

Implementation of Management-Based Performance Assessment by Objectives on Startup Companies in Indonesia

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Abstract. This study aims to analyze the implementation of Management by Objectives (MBO) as a performance assessment method in startup companies in Indonesia. The research method used is a literature study with a qualitative approach that examines in depth MBO theories, implementation principles, and practices that have been applied in startups, especially in Sigerhub Lampung. The results of the study indicate that the implementation of MBO through Objective Key Results (OKR) helps companies in setting specific, measurable, relevant, and time-bound targets. In addition, the use of 360 Degree Feedback supports a more holistic performance assessment by involving superiors, coworkers, and subordinates. The implementation of MBO can also increase work motivation, accountability, and employee involvement in achieving organizational goals. However, the implementation of MBO in startups still faces challenges, such as non-uniform assessment standards, potential assessor bias, and the need for training for managers. This study is expected to be a theoretical and practical contribution to the development of an adaptive and effective performance management system in startup companies in Indonesia.

Keywords : Management, Objectives, Performance, Appraisal, Startup Company

1. INTRODUCTION

Startup companies in Indonesia are experiencing rapid growth, especially since the era of digitalization and technological transformation which has increasingly driven innovation in various industrial sectors. Startups have the characteristics of a dynamic, adaptive organization, and often have a leaner structure than conventional companies. However, the main challenge faced by startups is how to manage employee performance effectively in a rapidly changing and uncertain work environment.

Performance appraisal is an important instrument in human resource management, especially in ensuring alignment between individual goals and organizational goals. One of the performance appraisal methods that is widely applied is Management by Objectives (MBO), which emphasizes participatory goal setting between superiors and subordinates to achieve measurable and targeted performance.

According to Drucker, MBO is a management approach that emphasizes agreement on shared goals, formulation of work plans, and performance evaluation based on agreed results. Islami et al.'s (2018) research shows that MBO is effective in increasing employee job satisfaction and organizational performance because it is able to integrate organizational goals with individual goals.

Harahap and Perdana's (2021) study also emphasized that the implementation of MBO can increase employee motivation due to direct involvement in setting work goals. Sigerhub Lampung is one of the startup incubators that has implemented MBO-based performance assessments for permanent employees, freelancers, and interns by utilizing the Objective Key Results (OKR) method as part of the MBO strategy.

The OKR method applied in Sigerhub is carried out collaboratively between management and employees so that each individual has clear, measurable, and realistic goals according to their respective roles. In addition, Sigerhub also uses 360 Degree Feedback to complement performance assessments with a more comprehensive perspective, including superiors, coworkers, and subordinates. Thus, the implementation of MBO in a startup environment such as Sigerhub is not only relevant, but can also increase employee performance accountability and create a more transparent and collaborative work culture. However, the implementation of MBO in startups also has challenges, such as limitations in setting assessment standards, potential assessor bias, and the need for training for managers to be able to implement this method effectively.

Goswami et al.'s (2013) research emphasizes the importance of organizational support in implementing MBO, including the role of managers in communicating organizational goals clearly to employees. Dessler (2017) also explains that in implementing MBO, it is necessary to establish relevant, measurable indicators that are adjusted to organizational conditions so that the goals set can be achieved properly. Therefore, it is important to conduct an in-depth literature review on the implementation of MBO in startup companies in Indonesia, in order to provide a more comprehensive understanding of the opportunities and challenges of its implementation.

This study aims to systematically review the literature related to the implementation of MBO in employee performance assessment in startup companies in Indonesia, with an emphasis on the context, implementation, and impact on organizational performance. By conducting a literature study, this study is expected to provide theoretical and practical contributions to the development of performance management systems in Indonesian startup companies. In addition, this study is also expected to be a reference for startup management in implementing MBO effectively, so that it can encourage sustainable business growth.

The structure of this article will present an introduction, literature review, research methodology, discussion, conclusion, and recommendations for research and performance management practices in Indonesian startup companies.

2. THEORETICAL REVIEW

Management by Objectives (MBO)

Peter Drucker first introduced MBO as a management method that emphasizes active participation between superiors and subordinates in goal setting, work plan formulation, and evaluation of measurable results (Drucker in Goswami et al., 2013). MBO emphasizes achieving results that have been jointly determined so that it can increase employee work motivation and accountability.

Principles of MBO

OKR (Objective Key Result) is one form of implementation of Management by Objectives (MBO) which emphasizes the importance of setting specific, measurable, relevant, and time-bound targets. This method is designed to help organizations translate strategic goals into more operational and measurable targets. With OKR, each individual or team in the organization has a clear framework in achieving their work targets, thus minimizing confusion and ensuring alignment between individual goals and organizational goals (Islami et al., 2018).

In a startup environment, such as Sigerhub Lampung, the implementation of OKR is an important instrument in monitoring employee performance. According to the Sigerhub Lampung Research Document (2025), each employee is required to prepare weekly and monthly reports containing their OKR achievements. This report is then analyzed by the core management team to monitor performance developments, provide feedback, and take necessary corrective steps. Thus, each individual has a clear understanding of the targets to be achieved and how their contributions impact the overall goals of the organization.

In addition to helping monitor performance, the implementation of OKR in Sigerhub also serves as a means to improve communication between management and employees. Through weekly discussions and regular evaluations, employees can convey the challenges faced in achieving targets, so that management can provide the necessary support. Thus, the implementation of OKR not only increases employee accountability, but also strengthens a collaborative and transparent work culture, in accordance with the spirit of MBO which emphasizes the importance of active involvement between superiors and subordinates in setting work goals (Drucker, 1954 in Goswami et al., 2013).

Performance assessment

Gaol (2014) stated that performance appraisal is a process of evaluating an employee's work achievement relative to the established work standards (Gaol, 2014). This assessment

serves as a tool to measure employee contributions to the organization and is the basis for decision making such as promotions, training, and employee development.

The MBO method in the article you will create aims to encourage active employee involvement in setting work goals and evaluating performance. Based on research by Dalimunthe et al. (2020), relevant work skills (technical, human, conceptual skills) and high work involvement psychologically increase employees' sense of responsibility for their work.

Good MBO implementation will support these factors through targeted specific, measurable, relevant, and integrated into a results-oriented performance evaluation system. Dalimunthe et al.'s (2020) research provides an empirical picture that can be the basis for implementing MBO in Indonesian startup companies. Startups can learn that good work skills and high work engagement should be a priority in formulating work targets. Thus, the implementation of MBO will be more relevant and have a positive impact on startup productivity in Indonesia.

360 Degree Feedback

In the context of human resource management, 360 Degree Feedback is one of the methods relied on to obtain a holistic picture of employee performance. According to Dessler (2017), 360 Degree Feedback is a performance assessment method that uses various assessment sources, including direct superiors, coworkers, subordinates, and oneself. By involving many parties in the assessment process, this method is able to capture the dynamics of employee performance more completely than conventional methods that only involve direct superiors. This method has the advantage of providing a more objective and in-depth perspective. Assessments conducted by peers, subordinates, and direct superiors allow for varied feedback, so that aspects of performance that may not be accessible to superiors can be revealed by peers or subordinates. This provides an opportunity for organizations to obtain richer performance data, including on teamwork, communication, and leadership that are difficult to measure through a single assessment source (Dessler, 2017).

Implementation of 360 Degree Feedback has also proven effective in identifying employee strengths and weaknesses more fairly. When only one source is used, there is often bias or subjectivity from the assessor. However, by involving various parties, assessment bias can be minimized because input comes from different perspectives. The results of this method are then integrated into a comprehensive performance report, which can be used as a basis for employee development through training and coaching (Gaol, 2014; Dessler, 2017).

In practice in startups such as Sigerhub Lampung, the use of 360 Degree Feedback complements the MBO method that has been implemented. The assessment does not only come from core managers, but also from other team members, so that the results of the performance assessment are richer and more accurate. This is also in line with the collaborative approach applied in startups, where open communication and constructive feedback are important parts of organizational development (Sigerhub Lampung Research Document, 2025). Thus, the 360 Degree Feedback method is one of the effective tools in supporting holistic performance evaluation.

Objective Key Result

OKR (Objective Key Result) is a form of implementation of Management by Objectives which emphasizes the importance of setting specific, measurable, relevant, and time-bound targets. With this structure, the organization can ensure that each individual and team has a clear direction in achieving their work targets. The OKR method was first popularized by Andy Grove at Intel, and was later widely adopted by various startups around the world to increase employee accountability and engagement in achieving the targets that have been set.

In the context of startups in Indonesia, the implementation of OKR is relevant because it helps dynamic organizations adapt to rapid market changes. With specific targets, companies can minimize confusion among employees about what to achieve. In addition, each performance indicator (key result) is arranged so that it can be measured objectively, thus facilitating the periodic evaluation process. This is important to avoid subjective bias that often occurs in traditional performance appraisal methods (Dessler, 2017).

The Relationship between MBO and Work Motivation

According to Harahap & Perdana (2021), the implementation of Management by Objectives (MBO) can increase employee work motivation because of their active involvement in setting work goals. By providing employees with the opportunity to participate in setting targets to be achieved, the organization not only increases the individual's sense of responsibility for their work but also fosters a sense of ownership in achieving common goals. This is especially important in the context of modern organizations that demand speed of adaptation and innovation.

Active employee involvement in goal setting creates a more democratic and transparent work atmosphere. With this involvement, employees will feel appreciated and more motivated to make maximum contributions to the organization. Harahap & Perdana

(2021) stated that high work motivation can support employee productivity and have a positive impact on overall organizational performance. In the context of a startup company, this is relevant considering the characteristics of a startup that demands solid teamwork and high commitment from each member.

3. RESEARCH METHODS

Research Design

This study uses a qualitative approach with a literature review method that aims to examine in depth the implementation of performance assessment based on Management by Objectives (MBO) in startup companies in Indonesia. The literature review method allows researchers to synthesize various previous research results, theories, and practices that are relevant to the implementation of MBO in startups (Snyder, 2019).

Data Collection Techniques

Data collection is carried out systematically through the following stages:

- a. Search for books and articles relevant to the research topic, including classic literature such as Drucker in Goswami et al. (2013).
- b. Documentation of the results of MBO implementation in Sigerhub Lampung which has been documented in the research report (Sigerhub Lampung Research Document, 2025).

Data Analysis

Data analysis was carried out descriptively qualitatively with the following steps:

- a. Identification. Identify relevant literature according to the topic. study.
- b. Classification. Grouping literature into main themes, such as MBO principles (Islami et al., 2018), MBO implementation in startups
- c. Synthesis. Arranging theoretical relationships and practices of MBO implementation in startup companies in Indonesia (Harahap & Perdana, 2021).
- d. Interpretation. Analyze the suitability of theory with practice in Sigerhub Lampung and similar startups, as well as its impact on employee performance.

Data Validity

Data validity is maintained through source triangulation techniques (Patton, 1999), namely by comparing the results of literature from several relevant academic sources and the results of studies in Sigerhub Lampung. This technique is used to ensure the validity of research findings so that the conclusions obtained are more objective and accountable.

4. ANALYSIS AND DISCUSSION

Performance Assessment Analysis Based on Management by Objectives (MBO)

The main principle of MBO is participatory work goal setting. In this context, superiors and subordinates together formulate specific, measurable, achievable, relevant, and time-bound work targets. This approach is believed to be able to encourage employees to contribute more optimally because they feel they have direct responsibility for achieving work targets. Islami et al. (2018) also emphasized that this collaboration increases employee engagement with the organization.

In addition, MBO-based performance appraisal has different characteristics compared to traditional methods. This method does not only focus on evaluating work results, but also on the employee's self-development process. Assessments are conducted periodically with constructive feedback so that employees can understand the strengths and weaknesses of their performance. Gaol (2014) explains that through MBO, performance evaluation becomes more transparent and objective because it is based on mutually agreed standards.

Sigerhub Lampung is one example of a startup in Indonesia that has implemented MBO in the employee performance assessment process. The model implemented in Sigerhub includes the use of OKR (Objective Key Result) as a derivative of MBO to facilitate quantitative performance measurement. With this approach, companies can monitor employee performance periodically through transparent and accountable weekly and monthly reports (Sigerhub Lampung Research Document, 2025).

However, the implementation of MBO is not without challenges. Dessler (2017) stated that the implementation of MBO often faces problems such as unclear assessment standards, potential assessor bias, and difficulties in measuring non-technical factors in performance. Therefore, organizations need to provide training and socialization so that the implementation of MBO can run effectively. Thus, MBO is not only an evaluation tool, but also become part of a sustainable employee capacity development strategy.

Sigerhub Lampung, a startup incubator in Indonesia, has implemented the MBO principle in employee performance assessment. In practice, Sigerhub implements the Objective Key Results (OKR) system which is compiled through discussions between managers and employees. Each employee together with the core manager sets clear, measurable, relevant, and time-bound targets that are adjusted to their respective roles. For example, a program staff at Sigerhub Lampung actively participates in weekly meetings to develop OKRs to be achieved, such as the number of startup tenants that have successfully obtained funding, the level of mentoring success, and the achievement of project milestones.

With this active involvement, employees feel more responsible for achieving these targets. This increases their work motivation and makes them more accountable for the results achieved.

In addition, through the use of OKR integrated into the performance appraisal system, management can monitor employee target achievement periodically and provide constructive feedback. Thus, MBO implemented through OKR in Sigerhub Lampung is not only a performance evaluation tool, but also a strategy to continuously increase employee work motivation and accountability.

Analysis of the Application of MBO Principles

Employees will feel more responsible for achieving the targets that have been set, thus increasing employee work motivation and accountability. According to Islami et al. (2018), MBO has basic principles: (a) collaborative goal setting, (b) development of relevant and measurable indicators, (c) results-based performance evaluation, and (d) open communication between managers and subordinates. These principles are important to implement so that MBO can run effectively. Without active involvement from employees in setting goals, it is difficult for them to feel responsible for achieving them. Therefore, the collaboration process is the key to the success of MBO.

In the context of startup companies in Indonesia, the implementation of MBO principles can be seen from the practice of setting OKR (Objective Key Result). For example, Sigerhub Lampung implements weekly and monthly discussions between core management and the operational team to set specific work targets and indicators. These targets are arranged together to align with organizational priorities and are realistic to achieve within a certain period of time (Sigerhub Lampung Research Document, 2025). In addition to collaborative goal setting, relevant and measurable indicators are very important in implementing MBO. Startups usually operate in the technology and innovation sector so the targets used tend to be dynamic. For example, Sigerhub uses metrics such as the level of project progress achievement, the number of startup tenants that have successfully obtained funding, and partner satisfaction. With these relevant indicators, performance evaluations can be conducted objectively and provide meaningful feedback to employees.

Open communication between managers and subordinates is an important foundation for the MBO process to run smoothly. In practice at Sigerhub, open communication is facilitated through weekly evaluation meetings, online communication platforms, and 360-degree feedback to provide a more comprehensive assessment. With open communication, any problems that arise in achieving targets can be discussed together, so that the resulting

solutions are more targeted. This is in line with the findings of Islami et al. (2018) which emphasizes that open communication is the main key to the success of MBO implementation.

Challenges of Implementing Management by Objectives

Management by Objectives has become one of the performance management methods widely used in various industrial sectors, including startups. This concept was first introduced by Peter Drucker in 1954 and has been developed in accordance with the increasingly dynamic organizational context (Drucker in Goswami et al., 2013). MBO emphasizes active involvement between superiors and subordinates in setting work goals, preparing work plans, and evaluating results objectively and measurably. One of the advantages of MBO lies in its participatory approach. By involving employees in the goal-setting process, MBO not only becomes a performance measurement tool but also serves as a means to increase work motivation. According to Harahap & Perdana (2021), the implementation of MBO can increase employee work motivation because of their active involvement in setting work goals. This creates a sense of ownership of the targets to be achieved, so that employees are motivated to work more optimally.

High work motivation is important in startup organizations that usually have a flatter structure and flexible work culture. By providing space for employees to be involved in determining work targets, organizations not only build employee commitment but also empower them to take the initiative in achieving those targets. This is especially relevant in startups that demand rapid adaptation to market changes.

A real example of the application of this principle can be found in Sigerhub Lampung, where management applies the MBO method through weekly and monthly discussions to set Objective Key Results (OKR) with employees. This practice not only helps the company in formulating clear and measurable targets, but also creates a sense of collective responsibility for achieving targets. Thus, the implementation of MBO is not only an instrument for evaluating performance, but also an effective strategy to increase employee work motivation in a sustainable manner. Sigerhub Lampung is an example of a startup that has successfully implemented the OKR method in assessing its employee performance.

According to the Sigerhub Lampung research document (2025), every employee at Sigerhub is required to prepare weekly and monthly reports containing their OKR achievements. This report is then compiled and analyzed by the core management team to monitor performance developments and take necessary corrective measures. Thus, every team member has a clear understanding of the performance expectations that must be achieved.

In addition to simplifying the monitoring process, the implementation of OKR in Sigerhub also encourages a more transparent and collaborative work culture. Weekly discussions between employees and management are an important forum to discuss target achievements, challenges faced, and solutions that can be implemented. With this active involvement, employee work motivation increases because they feel appreciated and have an important role in achieving organizational goals (Harahap & Perdana, 2021).

Thus, it can be concluded that OKR is not only a performance measurement tool, but also an important part of an organization's development strategy. Through the implementation of OKR, startups can create an effective framework to achieve their business goals by actively involving all employees. This is in line with the basic principles of MBO which emphasize the importance of employee participation in the work goal-setting process, so that it can increase employee work motivation and productivity (Islami et al., 2018).

Islami et al.'s (2018) research supports this view by explaining that one of the basic principles of MBO is collaborative goal setting. Thus, there is alignment between individual goals and organizational goals which ultimately increases work motivation and productivity. Employees will feel that their opinions and contributions are valued, so they are motivated to give their best performance.

MBO implementation in startups is often combined with the use of Objective Key Results (OKR) to help set clear and measurable indicators. At Sigerhub Lampung, for example, every employee is involved in weekly and monthly discussions with core management to set individual and team targets that are aligned with organizational goals. This approach gives employees a sense of direct responsibility for achieving the targets that have been set together (Sigerhub Lampung Research Document, 2025).

According to Gaol (2014), work motivation is also closely related to the feedback received by employees from superiors and coworkers. MBO, with its periodic performance evaluation system, provides space for employees to receive constructive feedback on a regular basis. This is important to ensure that employees understand their achievements as well as areas for improvement.

In the startup context, constructive feedback not only helps to increase work motivation but also creates a transparent and open work environment. At Sigerhub, this practice is carried out through weekly meetings and OKR evaluations that allow each team member to convey relevant ideas, obstacles, and solutions. Thus, each individual feels an important part in achieving organizational goals. Harahap & Perdana (2021) emphasize that

the sense of ownership that grows from active involvement in the MBO process creates stronger intrinsic motivation than mere extrinsic motivation such as financial incentives.

This intrinsic motivation is very important in a startup environment that often faces major challenges, such as market uncertainty and tight competition. In addition, the implementation of MBO in startups can also reduce employee turnover. With a sense of ownership of targets that have been set together, employees tend to be more loyal to the organization. This is in accordance with the findings of Dessler (2017), which states that one of the benefits MBO is to increase employee retention due to role clarity and realistic targets.

Thus, the implementation of MBO that prioritizes the active involvement of employees in setting work goals has an important role in increasing employee work motivation, especially in startup companies. In addition to helping organizations achieve their targets, the implementation of MBO is also an effective strategy to empower employees to be more innovative and adaptive in facing changing market dynamics.

5. CONCLUSION

The implementation of MBO in startup companies in Indonesia has proven to be relevant and effective in helping organizations achieve their business goals. The implementation of MBO, which prioritizes active employee participation in setting work goals, is able to increase employee work motivation, involvement, and accountability for their work results. This is reflected in a study conducted at Sigerhub Lampung, where the use of OKR (Objective Key Result) as a derivative of MBO helps companies in setting specific, measurable, and relevant work targets, as well as facilitating the periodic performance evaluation process.

The use of 360 Degree Feedback involving superiors, co-workers, and subordinates has been proven to provide a more holistic perspective on employee performance. This method helps organizations identify employee strengths and weaknesses more objectively, so that the feedback provided is more constructive and useful for individual development. This is in line with the MBO principle which emphasizes the importance of open communication and objective evaluation as part of a continuous performance management system.

The implementation of MBO in startup companies has certain challenges, including related to assessment standards that are not yet uniform, potential bias of assessors, and the need for training for managers to implement this method effectively. Therefore, in order for the implementation of MBO to run optimally, companies need to provide adequate training and

organizational support so that each employee can understand their role and responsibilities in achieving work goals.

MBO is not only a performance evaluation instrument, but also an important strategy in increasing work motivation, productivity, and employee engagement in the Indonesian startup environment. These findings provide theoretical and practical contributions to the development of an effective and adaptive performance management system in facing the ever-evolving market dynamics.

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