

The Contribution of Industrial and Organizational Psychology to the Development of Performance Management Systems

Nuraida Wahyu Sulistyani¹, Asmidar², Mulyana³

Universitas 17 Agustus 1945 Samarinda¹

Universitas Deztron Indonesia²

UIN Jambi³

e-mail: * nuraida@untag-smd.ac.id¹

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ABSTRACT

This study aims to examine the contribution of Industrial and Organizational Psychology (IOP) in developing a more humane, effective, and sustainable performance management system. The approach used is descriptive qualitative, with data collection techniques in the form of in-depth interviews, participant observation, and documentation studies. The results of the study indicate that the integration of IOP principles is able to form a performance management system that not only assesses work achievements quantitatively, but also considers aspects of motivation, perceptions of fairness, two-way communication in feedback, and a supportive work culture. In addition, the psychological approach to performance management has been shown to contribute to reducing resistance to change, improving psychological well-being, and strengthening employee loyalty to the organization. Thus, IOP plays an important role in creating a holistic and adaptive performance management system to the dynamics of modern organizations. This study recommends that organizations be more proactive in integrating IOP principles in the design and implementation of performance management systems to improve work effectiveness and productivity sustainably.

Kata kunci: Industrial and Organizational Psychology, performance management, work motivation, feedback, psychological well-being

INTRODUCTION

One of the main contributions of Industrial and Organizational Psychology (IOP) in the development of performance management systems is in the aspect of work motivation, which is the foundation of individual behavior and achievement in the workplace. Motivation theories such as Maslow's Hierarchy of Needs, Herzberg's Two Factor Theory, and Vroom's Expectancy Theory provide a deep understanding of the internal and external drives that influence employee work behavior. Maslow emphasized the importance of



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fulfilling basic needs to self-actualization, Herzberg distinguished between factors that cause satisfaction (motivators) and dissatisfaction (hygiene), while Vroom explained that motivation arises from individual expectations of the relationship between effort, performance, and results (Lestari & Damayanti, 2024). These three theories are important references in designing work and evaluation systems that are able to touch the psychological dimensions of workers more completely.

Without an understanding of these motivational factors, performance management systems risk becoming merely a rigid and administrative formal routine, and fail to reach the essence of individual work achievement. Such systems are often perceived as a form of control, rather than a development tool. On the contrary, when the system is designed based on appropriate motivational principles and tailored to the psychological conditions and characteristics of the individual, it will create a work environment that is conducive to the growth of engagement, initiative, and higher job satisfaction. Employees who feel appreciated and have their needs understood tend to show more stable performance, a strong sense of ownership of their work, and increased loyalty to the organization.

Industrial and Organizational Psychology (IOP) is a branch of applied psychology that specifically studies human behavior in the context of organizations and the workplace. This discipline not only focuses on how individuals work, but also examines interactions between employees, team dynamics, and the relationship between employees and organizational structures. Its main focus is to improve employee well-being while strengthening organizational effectiveness through a scientifically based approach. By combining psychological theories on motivation, job satisfaction, leadership, performance appraisal, and group dynamics, IOP makes a real contribution to creating a performance management system that is not only procedurally objective, but also emotionally humane. This approach helps organizations to build a system that is fair, communicative, and responsive to employee needs (Daulany, 2015). Thus, IOP encourages organizations to view employees not only as means of production or economic entities, but as whole individuals, with psychological needs, emotions, expectations, and the potential to develop in a healthy and supportive work environment.

One of the main contributions of Industrial and Organizational Psychology (IOP) in the development of performance management systems lies in the understanding and application of aspects of work motivation. In this context, motivation theories such as Maslow's Hierarchy of Needs, Herzberg's Two Factor Theory, and Vroom's Expectancy Theory are important bases for explaining why an employee can feel motivated, enthusiastic, or even lose enthusiasm in carrying out their duties. The three theories offer complementary perspectives, ranging from basic human needs, factors that trigger job satisfaction, to expectations regarding the results of the efforts made. Without an understanding of this motivational dimension, the performance management system tends to be a routine procedure that is administrative, non-contextual, and fails to have a real impact on increasing employee productivity or self-development (Nugraha, 2024). Conversely, if the performance management system is designed by considering the psychological needs of employees and their underlying motivations, the organization can create a work environment that is more supportive of engagement, encourages initiative, and increases job satisfaction and loyalty. Employees who feel motivated with the right approach will be more motivated to achieve targets, more open to feedback, and show a high commitment to organizational goals. Therefore, the integration of motivational principles into the performance management system is a strategic aspect that cannot be ignored in building sustainable organizational performance (Barasa, 2025).

In addition, PIO also pays great attention to the feedback process in performance appraisals. Psychological research shows that the effectiveness of feedback is highly dependent on the time of delivery, the method of delivery, and the content of the message given. Feedback that is clear, specific, and delivered with a constructive approach will be more easily accepted and acted upon by employees. In this case, approaches such as 360-degree assessments, self-reflection, and coaching are important tools that are widely recommended in PIO literature (Muzdalia et al., 2022). Thus, the assessment process is no longer one-way or judgmental, but becomes a means of joint development between superiors and subordinates. PIO also plays an important role in ensuring fairness and objectivity in performance appraisals. Injustice in evaluations often triggers conflict and decreases employee motivation. By understanding cognitive biases such as the halo effect, similarity bias, or leniency bias, PIO helps organizations build a more valid and reliable evaluation system. The use of measurable behavioral indicators and standardized assessment scales can reduce subjectivity in the evaluation process. The result is a system that is fairer, more accountable, and increases trust between individuals within the organization (Sudiro, 2019).

PIO's contribution is also evident in its efforts to build an organizational culture that supports performance. Organizational culture is a collection of values, norms, and practices that shape collective behavior in a company (Indasah, 2024). If the performance management system is not aligned with the organizational culture, then it is likely that the system will not be effective. For example, in a collaborative and participatory work culture, a performance management system that is too authoritarian or individualistic will be indirectly rejected by employees. PIO helps in the process of diagnosing organizational culture, as well as in designing a system that is in line with the company's values and vision. Thus, the performance management system can be integrated naturally into the daily life of the organization. No less important, PIO also plays a major role in change management when an organization decides to change or update its performance management system. Any change in the work system has the potential to cause resistance or confusion among employees. PIO, through a psychological approach and organizational behavior analysis, is able to design communication strategies, training, and employee involvement so that the change process runs more smoothly and can be accepted by all parties. This makes the new system not only implemented formally, but also carried out with high awareness and commitment from organizational actors (Ramadhani et al., 2023).

Furthermore, the PIO approach in the performance management system is based on the principle of evidence-based practice, namely decision making based on data and scientific research. Organizational climate, employee perceptions of fairness, work stress levels, and productivity indicators can all be measured and analyzed psychometrically. This allows the development of a system that is not only theoretical, but also empirically tested. Organizations can periodically evaluate the effectiveness of the performance management system, make adjustments, and design more targeted interventions. As an initial conclusion, it can be said that the contribution of Industrial and Organizational Psychology to the development of a performance management system is crucial. This approach bridges the needs of organizations to achieve business targets with the needs of employees to be appreciated, guided, and developed. A performance management system designed with PIO principles will be more adaptive, participatory, and have a positive impact on work well-being and productivity (Arifin et al., 2024). Therefore, understanding

and applying industrial and organizational psychology is an important foundation in creating a superior and sustainable performance management system.

METHOD

This study uses a descriptive qualitative approach that aims to describe in depth the contribution of Industrial and Organizational Psychology in the development of performance management systems. This approach was chosen because it is considered the most appropriate for exploring phenomena contextually and comprehensively, especially related to human behavior in the work environment and how psychological approaches are applied in managerial systems. This study focuses on the processes, meanings, and understandings formed by individuals and organizations in applying industrial psychology principles to improve the effectiveness of performance management systems. Data collection was carried out using in-depth interview techniques, participant observation, and documentation studies. Interviews were conducted in a semi-structured manner so that researchers still have guidelines but also provide space for broader exploration of information from informants who have related understanding and experience. Participatory observation was conducted to directly observe interactions, work behavior, and the implementation of performance management systems in the workplace. Meanwhile, documentation studies were conducted by reviewing related documents such as human resource policies, performance evaluation guidelines, and relevant internal survey results. The combination of these three techniques aims to obtain rich, in-depth, and triangulated data.

The data analysis process was carried out using the thematic analysis method. The initial stage began by transcribing the interview results and observation notes into text form. Next, the coding process was carried out, namely identifying important information, recurring patterns, and categories of meaning that were relevant to the focus of the research. After that, the coding was grouped into main themes such as work motivation, evaluation systems, feedback, organizational justice, and work culture. These themes were then interpreted and linked to the theories of Industrial and Organizational Psychology that were the basis for the analysis (Nartin et al., 2024). Interpretation was carried out reflectively to capture the deep meaning of each finding obtained. To ensure data validity, this study applied triangulation techniques in terms of both sources and methods. Data obtained from various informants and data collection techniques were compared and tested for consistency. In addition, a verification process was also carried out by member checking, namely asking for confirmation from informants regarding the interview results that had been transcribed and analyzed, to ensure the accuracy and validity of the information. During the research process, researchers also maintain ethical principles by ensuring the confidentiality of participants' identities, providing clear information about the purpose and benefits of the research, and asking for approval before the interview or observation process is carried out. With this structured yet flexible method, it is hoped that the research can provide a complete understanding of how Industrial and Organizational Psychology contributes to designing a performance management system that is not only administratively effective, but also adaptive to the psychological needs of employees and organizational culture.

RESULTS AND DISCUSSION

The results of this study indicate that the integration of Industrial and Organizational Psychology (IOP) principles in the development of a performance

management system has a significant contribution to increasing the overall effectiveness of the organization. Based on data obtained through in-depth interviews, direct observation of performance management practices, and analysis of policy documents and performance evaluation guidelines, it is seen that organizations that apply a psychological approach to HR management tend to create a system that is more adaptive, participatory, and oriented towards continuous employee development. The IOP approach is clearly reflected in how organizations design performance indicators, compile measuring instruments, and provide feedback. One of the most prominent findings is the importance of understanding intrinsic and extrinsic motivation in determining work targets. Based on interviews with HR managers and line supervisors, it is known that when targets are formulated by considering individual psychological conditions and capacities, employees show higher work enthusiasm and satisfaction with the evaluation system they are undergoing. In this case, motivational theories such as Vroom's Expectancy Theory and Locke and Latham's Goal-Setting Theory have become important references in developing a system that is able to encourage optimal achievement (Wicaksana et al., 2022)

1. The Role of Psychology in Understanding Employee Work Motivation

Work motivation is one of the most important psychological factors in a performance management system. Industrial and Organizational Psychology (IOP) provides a strong theoretical framework for understanding how and why individuals are motivated to achieve certain performance targets. In practice, theories such as Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, and Vroom's Expectancy Theory are used to design performance indicators that are not only realistic but also able to encourage employee participation and commitment. For example, organizations that pay attention to employees' self-actualization needs tend to provide development opportunities through training, job rotation, and empowerment. When employees feel that their basic and psychological needs are met, an intrinsic drive to work better will be created (Sudjiwanati, 2022). This study found that organizations that implement the PIO approach tend to avoid rigid work targets or only focus on numbers. Instead, the system is designed by considering individual conditions, work capacity, and the meaning of work for the employee itself. In this context, motivation is not just an external driving tool such as incentives, but also involves internal dimensions such as personal values, job satisfaction, and a sense of belonging to the job (Meithiana, 2017).

2. Performance Feedback as a Two-Way Communication Process

In a performance management system designed based on the Industrial and Organizational Psychology approach, feedback is no longer considered a one-sided process from superiors to subordinates. Instead, feedback is positioned as a two-way communication process that aims to build shared understanding and encourage continuous performance growth. This open and reciprocal communication allows for a healthy dialogue, where employees are not only recipients of information, but can also provide responses, express opinions, and reflect on their work experiences (Rumawas, 2021).

This study shows that when feedback is delivered with an empathetic approach that focuses on behavior rather than personality, and contains suggestions for improvement, employee responses become more positive. Employees feel valued, heard, and more ready to make changes. Furthermore, two-way communication in the evaluation

process also strengthens trust between superiors and subordinates, reduces awkwardness, and creates a more cooperative working relationship. Thus, feedback is not only an assessment tool, but also an effective means of development and motivation in the performance management system (Romy et al., 2022)

3. Objectivity and Fairness in Performance Evaluation

Fairness is a fundamental element in an effective performance management system. Organizational Psychology contributes by providing tools and methods to reduce bias in the assessment process. This study found that when organizations use behavioral-based indicators, perceptions of fairness in evaluations increase significantly.

Employees feel more satisfied with the evaluation process that has clear standards, is transparent, and does not rely solely on subjective assessments. In addition, approaches such as 360-degree assessments involving various parties (coworkers, subordinates, and superiors) help build a more comprehensive system. This reflects the principles of distributive, procedural, and interactional justice that are the focus of Organizational Psychology (Mulyani, 2020)

4. Organizational Culture that Supports Performance Management Systems

Organizational culture plays a crucial role in determining the success or failure of the implementation of a performance management system. Culture is not just written values, but is reflected in everyday behavior, interactions between individuals, and how decisions are made in the organization. Industrial and Organizational Psychology (IOP) provides an in-depth understanding of how collective values, norms, and beliefs influence work behavior and acceptance of the system implemented (Utaminingsih, 2014).

This study shows that organizations that consciously build a supportive work culture such as a collaborative culture, open to change, and encouraging continuous learning tend to be more successful in implementing a performance management system. Employees in this work culture not only accept evaluations more openly, but also show higher involvement in the performance improvement process. When the assessment system is aligned with the values that already exist in the organization, employees will view the system as a natural part of the way of working, not just as an administrative burden (Nugroho et al., 2024).

Furthermore, organizational culture also shapes attitudes and expectations towards fairness, rewards, and recognition in the evaluation system. A culture that emphasizes contribution-based rewards will encourage a transparent and merit-based performance management system. Conversely, an authoritarian or closed culture tends to create resistance, distrust, and imbalance in the implementation of the system. Therefore, in the PIO approach, organizational culture is not only the background for implementation, but also the main consideration in the design of an effective and sustainable performance system (Amelia et al., 2024).

5. Change Management and Employee Involvement in the New System

Implementing or updating a performance management system is a complex process and often causes challenges in the form of resistance among employees. This resistance can arise for various reasons, such as fear of new assessments that are considered unfair, unfamiliarity with changing procedures, or discomfort in dealing with things that are not familiar. In this context, Organizational Psychology plays an important

role in providing a systematic and humanistic approach to managing the dynamics of organizational change (Wibowo, 2021)

One of the main principles in Organizational Psychology-based change management is the importance of open and ongoing internal communication. Employees need to be clearly informed about the reasons for the change, the benefits they will receive, and how their roles will change within the new system. Transparent communication not only conveys information in a one-way manner, but also opens up a dialogue space for employees to express concerns, hopes, and input. When employees feel their voices are heard, they tend to be more ready to adapt and demonstrate a cooperative attitude. In addition to communication, active employee involvement in the system design process has proven to be a very effective strategy. The findings of this study indicate that organizations that involve employees from the early stages of system development—for example by inviting them to develop performance indicators or discuss evaluation mechanisms will be more successful in implementing change. This involvement creates a sense of ownership of the new system, which in turn strengthens commitment and reduces resistance (Kusumaputri, 2015)

Equally important is the provision of pre-implementation training that not only explains the technical aspects of the system but also pays attention to the psychological readiness of individuals. Training accompanied by a psychological approach helps reduce anxiety, build self-confidence, and develop a positive attitude towards new policies. In this training, leaders are also equipped with change management skills, including the ability to accompany employees emotionally during the transition. Overall, the success of a change in the performance management system depends heavily on the affective and cognitive approaches that accompany the process. Organizational Psychology not only offers a conceptual framework for managing change but also provides practical techniques that help organizations build resilience, adaptability, and a collaborative spirit in the midst of transformation (Muzakky, 2025). Therefore, employee engagement is not an optional extra, but a strategic imperative that determines the long-term success of the new performance management system.

6. Impact on Employee Productivity and Psychological Well-being

A performance management system designed with the principles of Industrial and Organizational Psychology (IOP) not only has an impact on achieving work targets quantitatively, but also has a significant influence on the dimensions of employee psychological well-being. In a work environment that applies a psychological approach, individuals feel more understood as whole people rather than just as task performers. This approach includes attention to emotional stress, mental fatigue, the need for recognition, and the importance of balance between professional and personal life (Mubarak, 2023). Employees who work under a system that takes these factors into account show more consistent performance, a high sense of responsibility, and better adaptability in dealing with work pressure. This study revealed that the use of the PIO approach in performance management directly contributes to reducing work stress levels, fostering a sense of psychological safety, and increasing overall job satisfaction. Maintained well-being not only serves as a protector from burnout, but also drives motivation and creativity at work (Saba, 2024)

In addition, a work environment that supports psychological well-being indirectly strengthens employee loyalty to the organization. They feel valued, involved, and treated fairly, which ultimately forms an emotional attachment to the workplace. This reinforces

the assumption that a good performance management system must pay attention to the balance between work results (output) and work experience (employee experience) that employees experience every day. Thus, the productivity achieved is not only the result of pressure or control, but grows from a sense of comfort, trust, and psychological support provided by the organization to each individual (Izzati et al., 2024).

7. Integration of Psychology in a Holistic Performance Management System

The Industrial and Organizational Psychology (IOP) approach provides a fundamental contribution in creating a holistic performance management system, namely a system that does not only rely on administrative technical aspects, but also considers the cognitive (thinking), affective (feelings), and behavioral (actions) aspects of individuals in the work environment. The integration of these three aspects makes the system more humane, adaptive, and relevant to modern work dynamics. The performance management system developed with the IOP approach not only focuses on the end result, but also evaluates the work process, motivation, and obstacles faced by employees (Laksono et al., 2024). This reflects that performance is not a single product of technical competence, but rather the result of the interaction between abilities, psychological conditions, environmental support, and the organizational system itself. By understanding the psychological background behind performance achievement or failure, organizations can provide more targeted interventions, such as training, coaching, workload adjustments, or emotional support.

Research findings show that organizations that adopt a PIO approach in the design and implementation of performance management systems tend to have a psychologically healthier work environment. Employees feel valued, involved in the process, and not solely judged by numbers or quantitative targets. In addition, such organizations are also better prepared to face change because they have a work culture that is reflective, open to evaluation, and adaptable.

Thus, the development of a performance management system oriented to the principles of PIO is able to build a balance between the organization's need for productivity and the employee's need for meaning, justice, and recognition. This strengthens the belief that the long-term success of an organization is highly dependent on its ability to understand human behavior and apply a psychological approach in every managerial aspect, especially in managing and developing the performance of its human resources (Meithiana, 2017).

CONCLUSIONS

Based on the results of the research and analysis conducted, it can be concluded that Industrial and Organizational Psychology provides substantial contributions to the development of a more effective, fair, and human development-oriented performance management system. The PIO approach helps organizations not only focus on employee outcomes, but also understand the psychological processes underlying those achievements. Through the application of motivational theories, two-way feedback mechanisms, behavior-based assessments, and an understanding of organizational culture and dynamics, the performance management system becomes more adaptive and accepted by all elements of the organization.

In addition, psychological approaches have also been shown to improve employee well-being, reduce stress levels, and strengthen emotional bonds between individuals and the workplace. This shows that a good performance management system is not only about

achieving targets, but also about how organizations accompany and develop human resource potential sustainably. Therefore, the integration of PIO principles in performance management is not only a necessity, but an important foundation for the long-term success of the organization.

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