

Performance management around the world: solving the standardization vs adaptation dilemma

Performance management around the world

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Abstract

Purpose – Globalization and the COVID (post) pandemic continue to pose significant challenges to managing employee performance across geographic locations because there is a need to simultaneously implement procedures that are standardized and yet applicable to different contexts. This study aims to describe five universal principles in performance management that can be adapted to specific contexts to address the performance management standardization vs adaptation dilemma.

Design/methodology/approach – Critical literature review of evidence-based recommendations for practice.

Findings – This study describes five universal principles in performance management, how they can be adapted to specific contexts around the world and actions that organizations can take to implement them: (1) cultural congruence, (2) strategic congruence, (3) performance evaluation thoroughness, (4) inclusiveness and (5) effective feedback.

Originality/value – This study provides valuable and actionable knowledge for organizations facing performance management challenges around the world.

Keywords Performance management, Employee performance, Performance appraisal, Employee development, Globalization, COVID

Paper type Literature review

Performance management is “a continuous process of identifying, measuring, and developing the performance of individuals and workgroups and aligning performance with the organization’s strategic goals” (Aguinis, 2023, p. 3). Thus, it differs from the traditional annual performance appraisal in two critical aspects. First, there is a clear alignment with an organization’s strategic goals. Second, performance management is a continuous and ongoing process instead of a static snapshot that occurs only once a year.

The global movement from performance appraisal to performance management started in the early 2010s. For example, in 2012, Donna Morris, then Adobe’s senior vice president of people resources, was interviewed by the *Economics Times* of India during a business trip.



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She was jet-lagged and sleep-deprived and declared that she would “abolish the performance review format.” Morris’ spontaneous announcement was met with great enthusiasm in the industry (Aguinis & Burgi-Tian, 2021b). The transition from performance appraisal to performance management has been received positively by many organizations worldwide, including IT companies in India (Tripathi, Thite, Varma, & Mahapatra, 2021).

Performance management around the world: the challenge

Despite the ongoing enthusiasm, implementing a performance management system is difficult, and globalization and the COVID pandemic have exacerbated challenges even more. Specifically, the expansion of multinational corporations (Cooke, Wood, Wang, & Veen, 2019), the surge of international mergers and acquisitions (Deng and Yang, 2015) and international career mobility (Silvanto, Ryan, & Gupta, 2017) pose considerable challenges to managing the performance of an increasingly dispersed and global workforce. In addition, in a post-COVID world, many employees now expect to be able to work from anywhere (Choudhury, Foroughi, & Larson, 2021), and remote work is, therefore, the “new normal” (Raghuram, Hill, Gibbs, & Maruping, 2019).

Standardization is a key feature of effective performance management systems (Aguinis, 2023). The reason is that standardization is critical for the system to be fair. But how can performance management be standardized when some employees work face-to-face with others, whereas others work remotely and their interactions with coworkers are so different? Furthermore, how can performance management be standardized when it needs to be sensitive to cultural and legal differences worldwide to be effective (Cho and Payne, 2016)? In short, globalization and COVID have created the *performance management standardization vs adaptation dilemma*.

The present article

Our article aims to offer solutions to the standardization vs adaptation dilemma. We do so by describing five universal performance management principles because there is empirical evidence that they are uniformly effective worldwide. However, similar to more general management universal principles (Aguinis, & Henle, 2003), these performance management principles are also adaptable in that they can be implemented with variations across contexts. In other words, these five principles are context-invariant and can be simultaneously adapted based on contextual characteristics, thereby solving what seems to be the inescapable standardization vs adaptation catch-22. The five principles are the following: (1) cultural congruence, (2) strategic congruence, (3) performance evaluation thoroughness, (4) inclusiveness and (5) effective feedback. Next, we describe each principle, how they can be adapted to different contexts, and recommendations for organizations on how to do so. As a preview, Table 1 offers a summary of the material that follows.

Performance management universal principle #1: cultural congruence

Universal principle

A sound performance management system is culturally congruent. This means that the performance management system should be congruent with the region’s and country’s broader cultural context (DeNisi, Murphy, Varma, & Budhwar, 2021). There is ample evidence suggesting that culture plays a vital role in the effectiveness of a performance management system (Aguinis, Joo, & Gottfredson, 2012). For example, in Western cultures, performance is usually evaluated by outcomes, deliverables and results. On the other hand, in China, managers rely extensively on behaviors as the basis for performance evaluation. These behaviors reflect underlying cultural values such as face (i.e. 面 of miànzi) and Confucianism (Hempel, 2001).

| Universal principle | Adaptability | Recommendations for achieving successful implementation |
|--|---|---|
| <p>1. Cultural Congruence: The performance management system should be congruent with the broader cultural context of the region and country</p> | <ul style="list-style-type: none"> Understanding cultural dimensions can help organizations design more culturally congruent performance management systems, managers communicate feedback more effectively and improve employee performance | <ul style="list-style-type: none"> Consider four cultural dimensions and how each can be used to adapt performance management so it is context-congruent. (1) <i>individualism-collectivism</i>: for example, in cultures higher on individualism include measures focusing on individual outcomes and in cultures higher on collectivism minimize large differences in rewards across individuals holding similar positions. (2) <i>power distance</i>: for example, in cultures with lower power distance include employees in creating and deciding which tasks and goals to evaluate and in cultures with higher power distance have supervisors deliver performance feedback. (3) <i>uncertainty avoidance</i>: for example, in cultures with higher levels of uncertainty avoidance include job descriptions, tasks and goals that are highly specific and clear and job expectations and rewards that are similarly clearly outlined. (4) <i>fatalism</i>: for example, in cultures with higher levels of fatalism invest more effort in measuring behaviors instead of results, and cultures with lower levels of fatalism help individuals achieve a work-life balance to decrease levels of stress and burnout |
| <p>2. Strategic Congruence: Behaviors and actions, as well as outputs created by individuals, teams and business and functional units, are strategically aligned with the organization's mission and vision</p> | <ul style="list-style-type: none"> Organizations' strategic goals change and, therefore, goals and tasks of departments, units, teams and individual employees must adapt accordingly | <ul style="list-style-type: none"> As a part of the strategic planning process, purposefully create links between employees' performance goals and the strategic goals of the organization Once performance goals and standards are established, it is crucial to revisit and adjust them frequently based on changes in the organization's strategic priorities |

(continued)

Table 1. Performance management: universal principles, their adaptability around the world and recommendations for successful implementation

| Universal principle | Adaptability | Recommendations for achieving successful implementation |
|---|---|--|
| <p>3. Performance Evaluation Thoroughness: Performance evaluation should comprise all major job responsibilities, including both results (i.e. how the job is done) and behaviors (i.e. the outcomes of how the job is done)</p> <p>4. Inclusiveness: (a) when the performance management system is created or updated, multiple stakeholder groups should be consulted to determine what results and behaviors will be measured and how and (b) when evaluating performance, the input should be collected from multiple stakeholder sources, including a diverse range of employee backgrounds</p> <p>5. Effective feedback: Information about an employee's past behaviors concerning established standards of employee behaviors and results</p> | <ul style="list-style-type: none"> • Both results and behaviors are important in measuring performance, but the extent to which there is more emphasis on one of the other needs to be adapted to particular contexts • As contexts change, so should the various ways of adapting the inclusiveness principle. For example, in cultures with higher levels of power distance, it is typically not appropriate for subordinates, younger colleagues, or employees at lower hierarchical positions to provide performance appraisals for supervisors or older coworkers • Feedback needs to be adapted to different contexts. For example, in cultures higher in collectivism, it is important to avoid using confrontational and blunt language during performance feedback sessions, and feedback can be delivered to groups instead of individuals | <ul style="list-style-type: none"> • Be thorough by measuring behaviors in addition to results because disruptions caused by the external environment have, in make cases, significantly decreased employees' ability to control their work outputs • Measure organizational citizenship behavior (OCB), which are discretionary behaviors that contribute to the overall effectiveness of the organization but are not directly or explicitly required by an employee's job description (i.e. employees' altruism, sportsmanship, organizational loyalty, courtesy, organizational compliance, individual initiative, civic virtue and self-development) • Involve multiple raters by using the <i>Performance Promoter Score</i> (PPS) and asking three questions: (1) On a scale of 1-10, how likely is it that you will recommend working with [name of individual, team or organization] to a friend or colleague? (2) Why did you provide the rating that you provided? and (3) What would it take to raise the score by just one point?" • Use a strength-based approach to providing feedback instead of a weaknesses-based approach. Managers first identify their employees' strengths and provide positive feedback on what they are doing well. In addition, managers ask employees to continue reinforcing their strengths to maintain high-performance levels. The strength-based approach requires a conscious effort to stay positive and focus on strength areas rather than slipping into a negative, weakness-based feedback approach |

Table 1. Source(s): Author's own work

Thus, behaviors, attitudes and beliefs that reflect peace, harmony, morality and diligence are evaluated more positively. Accordingly, a performance management system that overly relies on outcomes and results and overlooks these culturally congruent characteristics will not be very effective or well-received in China. So, regardless of where the organization is located, cultural congruence makes performance management more effective, which makes cultural congruence a universal performance management principle.

Universal principle adaptability

The performance management system should be culturally congruent, meaning that it should adapt to different cultural contexts. Understanding cultural dimensions can help organizations design more culturally congruent performance management systems, managers communicate feedback more effectively and improve employee performance. We discuss four dimensions of culture and how each can be used to adapt performance management to be context-congruent: individualism-collectivism, power distance, uncertainty avoidance and fatalism (Hofstede, Hofstede, & Minkov, 2010).

Recommendations for achieving cultural congruence

First, *individualism-collectivism* refers to the orientation toward individual achievements compared to group identification (Rhee, Alexandra, & Powell, 2020). More individualistic cultures tend to place higher importance on individual achievements, such as those in the USA, Australia and UK. On the other hand, more collectivistic cultures tend to focus on group identification, such as in China, South Korea and Singapore. Performance management systems in contexts with high levels of individualism should be adapted to include measures focusing on individual outcomes and contributions, even though individual and team performance should be measured and included. Similarly, training regarding performance management should be provided at the individual level instead of just in the context of large groups. In contexts with high levels of collectivism, it is essential to avoid using confrontational and blunt language and minimize large differences in rewards across individuals holding similar positions (Aguinis *et al.*, 2012).

Second, *power distance* refers to the degree of acceptance of unequal power distribution (Peretz and Fried, 2012). For example, large gaps between the wealthy and the poor are usually accepted and even expected in cultures with higher levels of power distance, such as Malaysia, Guatemala and Mexico. On the other hand, in cultures with lower levels of power distance, such as Austria, Israel and Denmark, people are uncomfortable with an uneven distribution of power and typically treat each other as equals regardless of seniority, hierarchical position in the organization and socio-economic status. Accordingly, in cultures with lower levels of power distance, it is important to include employees in creating and deciding which tasks and goals to evaluate and encourage employee participation in decision-making. Also, a multi-source feedback system (a 360-degree system) will likely be received positively. On the other hand, in cultures with higher levels of power distance, it is more effective for supervisors to deliver performance feedback than peers and subordinates. Moreover, supervisors should take the lead in establishing tasks and goals with the employees' consent (Aguinis *et al.*, 2012).

Third, *uncertainty avoidance* refers to the level of comfort in unstructured situations (Newman and Nollen, 1996). People tend to have a lower tolerance level toward ambiguity in higher uncertainty avoidance cultures, such as those in Japan, Germany and France. On the other hand, in cultures with a lower level of uncertainty avoidance, such as those in Singapore, the USA and China, people are usually more comfortable with fluidity and flexibility. Accordingly, performance management systems in cultures with high uncertainty avoidance should include job descriptions, tasks and goals that are highly specific and clear and job

expectations and rewards that are also clearly outlined. In cultures with lower uncertainty avoidance, it is preferable to have more ambiguous and flexible job descriptions, goals, criteria, expectations and rewards (Aguinis *et al.*, 2012).

Finally, as a fourth cultural dimension, *fatalism* is the belief that we do not hold too much control over the outcomes of our actions (Aycan *et al.*, 2000). In cultures higher on fatalism, individuals are less likely to try very hard to achieve outcomes, make long-term commitment and take preventative actions—examples include India, Russia and Mexico. In cultures lower on fatalism, people tend to plan, follow a daily routine and forego temporary pleasures in exchange for future gains—examples include the USA, Israel and Germany. Accordingly, in performance management systems in cultures with higher levels of fatalism, the perception of a direct and clear causal relation between performance and rewards is weaker. Therefore, organizations should invest more effort in measuring behaviors instead of results, which will help ease the anxiety around achieving outcomes that may be seen as uncontrollable (Aycan, 2005). On the other hand, in performance management in cultures with lower levels of fatalism, helping individuals achieve a work-life balance will likely decrease levels of stress and burnout.

Performance management universal principle #2: strategic congruence

Universal principle

A sound performance management system is strategically congruent. This means that the behaviors, actions and outputs created by individuals, teams and business and functional units are strategically aligned with the organization's mission and vision. For performance management to be effective, there should be a direct link between employee and team performance and organizational goals, thus making employees' contributions to the organization identifiable and explicit (DeNisi and Murphy, 2017; DeNisi and Smith, 2014). Regardless of where the organization is located, strategic congruence makes performance management more valuable, which makes strategic congruence a universal performance management principle.

Universal principle adaptability

Organizations' strategic goals change due to, for example, changes in the external environment. Accordingly, the goals and tasks of departments, units, teams and individual employees must adapt. So, goals change, but strategic congruence remains.

In particular, the COVID pandemic has accentuated the critical role of strategic congruence for performance management effectiveness and the need to adapt the system to rapidly changing organizational strategic directions. In a pre-pandemic world, many organizations measured the performance of employees, teams and branches based on sales volumes. But, at the beginning of the pandemic, performance goals that had been established previously quickly became unrealistic and obsolete. Consider the retail industry, which endured one of the most significant blows caused by COVID, given store closures worldwide (Silverman, Wellmaker, & Sneider, 2021). Most retailers changed the performance measures because the original goals were no longer achievable. Because of a strategic shift toward digital and online sales, performance targets have been revised. Even after stores are reopened and customers are welcomed back to shop in person, digital sales are now part of the overall goal-setting process across the retail industry.

The retail industry provides an excellent example of how organizations changed strategic direction and how performance management has adapted to maintain strategic congruence. Performance management was used to give managers and employees an opportunity to have timely conversations with employees, discuss changes in the environment, clearly explain

new and shifting directions of the organization and clarify how employees needed to change tasks and behaviors to contribute to the updated mission and vision of the organization.

Recommendations for achieving strategic congruence

We offer two recommendations for achieving strategic congruence regardless of specific contextual characteristics. First, as a part of the strategic planning process, it is important to purposefully create links between employees' performance goals and the organization's strategy. Strategic planning is "a process that involves describing the organization's destination, assessing barriers that stand in the way of that destination, and selecting approaches for moving forward" (Aguinis, 2023, p. 60). It serves as a blueprint that determines how the organization will distribute its resources to pursue its critical objectives. Many organizations conduct strategic planning sessions, but this conversation usually stays at a high organizational level without directing tangible actions. A critical step in strategic planning is to cascade down specific performance goals for business and functional units, teams and individuals.

Second, once performance goals and standards are established, it is crucial to revisit them frequently and adjust accordingly based on organizational strategic priorities changes. For example, at Roche Pharma Singapore, employees work in a 90-day cycle. Therefore, continuous feedback and goal-setting exercises are conducted every three months, allowing employees to adapt and pivot goals and adjust expectations based on strategic changes (Ahmed, 2020).

Performance management universal principle #3: performance evaluation thoroughness

Universal principle

A sound performance management system is thorough. This means that performance evaluation should comprise all major job responsibilities, including both results (i.e. how the job is done) and behaviors (i.e. the outcomes of how the job is done) (Aguinis, 2023). For example, Gregersen, Hite, and Black (1996) provided evidence that performance management systems for expatriates are particularly effective when they are thorough and include multiple evaluation criteria (e.g. performance outcomes and supervisory ratings). Furthermore, regardless of where the organization is located, performance evaluation thoroughness makes performance management more acceptable, which makes thoroughness a universal performance management principle.

Universal principle adaptability

Both results and behaviors are important in measuring performance, but the extent to which there is more emphasis on one of the other needs to be adapted to particular contexts. Specifically, the results approach is particularly relevant when workers are skilled in the needed behaviors, when behaviors and results are related (i.e. it is known that specific behaviors results in specific results), when results show consistent improvement over time and when there are many ways to do the job right. On the other hand, measuring behaviors is more appropriate when the link between behaviors and results is not apparent, when outcomes occur in the distant future, and when employees do not have control over the results they produce.

Recommendations for achieving performance evaluation thoroughness

In a post pandemic world, there is a need to be thorough by measuring behaviors in addition to results because disruptions caused by the external environment have often decreased employees' ability to control their work outputs. For example, Brandon Coate, the Head of

Human Resources for HSBC Singapore, shared that when evaluating employees' performance outcomes, it is critical to consider the real-life challenges they face and recognize the time and effort needed to balance their work and caring responsibilities. He particularly emphasized the importance of considering employees' "proactive behavior and attitude to supporting the wider team as their role may be momentarily less relevant" and their "flexibility and willingness to develop new skills and adapt to a different role and how they have contributed to overall service performance outcomes" (Ahmed, 2020).

As a second recommendation related to adapting performance management to measure behaviors to ensure performance evaluation is thorough, consider organizational citizenship behavior (OCB). OCBs consist of discretionary behaviors that contribute to the organization's overall effectiveness but are not directly or explicitly required by an employee's job description (Organ, 2018). OCB takes a variety of forms, including voluntarily helping and cooperating with others (i.e. altruism), creating a positive environment (i.e. sportsmanship), defending your organization in front of others (i.e. organizational loyalty), treating people with professionalism and respect (i.e. courtesy), following organizational rules and procedures (i.e. organizational compliance), carrying out tasks that are not formally part of the job (i.e. individual initiative), participating in corporate governance (i.e. civic virtue) and constantly and continuously improving skills and abilities (i.e. self-development) (Organ, 2018).

Adapting performance management to ensure performance evaluation thoroughness by including OCBs is important for several reasons. First, consider the current hyper-competitive and global market for most industries. In the past, following directions and completing specific tasks explicitly asked of the employees usually sufficed. But, at present, organizations must rely on employees' altruism, sportsmanship, organizational loyalty, courtesy, organizational compliance, individual initiative, civic virtue and self-development to gain a competitive advantage. Second, many organizations are using flexible teams to get things done instead of using traditional organizational structures of hierarchies and departmentations. OCB is particularly important in teamwork because it creates a positive work environment, helps and supports team members and accommodates each other's styles.

For example, consider the District of Columbia Government, the largest municipal government agency in the USA. The workforce of the DC government covers a wide range of professions, from social workers, civil engineers and law enforcement officers, to political appointees. All DC government employees are evaluated on five criteria: (1) communication, (2) customer service, (3) goal attainment, (4) accountability and (5) job knowledge (Department of Human Resources, District of Columbia Government, 2010). While the last three criteria are task-oriented, communication and customer service are OCBs. For instance, the communication criterion describes behaviors such as "sharing information with and informing others on a timely basis," which can be identified as a courtesy. The customer service competency embraces behaviors such as "consistent and continual adherence to all prescribed District customer service goals and standards," which is an example of the organizational compliance dimension of OCB.

Performance management universal principle #4: inclusiveness

Universal principle

A sound performance management system is inclusive. Inclusiveness refers to the following two dimensions for our discussion about performance management universals. First, when the performance management system is created or updated, multiple stakeholder groups should be consulted to determine what results and behaviors will be measured and how. Employees are more likely to accept procedures and yardsticks if they are involved in their creation and are fully aware of the various aspects and details of the system (Taormina and Gao, 2009). Second, when evaluating performance, the input should be

collected from multiple stakeholder sources, including diverse employee backgrounds. So, regardless of context, inclusiveness makes performance management systems more effective and is a universal performance management principle.

Universal principle adaptability

As contexts change, so should the various ways of adapting the inclusiveness principle. For example, in cultures with higher levels of power distance, it is typically inappropriate for subordinates, younger colleagues or employees at lower hierarchical positions to provide performance appraisals for supervisors or older coworkers (Aguinis *et al.*, 2012). Next, we discuss recommendations for the successful adaptability of the universal inclusiveness principle.

Recommendations for achieving inclusiveness

Our first recommendation is to implement a 360-degree system. But, given that collecting performance data from multiple sources can be very time-consuming, Aguinis & Burgi-Tian (2021a) proposed the *Performance Promoter Score* (PPS) as a simple yet powerful way to assess employee performance by including multiple sources and therefore achieve inclusiveness. Extrapolating from the well-established Net Promoter Score in marketing, PPS first includes asking the following question: (1) On a scale of 1–10, how likely is it that you will recommend working with [name of individual, team or organization] to a friend or colleague? Then, PPS involves asking two follow-up questions to solicit qualitative comments: (2) Why did you provide the rating you provided? and (3) What would it take to raise the score by just one point?

The Performance Promoter Score enhance inclusiveness globally (Aguinis, & Burgi-Tian, 2021). First, PPS is standardized. In a large organization with many functional units, geographic locations and employees with many nationalities, PPS allows raters to evaluate the performance of ratees using the same criteria, which makes cross-functional and cross-level comparisons possible. It includes easy-to-understand questions with few interpretations and minimal possibility of misunderstanding. Second, it is flexible and does not get caught up in the technical details of any job or the specific key performance indicators. So, PPS can be used across jobs and business and functional units. Third, it is practical and convenient. Unlike a lengthy, detailed performance appraisal form, PPS takes a limited time to rate and complete, affording managers and employees valuable time to be dedicated to other tasks. Data can also be collected using freely available tools such as SurveyMonkey, KwikSurveys or Google Forms without requiring organizations to invest additional resources in infrastructure. Lastly, PPS is comprehensive, which measures both task performance and contextual performance, thereby contributing to the principle of performance evaluation thoroughness discussed earlier. In other words, for colleagues to recommend someone to others, the ratees must not only be competent in their tasks but also demonstrate organizational citizenship behaviors such as willingness to help others, high levels of professionalism and compliance with rules and norms.

Performance management universal principle #5: effective feedback

Universal principle

A sound performance management system includes effective feedback. Performance feedback is “information about an employee’s past behaviors concerning established standards of employee behaviors and results” (Aguinis, Gottfredson, & Joo, 2012, p. 105). Performance feedback helps improve confidence and self-efficacy, develops expertise and enhances employee engagement. Unfortunately, many managers often find it uncomfortable to deliver

performance feedback, especially negative feedback. Moreover, poorly delivered performance feedback decreases employees' engagement, satisfaction and motivation and damages organizational performance and effectiveness. For example, Kluger and DeNisi (1996) meta-analyzed 131 research studies on the impact of feedback on performance. They concluded that 38% of feedback programs reviewed negatively affected performance instead of positively affected performance. Overall, regardless of context, good feedback makes performance management systems more effective and is a universal performance management principle.

Universal principle adaptability

To be effective, feedback needs to be adapted to different contexts. For example, in cultures higher in collectivism, it is important to avoid using confrontational and blunt language during performance feedback sessions, and feedback can be delivered to groups instead of individuals.

Recommendations for delivering effective feedback

A recommendation for delivering effective feedback regardless of context is to use a strength-based approach (Aguinis *et al.*, 2012). Traditionally, managers usually adopt a weakness-based approach to providing performance feedback to employees. In using this approach, the assumption is that employees are unaware of their weaknesses; therefore, discussing weaknesses will motivate them to perform better. However, many unintended negative consequences are associated with providing weakness-based performance feedback. For example, it often leads to employee dissatisfaction, defensive reactions, a lower desire for improvements and less actual development in performance. Also, managers who focus on weaknesses in providing performance feedback are more likely to have a more negative perception of and attitudes toward the employees receiving the feedback (Gardner and Schermerhorn, 2004), and employees are less likely to receive and accept such feedback.

In implementing the strength-based approach to feedback, managers first identify their employees' strengths and provide positive feedback on what the employees are doing well. In addition, managers ask employees to continue reinforcing their strengths to maintain high-performance levels. More specifically, the strength-based approach requires a conscious effort to stay positive and focus on strength areas rather than slipping into a negative, weakness-based feedback approach.

Concluding remarks

Performance management is a core talent management function in organizations worldwide (Varma and Budhwar, 2020). But, globalization and the COVID (post) pandemic challenge the fundamental principle of standardization, which is closely linked to fairness. Our article provides solutions for addressing the seemingly inescapable dilemma of simultaneously achieving standardization (i.e. using similar practices) and adaptation (i.e. using practices that are adapted to specific contexts). We described five universal performance management principles, how they can be adapted and recommendations for effective implementation. We hope our article will help organizations manage their talent to secure a sustainable competitive advantage and help individuals have healthier, more fulfilling jobs and careers.

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