New approaches to dealing with performance management: getting rid of performance appraisals is not the answer

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Abstract

Purpose – This paper aims to review the challenges of performance appraisal in organizations and argue that these challenges can and must be overcome.

Design/methodology/approach – The authors review research on performance appraisal in organizations and on claims that organizations are abandoning performance appraisal.

Findings – Structured performance appraisals are still the norm in organizations around the world. There are clear and practical strategies for improving appraisals. These include improving feedback and removing unnecessary complexity, clarifying the goals of appraisal systems, focusing appraisal on behaviors and outcomes under the employee's control and increasing the fairness of appraisal systems.

Research limitations/implications – Research is needed on the effects of changing the ways performance appraisals are conducted in organizations.

Practical implications – Practical strategies for improving performance appraisal are outlined.

Social implications – Better performance appraisals will benefit organizations and their members.

Originality/value – This paper refutes the growing claim that organizations are abandoning performance appraisal and illustrates practical strategies for improving performance appraisal.

Keywords Performance management, Performance appraisal, Evaluation

Paper type Research paper

The world of performance management and performance appraisal is facing unprecedented challenges. The coronavirus disease 2019 (COVID-19) pandemic, increasing globalization and the introduction of new technology have all led many organizations to think differently about how to meet the traditional needs of managing their workforce (e.g. Kim, Vaiman, & Sanders, 2022). One area that received considerable attention in this regard is the way organizations manage and especially evaluate performance (see, e.g. Murphy, Cleveland, & Hanscom, 2018). Several organizations have begun moving away from traditional performance appraisal systems and implementing other means for evaluating performance as part of their performance management system. In the present paper, we will argue that, although there are clearly problems with many performance appraisal systems, this does not justify decisions to simply get rid of those systems. We will discuss the reasons underlying dissatisfaction with

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traditional appraisal systems but will also suggest how they can be improved rather than being discarded. Throughout this discussion we will argue that some of the recommendations to abandon performance appraisals are simply attempts to follow popular trends and that these recommendations ignore the real risks that could come when traditional appraisal systems are abandoned. Finally, we will state our concerns that these suggestions are akin to "throwing out the baby with the bath water".

The problems with performance appraisals

Performance appraisal is the "job managers love to hate" (Pettijohn, Parker, Pettijohn & Kent, 2001, p. 754). Managers dislike giving and employees dislike receiving performance feedback (Boswell & Boudreau, 2002; Cleveland, Lim & Murphy, 2007). In most cases, organizations have installed performance appraisal systems as part of their larger efforts to improve both individual and firm performance. As a result, organizations have invested large amounts of time and money in performance appraisal, but some argue with limited returns on this investment (Buckingham & Goodall, 2015). In fact, in a recent review of 100 years of research on performance appraisal and performance management, DeNisi and Murphy (2017) concluded that we had learned something about how to improve individual performance but still know very little about the links between those improvements in individual-level performance and improvement in firm-level performance. It is no surprise, therefore, that there have been calls to get rid of, or to substantially simplify performance appraisal.

In recent years, several high-profile stories in outlets such as *Harvard Business Review* (Buckingham & Goodall, 2015; Capelli & Tavis, 2016; for a less pessimistic assessment of performance appraisal systems, see Goler, Gale & Grant, 2016), *Atlantic* (Thompson, 2014) and the *New Yorker* (Vara, 2015) have run stories highlighting the difficulties and shortcomings of traditional performance appraisal, and the call to get rid of performance appraisal has repeatedly raised (e.g. Culbert & Rout, 2010; Crush, 2015). In this connection, Capelli & Tavis, 2016 claim that up to 1/3 of organizations are abandoning traditional performance appraisal. The academic literature has also discussed the pros and cons of getting rid of performance appraisal (e.g., Adler, Campion, Colquitt, Grubb, Murphy, Ollander-Krane & Pulakos, 2016; Cleveland & Murphy, 2016; Murphy, 2020a). Several academic authors have suggested that rather than relying on traditional performance appraisals managers should provide frequent, informal and timely feedback to their subordinates and use this feedback as part of a broader program of performance management (Aguinis, 2013; Capelli and Tavis, 2016).

The desire to either dramatically overhaul or get rid of the systems currently used to evaluate employee performance is not limited to traditional performance appraisal systems. Performance management systems in many organizations have been described as "broken" (Murphy, 2020b; Pulakos & O'Leary, 2011); the users of performance appraisal and performance management systems often view these systems as ineffective (Pulakos, Hanson, Arad & Moye, 2014; Smith, Hornsby & Shirmeyer, 1996). Like traditional performance appraisal systems, performance management systems are often seen as involving substantial costs and limited benefits (Buckingham & Goodall, 2015; Pulakos *et al.*, 2014). Empirical assessments performance appraisal and performance management systems provide some support for the argument that these systems do not accomplish their principal goals. For example, there is surprisingly little evidence that performance management has any real effect on the performance of employees or on the effectiveness of organizations (DeNisi & Murphy, 2017; DeNisi & Smith, 2014; Pulakos & O'Leary, 2011).

The idea of getting rid of the burdensome systems organizations use to evaluate and manage the performance of their employees certainly has some appeal, but the impression sometimes conveyed in the popular press that organizations are in large part moving away from performance appraisal is at best misleading and at worst pernicious. In this paper, we argue that (1) organizations are not doing away with performance appraisal and (2) they should not follow the example of the handful of high-profile organizations that have done so. Despite all the difficulties in evaluating employee performance, we believe that performance appraisal serves several important functions in organizations and that attempts to get rid of or to substantially simplify performance appraisal systems create more problems than they solve.

Are organizations getting rid of performance appraisal?

As noted above, many organizations have shifted their focus away from instituting new appraisal systems as they faced the many challenges of the pandemic. Nonetheless, stories and articles about the coming demise of performance appraisal paint a bleak picture, and they can give the impression that many organizations are dropping or sharply curtailing performance appraisal. They are not. In a survey of nearly 400 Human Resource `managers conducted by the Society for Human Resource Management (2014), nearly 97% of respondents indicated that their organizations continue to conduct performance appraisals. Still other surveys suggest that few organizations are making major changes in their performance appraisal systems and even fewer are abandoning performance appraisal altogether (https://www.i4cp.com/trendwatchers/2013/10/31/performance-management-sticking-with-what-doesn-t-work).

The surveys cited above were conducted 8-10 years ago, and it is possible that they have missed more recent trends. However, more recent surveys suggest that formal performance appraisal is the norm in virtually all medium and large-sized organizations. Morley, Murphy, Cleveland, Heraty and McCarthy (2021) surveyed human resource practices in 472 organizations in 22 countries. They reported that virtually every organization surveyed had some sort of formal performance appraisal system.

Reports of the demise of performance appraisal have usually focused in the private sector. Performance appraisal has long been used in public sector organizations and appraisals continue to be a common and important part of the management of public sector organizations (Daley, 1992; Milkovich & Wigdor, 1991; Office of Personnel Management, 2017). Unlike private sector organizations, many public sector organizations are required by statute or public policy to conduct detailed and well-documented evaluations of the performance of their employees and traditional performance appraisal systems provide the best (if not the only) vehicle for accomplishing this goal.

Most calls to get rid of performance appraisal have focused on the accuracy and reliability of performance ratings (DeNisi & Murphy, 2017, review a century of research on this topic) or the cost of traditional performance appraisals (Buckingham & Goodall, 2015). Murphy (2020a) suggested a different rationale for getting rid of performance appraisals – i.e., that neither individuals nor organizations are willing to act on the results of performance appraisals. Performance feedback is often resented and dismissed (Cleveland *et al.*, 2007) and there is little evidence that it leads to meaningful behavior change. Organizations often claim that they use performance appraisal to reward good performance and (sometimes) to sanction poor performance, but their efforts in this direction are half-hearted at best (Murphy, Cleveland & Hanscom, 2018). Merit raises are usually in the 2-3% range, far below the level needed to motivate performance; raises much below 7% have little motivational effect (Mitra, Gupta & Jenkins, 1997; Mitra, Tenihälä & Shaw, 2016). In many organizations, a handful of employees make a disproportional contribution to the success of their workgroup, but these "stars" rarely receive merit awards that are in keeping with their contribution (Aguinis & Bradley, 2015; Aguinis & O'Boyle, 2014). If individuals and organizations will not use the results of performance appraisal in meaningful ways, there may be little point to evaluating employees' levels of job performance.

Like Mark Twain, the death of performance appraisal has been greatly exaggerated. There is a long history of research documenting the challenges to evaluating performance in organizations (Austin & Villanova, 1992; Bernardin & Beatty, 1984; DeNisi & Murphy, 2017; Landy & Farr, 1983; Murphy & Cleveland, 1995) and stories about the impending demise of performance appraisal certainly predate the current wave of enthusiasm for this dubious trend (Lawler, 2012; Lawler, Benson & McDermott, 2012). However, there is little credible evidence that organizations are abandoning or curtailing performance appraisal (Lawler, 2012; Mercer, 2013; Society for Human Resource Management, 2014), and there are serious arguments that organizations *cannot* abandon performance appraisal or performance management. Performance appraisal and performance management are challenging but getting rid of these systems solves few problems. More to the point getting rid of these systems causes new and serious problems. In the words of former President Clinton, what we need to do with performance appraisal is "mend it, not end it". In this paper, we lay out reasons why organizations should not and cannot get rid of systematic performance appraisal or performance management and lay of some advice for using the results of performance appraisal research to improve the practice of performance appraisal in organizations.

Performance appraisal: A flawed but essential tool

Performance appraisal has long been used for a wide range of purposes in organizations (Bureau of National Affairs, 1974; Cleveland, Murphy, & Williams, 1989; Lacho, Stearns, & Vllere, 1979; Lazer & Wikstrom, 1977; Murphy & Cleveland, 1995) and it continues to be an important driver of many high-stakes decisions (Schaubroeck, Shaw, Duffy & Mitra, 2008). This is not only a USA phenomenon; Milliman, Nason, Zhu and De Cieri (2002) examined the differing uses of performance appraisal in ten countries in Asia, North America and Latin America. They found that the use of performance appraisal for pay and promotion was moderately common in all countries they surveyed. Morley *et al.* (2021) reported similar results.

Researchers going back as far as Meyer, Kay, and French (1965) have suggested there are two main uses of performance appraisals, for administrative purposes (e.g., raises, promotions, layoffs) and developmental purposes (e.g., identifying training needs). Surveys in the 1970s (e.g., Bureau of National Affairs, 1974; Lazer & Wikstrom, 1977; Lacho *et al.*, 1979) documented a growing range of applications of performance appraisal beyond these two and by the late 1980s, the literature described over 20 different uses of performance appraisal in organizations. Cleveland and her colleagues (Cleveland *et al.*, 1989; Murphy & Cleveland, 1995) suggested that the many uses of performance appraisal could be grouped into four categories, which are shown in Table 1.

Cleveland, Murphy, & Williams (1989) and Murphy and Cleveland (1995) note that organizations often attempt to use the same performance appraisal system for multiple purposes, despite the inherent conflicts among some uses. In particular there are often built-in conflicts between administrative and developmental uses for performance appraisal. The use of performance appraisals to help make decisions about things like raises and promotions demands reliable information about employees' overall level of performance, while using performance ratings to guide training and development requires information about individual strengths and weaknesses and appraisal systems that are good at obtaining one type of information (e.g., overall performance levels) are often ineffective for obtaining the other type of information (e.g., developmental needs). Murphy and Cleveland (1995) suggest that many organizations would be better off if they used their performance appraisal systems for fewer purposes, or at least for purposes that were not conflicting. Nevertheless, it appears that performance appraisals often serve several important purposes in organizations, and it is not clear that there are many better alternatives if organizations abandon performance appraisal.

The "get rid of performance appraisal" bandwagon

So why do we get the impression that everyone is abandoning performance appraisal? One reason is simply that it makes for more interesting copy to suggest that a major revolution is taking place. But, in fact, there are also other forces at work that need to be recognized.

Some years ago, a series of articles were published dealing with the problem of "bandwagons" (Abrahamson, 1991, 1996). These articles argued and demonstrated how, when something becomes a fad in the business worlds, many firms "jump on the bandwagon" to demonstrate that they are current in the field. Much of this motivation comes from what DiMaggio and Powell (1983) refer to as the need to establish legitimacy. Those authors argue that an important way for firms to establish their own legitimacy is by copying what other legitimate firms do. Relative to performance appraisal, an excellent example of this phenomenon was when General Electric adopted a forced distribution rating system. Sometimes referred to as "rank and yank", this system specified what percentage of a group of employees could be rated as "outstanding" and what percentage had to be rated as "unsatisfactory". Employees in this lowest category were then often fired. Since general electric (GE), especially under Jack Welch, was seen as a thought leader, other firms sought to increase their legitimacy by adopting similar systems. This adoption of GE-inspired performance evaluation systems, even though there was no hard evidence that such systems occurred, were effective and, in fact, there were many problems with their implementation and use.

Perhaps the most striking example of this process in action was reported by Staw and Epstein (2000). Those authors sought out data about firms adopting several "innovative" management techniques such as total quality management (TQM) and empowerment. They also collected data on a wide variety of indices of firm performance and found that there was no relationship between the adoption of any of these innovations and firm performance. Firms adopted these techniques, apparently, not because they worked but because others were adopting them. To support that explanation, Staw and Epstein (2000) did find one significant effect for adoption and that was on chief executive officer (CEO) salary. They found that, when these techniques were adopted (or when they were purported to be adopted – whether they were actually implemented didn't matter), CEO salary increased. It seems that the CEOs were being rewarded for keeping up with the times and doing what was seen as "cutting edge".

Table 1. Uses of performance appraisal in organizations [a]

- Between-person uses – using performance appraisal in making administrative decisions, such as salary administration, promotion, protection from layoff that require describing or ranking employees based on their overall performance levels
- Within-person uses – using performance appraisal to identify individual strengths and weaknesses for purposes such as training and development
- System Maintenance - using performance appraisal as a tool for managing or validating other human resource systems, as in test validation of assessments of training outcomes
- Documentation - using performance appraisal to record and preserve information about individual performance

Note(s): a– this taxonomy of uses is based on surveys conducted by Cleveland *et al.* (1989) and on subsequent elaboration of these categories by Murphy and Cleveland (1995)
Source(s): Table by authors

In our view, some of the popularity of dropping formal appraisals is likely due to some firms are trying to demonstrate their relevance and legitimacy by adopting new practices that others are adopting. Note that this is also the basic idea behind "benchmarking", but the problem is that firms adopt the new policies not because they seem to work, but simply because other firms, especially firms that are regarded as leaders in their field, are doing so. The problems of jumping on a management bandwagon have been clearly demonstrated in the literature (Carson, Lanier, Carson, & Guidry, 2000; Staw & Epstein, 2000) and many of the claims about the demise of performance appraisals are simply another manifestation of this bandwagon.

Research on management fads (e.g., Carson *et al.*, 2000; Mazur, 2002; Murphy & Sideman, 2006) suggests that practices that appear to be novel and innovative and that claim to enhance organizational performance or to provide remedies for long-standing problems are highly attractive to the "fashion conscious manager", creating initial waves of enthusiasm for innovations such as replacing formal performance appraisals with informal feedback. Unfortunately, the track record for managerial fads and bandwagons is a depressing one, and we do not believe that the current enthusiasm for dropping or substantially curtailing performance appraisal represents a sustainable trend.

Evaluating the alternatives

Although the "drop appraisal" bandwagon is not as crowded as some have suggested, there are some firms are moving away from traditional appraisals. What are they moving towards? What many firms are doing is moving away from the annual review cycle for appraisal and moving towards more frequent feedback and conversations about performance. This is not the same as abandoning performance appraisals and, as noted in a recent PWC report (PWC, 2015), many decisions still require information about strengths and weaknesses and evaluation concerning who are the top employees and who has the most potential. Therefore, moving towards an emphasis on feedback does not mean moving away from some type of evaluation. That report also cautions against allowing personal bias into the system, which can reduce its effectiveness and can lead to legal vulnerabilities if appraisals are used to drive decisions such as salary level, promotion, hiring or firing.

Organizations are not dropping performance appraisal. Rather, they are moving towards improvements, sometimes evolutionary and sometimes more disruptive, in how we evaluate and manage performance. The scholarly literature has long been concerned with ways to improve performance appraisal, and as DeNisi and Murphy (2017) document, previous approaches to improving performance appraisals (e.g., improving rating scales, better rater training) have met with mixed success. There is clearly a desire on the part of both researchers and practitioners to improve performance appraisal.

Ultimately, most organization conduct appraisals as a tool for to managing performance, on the assumption improving individual performance will also improve firm performance. Several recent reviews (e.g., DeNisi & Murphy, 2017; DeNisi & Smith, 2014) have highlighted the challenges inherent in using performance appraisal as a tool for influencing performance and have concluded that there is little evidence in the literature that performance appraisal and performance management systems, as they typically exist, have been successful at improving performance at any level. There are many reasons, however, to believe that these systems can be improved and that these improvements might result in changes in both individual performance and organizational effectiveness.

Performance appraisal and performance management systems exist for many reasons, but there are three functions that seem especially important: (1) identifying strengths and weaknesses of employees, (2) communicating those to the employee and (2) rewarding employees who are top performers. Virtually all the recently discussed innovations or improvements to or replacements for performance appraisal systems (even companies that are "dropping" performance appraisal are almost certainly replacing it with something else) have been aimed at improving one or more of these core functions or at accomplishing these functions in a more efficient manner. These innovations usually focus on: (1) improving feedback, (2) simplifying performance appraisal, or (3) both. Each of these strategies faces some daunting challenges.

Improving feedback

One criticism of traditional performance appraisal systems is that the feedback they provide is neither timely nor of much use to the employees. Finding out that, at the end of a year, your performance is the area of "Problem Solving" is rated as a 3 on a 5-point scale probably does little to motivate you or help you to improve. Thus, one theme of many of the suggestions for improving performance appraisal is to make feedback more timely and more useful. In practice, this often means changing feedback from a formal, annual even to a frequent, informal process where supervisors give employees real-time feedback and direction (Aguinis, 2009, 2013).

It is widely assumed that feedback is both important and useful, but this assumption is not necessarily correct. Kluger and DeNisi (1996) conducted a detailed analysis of nearly a century of research of the effects of feedback. Their major finding was that feedback does not have a consistent effect on performance. In fact, in one third of the cases discussed in the literature, feedback resulted in a *decrease* in subsequent performance. In about a third of the cases Kluger and DeNisi (1996) reviewed, feedback seemed to help and in about a third it seemed to have little effect one way or the other. Their review makes it clear that the assumption that feedback is generally helpful if not likely to be true. Furthermore, Kluger and DeNisi (1996) reported that the effects of feedback are essentially independent of the sign of the feedback provided (i.e., whether it was positive or negative). That is, praise and criticism work about equally well (or equally poorly). Their review did support some of the current attempts to improve performance appraisal, in the sense that they concluded that feedback is more likely to have desired effects when it was more frequent, when it emphasizes improvement and when the feedback includes goals and plans for improvement. However, their core message is that feedback is not an unalloyed good. Feedback *might* help, but it is just as likely to make things worse.

Indeed, believing that employees actually want feedback and/or that they will use it to improve their performance is at best naïve and at worst counterproductive. There is a considerable body of research showing that managers find it stressful to give and employees find it stressful to receive feedback (Cleveland *et al.*, 2007). Furthermore, there is considerable evidence that employees do not accept the feedback they receive and that they work to actively avoid receiving feedback if possible (Cleveland *et al.*, 2007; Moss, Sanchez, Brumbaugh & Borkowski, 2009; Whitman, Halbesleben & Holmes, 2014). If you think about the probable costs and benefits of giving more frequent feedback, this strategy starts to look like a losing proposition. Feedback seems to be just as likely to lead to lower performance as it does to lead to performance improvements, making the benefits of feedback doubtful. There are few doubts, however, about costs. You can be reasonably confident that increasing feedback will increase stress levels and negative perceptions, with little certainty that increasing feedback will lead to predictable improvements in performance. Considered from this perspective, it is hard to see why should be attracted to innovations that focus increasing performance feedback.

Many of the organizations that have dropped annual feedback meetings have moved toward more frequent and more informal feedback. We think this move is unlikely to succeed; if managers hate to give and employees hate to receive feedback, *more* feedback does not seem like a good idea. As we will describe in a section that follows, *more targeted* feedback is an appeal alternative to simply giving everyone more frequent feedback about their performance.

Simplification

A second innovation that has been suggested for improving performance appraisal systems is to replace detailed and cumbersome systems with something that is considerably simpler. In many ways, a simplified system of this sort seems very attractive. However, this type of simplification has obvious disadvantages. First, this type of appraisal system does not provide much information to employees. The four questions listed above do not tell employees anything about *what* they are doing well or poorly, only that their team leader is not impressed. Second, the use of a simplified system of this sort for making high-stakes decisions (e.g., raises, promotions, protection from layoffs) might expose organizations to significant legal risks. The usual tools for demonstrating job-relatedness rely heavily on evidence that the appraisal system is tightly linked to the job. Indeed, the system described by Buckingham and Goodall (2015) would be very hard to justify based on its job-relatedness.

A better way forward

If the goal of any performance appraisal or performance management system is to improve performance at multiple levels, simply abandoning ratings or rankings and replacing them with feedback conversations will not work. Abandoning ratings can result in legal problems when a firm tries to defend decisions to terminate employees, or even in some case where there are claims of bias in terms of raises and promotions. Many of the proposed solutions involve the management of performance rather than the appraisal of performance. That is, they are concerned with what we do to improve performance, but such effort cannot succeed unless we also know how to assess performance. Otherwise, how can we determine the personalized feedback required for each employee that some have suggested? Without properly assessing performance, how can we tell who has improved or by how much? Without good data about current and past performance, how can we realistically assess an employee's potential for the future, which is also touted as important focus of new approaches to performance systems (Brecher, Eerenstein, Farley, & Good, 2016).

In our view, the present situation regarding performance appraisal can be summarized as follows:

(1) The wholesale abandonment of tradition appraisal systems has been exaggerated

(2) Formal appraisals are used for many important purposes in organization, including as a defense in cases of discrimination relative to pay, promotion and termination

(3) There really are no viable replacements for formal appraisals in many of these applications, although there are certainly things that can be done to improve the appraisals and how they are used.

(4) There is generally confusion between performance appraisal and performance management – or, at least, the two are often confounded. Performance appraisal refers to assessments of performance while performance management refers to any number of activities organization use to try to improve performance. The "best" appraisal system is not very useful if nothing is done with the appraisal information, but no performance management system can be better than the performance data it is based upon.

How can we make appraisal systems better?

It has long been argued that there is a substantial gap between research and practice in performance appraisal (Banks & Murphy, 1985). There has been almost a century of research on performance appraisal, but this research has not consistently led to improvements in the way performance is evaluated in organizations (DeNisi & Murphy, 2017). This has led some people to advocate innovations that are not based on or that are inconsistent with existing research, such as focusing on feedback or radical simplification of appraisal systems. We think this is a mistake. Despite the somewhat mixed track record of using performance appraisal research to guide practice, we believe research on performance appraisal and performance management provides some eminently practical suggestions for improving performance appraisal in organizations. Consider, for example, research on the characteristics of effective human resource systems.

Ostroff and Bowen (2000), Bowen and Ostroff (2004) advocate the development of "strong" Human Resources (HR) systems. These authors define the strength of an HR system in terms borrowed from attribution theory (Kelley, 1973) and suggest that HR systems are the strongest when employees can attribute their behavior to the systems. These ideas about strong systems are consistent with ideas about how to improve firm-level performance suggested by Ployhart and Moliterno (2011) and DeNisi & Smith, 2014. These models and related research to make, suggest several general recommendations about what would constitute a more effective appraisal system.

(1) The goals or desired behaviors in the system must be clear to everyone involved. This means that the HR managers who develop the system must know which behaviors, or which goals are important for individual performance and hopefully for firm-level performance. This requires basic work such as job analysis to determine what someone does on a job and how that person can be effective. Once those behaviors or goals have been identified, they must be communicated clearly to employees who will be evaluated, along with information about what effective and ineffective performance involves. Therefore, at the end of the process, everyone should agree on what the employees should be doing on their jobs – transparency is a critical part of an effective appraisal system, and it is often lacking in the systems in place.

(2) The system must focus upon behaviors, goals and outcomes that are under the control of the employee. This means that if an employee is asked to increase output in a manufacturing environment, this will only be useful if the employee can control that output. If work is machine-paced, it is unlikely that an employee can do anything to seriously improve output (although the employee could certainly refrain from doing things that might decrease output). But beyond the notion of control, the employee must see why these behaviors or goals are part of the system. That is, an employee should understand how his or her behavior relates to the stated goals of the organization. This is usually termed as having "line of sight" (Boswell & Boudreau, 2001).

(3) Employees must see how their own personal goals can be rectified with the organization's goals. This means, at the simplest level that employees must be motivated to do something about achieving goals and/or changing behaviors. But it also means that the organization's goals cannot be mutually exclusive with an individual's goals to get ahead, to feel valued, to be secure, or whatever the individual's goals might be.

(4) The system must be perceived as being "fair". The term "fair" may mean different things to different people, but the literature on organizational justice (Cropanzano & Kackmar, 1995; Erdogan, 2002; Flint, 1999; Folger & Cropanzano, 1998; Holbrook,

2002) suggests that fair systems are ones where outcomes are distributed in an equitable fashion, and the rules for allocation are clearly communicated and understood. Perceptions of justice and fairness have been given a lot more attention in appraisal systems in recent years (e.g. Taylor, Tracy, Renard, Harrison, & Carroll, 1995; Folger, Konovsky, & Cropanzano, 1992) *et al.*), and it is increasingly clear that appraisal systems will not be effective unless employees believe they are being administered in the same way for all employees.

(5) Appraisal systems, the standards involved and how they are administered must be perceived as legitimate. That means that the employees must understand that the system is based on some type of research and that the system is endorsed by people at every level in the organization. It also means that the behaviors, outcomes or goals that are part of the system are seen as legitimate and fair.

(6) There must be outcomes associated with appraisals for everyone involved. If the goal of performance appraisal systems is to improve performance, employees who receive ratings and feedback must see some reason to improve or change. In a classroom setting, if everyone in the class received an "A" regardless of their effort, which should any student work hard in the course? Staying with the classroom setting, if student completing teacher evaluations see that, regardless of the ratings they give an instructor, the instructor continues to teach the same course in the same way, why should the student exert the effort to provide serious feedback? In work settings, the employees who administer the appraisal system (e.g., managers) must see the system as fair, meaningful, but must also believe that is worth their time and effort. These managers will be less likely to take the appraisal process seriously and so would be less likely to provide ratings and feedback that reflected employee performance, which, in turn, would make it less likely for the employee to see the feedback received as legitimate or fair.

(7) Feedback should be tailored to the needs of the recipient. New employees or employees who are taking on new roles and responsibilities may need feedback that communicates and clarifies performance standards and makes it clear how their behavior matches or fails to match those standards. More experienced employees do not need the same sort of feedback. They are likely to know what is expected of them and to know whether they have met expectations. Performance feedback is not new information to them. If anything, it is likely to be perceived as nagging, not as new and useful information. Rather than giving everyone more feedback, organizations should give careful thought to what sorts of feedback each individual needs and tailor their feedback accordingly.

(8) The standards for evaluating performance appraisal systems should focus on the purpose and the use of appraisals. If the purpose of an appraisal system is to initiate and guide behavior change, we should focus on whether this change occurs rather than focusing on traditional criteria such as the psychometric characteristics of ratings (e.g., reliability, distribution of ratings: DeNisi & Murphy, 2020). In most settings, relevance, transparency and perceptions of fairness are likely to be more important criteria than the ones emphasized in nearly a century of research on performance appraisal (e.g., rater errors, rating accuracy: DeNisi & Murphy, 2017).

Several of these ideas and suggestion go a bit beyond performance appraisal and touch on questions of performance management. This is quite reasonable because the two should not be separated any more than they must be. The system must begin with meaningful and fair appraisals. Murphy and Cleveland (1995) have been the strongest advocates of distinguishing between judgments from ratings in the appraisal system. They note that judgments are private assessments about an employee's performance, while ratings are the public statements made about that performance. These authors describe several factors that might lead a rater to give a rating that differs from his or her judgment, and it is critical that all such influences must be eliminated from the system. The appraisals received by an employee should be based on the best judgment of the rater, who has the ability to make the required judgments and who has helped to ensure that the employee understand exactly what is required on the job.

But, even if a manager provided the "best" rating possible, they are not likely to result in improved performance unless the manger "does something" with the ratings. This is what performance management is all about. An important part of any performance management system is feedback. As noted earlier, while performance feedback is not the panacea that has been suggested, feedback, when administered properly can improve performance. Thus, a system which includes appraisals meeting the standards discussed above and includes regular feedback (to the extent feedback is useful and informative) and clear incentives to improve performance should help improve individual performance. Unfortunately, in isolation, performance appraisal and individual performance management systems alone may not result in improved individual performance and almost certainly will not result in improved firm-level performance. Even at the individual level, performance is not likely to improve if employees don't have the ability to improve and the opportunity to improve – presumably the performance management system can provide the motivation. Therefore, regardless of the level of performance we want to affect, it is important to coordinate performance appraisal and performance management system with other HR systems such as selection training an even job design. Thus, the changes in systems suggested in the popular press are not likely to result in real improvements in individual performance unless they are accompanied by coordinated efforts to change other practices as well.

This is consistent with the approach taken in studies of what has been termed "Strategic" Human Response Management (HRM). This body of research (e.g., Huselid, 1995; Huselid & Becker, 1996; Wright & McMahan, 1992) has typically assessed organizational practices in areas such as selection training, compensation and performance appraisal and related these practices to organizational level outcomes including satisfaction, profitability and stock prices. Finally, several authors have suggested that for any set of practices to improve firm-level performance it is important for the organization to establish a "culture of performance", or a "climate for performance" (cf. Schneider, Salvaggio, & Subirats, 2002). Such a culture or climate would mean that there was a convergence in perceptions about what is important and valued in the organization (see Schneider, Ehrhart, & Macey, 2011, 2013, for more complete reviews of all the issues related to organizational climate). Thus, we believe that the answer to how to use performance appraisal systems to effect real improvement in organizations is not simple. At the level of individual performance, it is necessary that systems are seen as fair and consistent, are administered in a consistent way and enable employees to see valued outcomes associated with improvements in performance. At the level of firm performance, the systems must also align with firm competitive strategy and be coordinated with other HR practices (in a performance management system), so that employees have the ability, the motivation and the opportunity to influence performance at this high level of analysis.

Conclusions

The pandemic has had huge impacts on organizations functioning and, especially how organizations manage their employees. As employees work remotely in greater numbers, it will be more and more difficult to appraise and manage performance and so there is a real danger in abandoning appraisals. The suggestions for new performance management systems will not solve the basic problems which make improving performance such a challenge, and they will become even less effective as employee move more towards working remotely. Providing regular feedback to remote workers is extremely difficult because managers may not have the opportunity to sufficiently observe the target performance, and because they may not have good opportunities to provide what feedback they can provide. As noted by Kim *et al.* (2022), an important role for HR during emotional and physical disruptions is to provide employees with support so that they can weather the disruptions. Abandoning traditional performance appraisal and replacing it with more casual (even if more frequent) feedback will only lead to more uncertainty among employees, as decisions will still be made about their raises, promotions, etc. and they will have less – not more – information about the bases for those decisions, which will certainly not help them deal with the uncertainty of the disruptions. Instead, proposals for abandoning traditional appraisals will lead to potential real problems and, as the "bandwagon" for abandoning appraisals quiets down in the wake of the pandemic, we expect to hear fewer new proposals in the near future. However, as recovery accelerates, we expect to once again see such "new" ideas appearing in the popular press. We have tried to argue that there are no simple solutions to how we improve individual and firm performance. Instead, these important goals will only be accomplished by research and hard work to find better ways to design effective appraisal systems.

There is no question that traditional performance appraisal systems are flawed, and so, are often seen as useless. But these appraisals provide important information for organizational decision making, and this is not information that is available from other sources. Furthermore, these appraisals provide a legal defense for some decisions which might be the basis of legal actions. There are many sources of uncertainty in the world of work right now, due to growing inflation, social unrest, warfare and COVID-19. We cannot afford to add to that uncertainty by dropping traditional performance appraisal systems. Instead, what we need to do is to work to improve those systems so they can better function in the many roles they serve.

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