened through source triangulation, contrasting organizational documents with established PMS literature. As the study does not involve direct respondents, statistical analysis is not applied; instead, qualitative interpretation and narrative analysis are used to explain observed phenomena.

Findings and Discussion

PMS Implementation in Public Legal Institutions

Public Legal Institutions have implemented a structured PMS framework based on CSS, translating strategic objectives into measurable KPIs at all organizational levels. Key indicators include participant coverage ratios, service quality metrics, and operational efficiency. Targets are assigned through a top-down process from headquarters to regional and branch offices, ensuring strategic alignment.

However, PMS effectiveness depends not only on KPI formulation but also on meaningful performance review and follow-up processes. In practice, limited dialogical engagement during reviews reduces PMS to an administrative compliance tool, with employees focusing on numerical targets rather than developmental feedback.

Performance Review and Feedback Practices

Performance reviews are conducted annually and involve supervisor evaluation, HR validation, and forced ranking calibration. Although formal review meetings exist, discussions tend to emphasize past performance scores and relative ranking rather than future development plans.

Feedback is predominantly retrospective and concentrated at year-end, with minimal mid-year corrective reviews. Consequently, employees receive limited guidance on competency development or performance improvement, undermining the learning function of PMS.

Theory–Practice Gap

Ideally, performance reviews should function as constructive dialogues supported by continuous feedforward. However, in practice, reviews prioritize administrative completion over meaningful performance conversations. Feedback is often generic, and Individual Development Plans (IDPs) are not systematically developed, highlighting a significant gap between PMS theory and implementation.

Impact of Forced Ranking on Organizational Culture and Motivation

Forced ranking produces mixed outcomes. While it clarifies performance differentiation, it also intensifies internal competition and discourages collaboration. Employees placed in lower categories often perceive the system as unfair, leading to demotivation and reduced job satisfaction. Over time, such perceptions may increase turnover intention and weaken organizational commitment.

Implications for Career Development

Although performance appraisal outcomes influence promotion eligibility and talent pool inclusion, integration between appraisal results and career development programs remains weak. Employees with low ratings often receive limited developmental support, while high performers may lack structured mentoring, increasing the risk of career plateau and weakening long-term talent pipelines.

Conclusion and Implications

The study demonstrates that while Public Legal Institutions have established a strategically aligned PMS framework, its developmental value is undermined by one-way reviews, administrative focus, and forced ranking practices. To address these challenges, PMS transformation is necessary. Key recommendations include fostering two-way feedback culture, implementing continuous feedback systems, replacing forced ranking with fairer appraisal models, developing Individual Development Plans, strengthening the Human Capital function, and integrating performance appraisal with talent management. Such reforms would enhance motivation, collaboration, and employee development, ultimately strengthening organizational performance sustainability.

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