



# Exploring perceived organisational formalisation and performance review system complexity as predictors of executive alienation in performance review systems

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Available online 25 August 2011

## KEYWORDS

Organisational formalisation;  
Performance review system complexity;  
Executive alienation

**Abstract** A number of discussions in organisation literature have focused on the alienating effect of formalisation on managerial as well as non-managerial employees. Most of the research studies have found support for the direct influence of formalisation on alienation, both positively as well as negatively. A few studies have found that formalisation did not have a direct influence on alienation but through the effects of other variables like role conflict, role ambiguity and organisational identification. We examined whether perceived performance review system complexity would predict variance in executive alienation beyond that predicted by perceived organisational formalisation in earlier studies. A total of 477 executives participated in a study that examined the factors associated with executive alienation. The outcome of our assessment shows that while there is no significant direct influence of perceived organisational formalisation on executive alienation, it has an indirect effect on executive alienation through perceived performance review system complexity. Based on the outcome, we discuss the implications for future research and practice.

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## Introduction

The relationship between organisational formalisation and employee alienation has been a persistent theme in organisational literature. This relationship has been conceptualised by various researchers (Crozier, 1963; Gross, 1953) who suggested that formalisation would be directly related to alienation through work and expressive relations. Formalisation has been considered by various researchers (e.g., Aiken & Hage, 1966; Hall, 1972) to be a source of alienation, especially for professional employees, since professional employees could experience conflict between professional norms and formalisation (Green, 1978). Allen and LaFollette (1977) examined the relationship between

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doi:10.1016/j.iimb.2011.07.001



organisational structure, formalisation and alienation and did not find the relationship to be significant.

However, Michaels et al. (1988) hypothesised that higher levels of formalisation would be associated with a high degree of work alienation. But their results showed that there is an inverse relationship between the two. The influence of formalisation on alienation was examined by Agarwal (1993) in his cross cultural study comparing sales force in the US and in India. The results showed that the relationship between formalisation and alienation was negative for US salespeople but did not have a significant relationship in the case of Indian salespeople. Michaels et al. (1996) tested this relationship empirically in their cross cultural studies conducted in the US, Japan and Korea. Their findings were consistent with their earlier findings that organisational formalisation reduces work alienation.

While the above studies tried to establish the direct influence of organisational formalisation on alienation, only a few studies focused on its indirect influence through the moderating effects of other variables. For example, Organ and Greene (1981) found that organisational formalisation did not directly influence alienation of professional employees like scientists and engineers, but had an indirect influence through the effects of role conflict, role ambiguity and organisational identification.

Studies have also shown that the complexity of the work environment also affects the degree of formalisation in an organisation (Hetherington, 1990). Ganesh and Joseph's (2007) study, through a survey of 324 managerial employees across different industries in India, established that perceived organisational formalisation had a significant negative relationship with the perceived performance review system complexity. The findings of the above studies provide the possibility for examining the relationship between perceived organisational formalisation and its effect on executive alienation through the prism of perceived performance review system complexity.

## Theoretical foundations and hypotheses

### Organisational formalisation and performance review system complexity: towards an appraiser perspective

Organisational formalisation has been a frequent focus of both theoretical and empirical investigation in organisation behaviour literature for a long time. Formalisation has also been identified with organisational bureaucracy. The concept of organisational formalisation has its roots in Weber's theory of bureaucracy. Weber (1978) defined the bureaucratisation process as 'discharge of business according to calculable rules and without regard to persons'. The concept of formalisation is vital to the characterisation of a bureaucracy and rules are generally seen as central to the impersonal formalisation of organisations characterised by bureaucracies. For example, Blau (1956) refers to 'formal procedures', 'regulations' and 'rules' as properties of organisational structure.

Organisational theory literature in the 1960s started discussing the concept of formalisation by defining

formalisation as structuring of activities through specialisation and standardisation to achieve fewer errors and to bring greater efficiency in organisational performance (Hage, 1965). Over the years, studies have shown that the degree of complexity has a more direct relationship with formalisation (Child, 1973) and the complexity of the work environment affects the degree of formalisation in the organisation (Hetherington, 1990). Complexity has been identified as one of the structural properties of organisations and is measured quantitatively as well as qualitatively in organisation theory. The number of hierarchical levels in an organisation i.e., vertical differentiation and division of labour (horizontal differentiation), and geographical dispersion of facilities in an organisation i.e., geographical differentiation, were the measures of complexity in organisational theory in 1960s. Hage and Aiken (1967) suggest number of occupational specialists, amount of professional training and amount of professional activity as the measures for degree of complexity in an organisation. Hence, in the 1970s, complexity was measured qualitatively by defining it as the degree of specialisation required to perform a task or activity and it was argued that complexity of an organisation increased with the specialised skills, knowledge and expertise required to perform an activity.

From the human resource management perspective, the degree of formalisation in an organisation can be seen from the organisation's need to establish a formal performance review system. Even though there is a consensus that performance review is a key process which is vital to the existence and development of the organisation (Fombrin & Land, 1986; Latham & Wexley, 1981), it is also considered as one of the most complex, and controversial human resource techniques (Roberts, 2002).

Attempts to measure the complexity of the performance review system have been limited mainly to the appraisers' cognitive complexity related to the review processes and review formats. In the context of performance appraisal systems, researchers have identified the predictive power of the cognitive complexity of appraisers as an important element in the effectiveness of the performance review process (Decotiis & Petit, 1978; Dunnette & Borman, 1979; Kane & Lawler, 1979; Landy & Farr, 1980). The appraisers' cognitive characteristics have been found to have significant effect on the reliability and validity of rating scales (Schneier, 1977).

The insight which emerges from the discussion thus far is that the appraiser's ability for cognitive complexity is vital to enhance the efficacy of the performance review process and specialised training may be needed to improve the appraiser's ability in his/her role. The above literature depicts the complexity in the performance review system as an intrinsic property of the performance review system itself; hence it requires higher functional specialisation in the performance review system practices in the form of specialised training in performance review interventions to increase the cognitive complexity of the appraisers. This kind of ability for cognitive complexity of performance review system managers could be termed as 'descriptive complexity'.

While cognitive complexity in the context of performance review systems has been recognised as an important

attribute of the appraisers, the cognitive complexity of the appraisees has been given little or no attention. For instance, the study by [Budhwar and Sparrow \(1997\)](#) indicates that there seems to be greater emphasis on the need to establish a formal performance review system in Indian organisations by focussing on training the appraisers. The study also indicates that 70% of Indian organisations train their line managers in performance appraisal, the most frequent of all HRM activities. This is a major research gap because dealing with some of the problems which practitioners face in implementing more complex performance review systems cannot be based on an understanding of appraisers only.

We are of the opinion that mere 'training' programmes for appraisers to address problems based on a one sided understanding of one major stakeholder in the implementation of such a complex systemic process as the performance review system has not borne much fruit. This is evident from the enormous investment of HRD professionals in training performance reviewers. Therefore, there is a strong case to study experiential perceptions of performance review system complexity from the appraisee perspective and also explore its relationship with organisational formalisation. Further we argue that where there is a greater degree of formalisation in organisations, the appraisees are likely to experience less performance review system complexity and propose the following hypothesis.

**H1.** Perceived organisational formalisation will have a significant negative relationship with perceived performance review system complexity.

### Organisational formalisation and alienation

In Indian managerial practices, performance review of employees has been regarded as a relatively under-emphasised factor ([Budhwar, 1997](#)). There is also enough evidence in the performance review system literature that performance review systems are used by people in authority as a tool to control appraisees ([Ghosh, 1997](#)). However, the relationship between organisational formalisation and alienation in the context of the performance review system has not been examined empirically although there is no dearth of literature in organisation theory which has explored the general relationship between organisational formalisation and employee alienation ([Aiken & Hage, 1966](#); [Allen & LaFollette, 1977](#); [Crozier, 1963](#); [Gross, 1953](#); [Hall, 1972](#)) and established a positive relationship ([Michaels et al., 1988](#)) as well as a negative relationship ([Agarwal, 1993](#); [Michaels et al., 1996](#)) between the two.

The conception of organisational formalisation as enabling bureaucracy ([Adler & Borys, 1996](#)) provides for the assumption that organisational formalisation would facilitate the establishment and functioning of an objective performance review system. Hence, it is reasonable to expect that lack of formalisation or low degree of formalisation could result in an appraisee experiencing high uncertainty in performance review practices as the performance review system could be manipulated by those

who are in power to achieve their personal and political objectives over the organisational objectives. This could lead to executives experiencing alienation through powerlessness (control) and meaninglessness (uncertainty) and other forms of alienation such as normlessness, social isolation and self-estrangement. Thus, we hypothesise;

**H2a.** Perceived organisational formalisation will have a significant negative relationship with executives' experience of powerlessness.

**H2b.** Perceived organisational formalisation will have a significant negative relationship with executives' experience of meaninglessness.

**H2c.** Perceived organisational formalisation will have a significant negative relationship with executives' experience of normlessness.

**H2d.** Perceived organisational formalisation will have a significant negative relationship with executives' experience of social isolation.

**H2e.** Perceived organisational formalisation will have a significant negative relationship with executives' experience of self-estrangement.

### Performance review system complexity and alienation

Cognitive complexity was defined as 'the degree to which the person possesses the ability to perceive behaviour in a multidimensional manner' ([Schneier, 1977](#); p. 255). It was argued that a cognitively complex individual has a relatively more differentiated system of dimensions of perceiving the behaviour of others, whereas a cognitively simple individual has a relatively undifferentiated system of dimensions for perceiving the behaviour of others ([Bieri et al., 1966](#)). Hence, cognitive complexity has been viewed as a structural variable in alienation theories, affecting how one individual construes the object from the environment. According to alienation theories, cognitively complex individuals have been defined as 'individuals who are more likely to seek information in order to interact with the environment' ([Planchon & James, 1991](#); p. 191). Alienation theories define alienated individuals as 'informationally deprived individuals incapable of carrying out the scanning and selection procedures necessary to make sense of their environment' ([Planchon & James, 1991](#); p. 190).

Notwithstanding the view of 'performance review system complexity' as 'descriptive complexity' as discussed thus far, based on certain studies done earlier, [Schlindwein and Ison \(2004\)](#) argue that complexity could also be the product of the experiential perceptions of a system by

a participant or non participant observer, independent of whether the system in itself or by itself is characterised by complexity or not. In other words because of perceptual differences, even a simple system may appear complex and a relatively complex system may appear not so complex.

If we were to treat appraisers as controllers and appraisees as observers of the performance review system, independent of the degree of complexity of the performance review system in terms of the structural properties of the system itself, what matters is the experiential perception of the performance review system. Such an appraisee centric view of performance review system complexity could be termed as 'perceived performance review system complexity'. This phenomenon need not necessarily be indicative of cognitive incompetence, as one of the fundamental principles of designing the modern performance review systems is to ensure that the outcome of the performance appraisal from a systemic perspective must be indeterminate *ex ante* (Burawoy, 1979; 87). Sharone (2002) also makes note of this principle of producing uncertain but significant outcomes using a forced distribution performance appraisal method, which keeps even high performing employees in perpetual suspense about their relative performance. Hence, the appraisees could experience a sense of powerlessness as they could not influence the performance outcome related to their own behaviour and experience a sense of meaninglessness as they could not predict the outcome related to their job performance. Appraisees experience alienation since the appraisers create an artificial information asymmetry using the power vested in them through a formal organisational hierarchy, while implementing a relative performance management system in the organisation. Therefore, it is reasonable to assume that perceived performance review system complexity would be positively associated with appraisees' experience of alienation. Thus we hypothesise:

**H3a.** Perceived performance review system complexity will have a significant positive relationship with executives' experience of powerlessness.

**H3b.** Perceived performance review system complexity will have a significant positive relationship with executives' experience of meaninglessness.

**H3c.** Perceived performance review system complexity will have a significant positive relationship with executives' experience of normlessness.

**H3d.** Perceived performance review system complexity will have a significant positive relationship with executives' experience of social isolation.

**H3e.** Perceived performance review system complexity will have a significant positive relationship with executives' experience of self-estrangement.

Further, we expect that introduction of perceived performance review system complexity in the formalisation and alienation relationship would have a mediating effect in predicting alienation for the following reasons. First, we have predicated through **hypothesis 1** that variation in levels of perceived formalisation would account for variations in perceived performance review system complexity i.e., the presumed mediator. Second, we have also predicted through **hypothesis 2** that variations in perceived performance review system complexity would significantly account for variations in all the alienation variants such as powerlessness, meaninglessness, normlessness, social isolation and self-estrangement. Hence, we propose **hypothesis 4** as given below.

**H4.** Perceived performance review system complexity will mediate the relationship between perceived organisational formalisation and executives' alienation.

## Method

### Sample and procedure

The study is focused on measuring the alienating effects of perceived performance review complexity on individual executives in organisations. Since the phenomenon investigated and measured is executive alienation, the individual executive was the unit of analysis. For the purpose of the study, the term 'executive' was defined as 'an employee belonging to the executive cadre of an organisation who has managerial responsibility, has a group of employees reporting to him/her, and has working experience of two or more years'. The minimum working experience of two years was used as a cut off in order to obtain valid results for the study. It was assumed that a minimum of two years of working experience in an organisation is a relatively valid and reliable criterion to obtain the experiential perceptions of executives about organisational formalisation and of performance review system complexity.

The research was carried out in two phases. In the first phase, data were collected from 108 executives to test for the validity and reliability of the items used in the questionnaire using the survey method. After the pilot study, the second phase of data collection was done personally by collecting data from 403 executives from varied industries and backgrounds, from different cities of India. In both an ethical and a practical sense, respondents' consent to participate in the study was sought and secured and the respondents were assured in writing of confidentiality and protection of the information provided by them. They, were also assured that only generalisations from the anonymous data would be used to test the research objectives. The questionnaires were given to executives from various departments within the organisation using the survey method. A total of 511 executives participated in the survey. Of these 477 were found to be questionnaires with usable responses. The profile of the executives who participated in the survey varied in terms of their industry, position level, function, experience, age, and gender. **Table 1** provides the demographic profiles of the participants in the survey.

**Table 1** Demographic profile of survey participants.

	N = 477	Percentage <sup>a</sup>
<i>Industry</i>		
Manufacturing	155	32.5
Banking	14	2.9
Financial services	115	24.1
Information technology (IT)	55	11.5
Pharma	15	3.1
Research and development (R&D)	38	8
Other services	85	17.8
<i>Size</i>		
Large (more than 700 employees)	302	63.3
Medium (201–700 employees)	94	19.7
Small (less than 200 employees)	81	17
<i>Position level</i>		
Top management	13	2.7
Senior management	71	14.9
Middle management	325	68.1
Lower management	68	14.3
<i>Function</i>		
Marketing	95	19.9
Finance & accounting	95	19.9
IT	61	12.8
Human resources (HR)	24	5
Operations	85	17.8
Others	117	24.5
<i>Experience</i>		
2–5 years	148	31
6–15 years	241	50.5
16–30 years	70	14.7
More than 30 years	18	3.8
Average experience	10.4	2.2
<i>Age</i>		
21–30 years	209	43.8
31–40 years	185	38.8
41–50 years	58	12.2
51–60 years	22	4.6
Above 60 years	3	0.6
<i>Gender</i>		
Male	398	83.4
Female	79	16.6

<sup>a</sup> Percentage figures have been rounded off.

## Measures

### Organisational formalisation

Organisational formalisation was defined as 'the extent to which an individual perceives that policies and organisational structure are clearly defined and the rules and procedures are standardised to achieve the organisational goals'. The respondents' perception of organisational formalisation has been measured using a five item Likert scale based on House and Rizzo's (1972) measure of formalisation (e.g. I feel the policies and structure of the organisation have been clearly defined).

### Performance review system complexity

The perceived complexity of the performance review system was defined as 'the degree to which the performance review system, review processes and review formats

are perceived as complex by the appraisee'. A set of six items based on Sharone (2002), Giles and Mossholder (1990), and Burawoy (1979) were used to measure perceived performance review system complexity of respondents (e.g. I feel the appraisal system used in my organisation to evaluate my performance is too complex as it is designed to produce an uncertain outcome no matter how hard I try to predict).

### Powerlessness as a variant of alienation

The executive experience of powerlessness was defined as 'the degree to which an executive perceives that his/her behaviour cannot determine the occurrence of the outcomes or reinforcements that the executive seeks'. A set of five items based on Hirschfeld and Feild's (2000) measures and Neal and Groat's (1974) measures were used to measure respondents' experience of powerlessness. The items measuring the powerlessness dimension of alienation were expressed through the statement: 'I feel that the performance review system is run by a few people in power, and there is not much an ordinary person like me can do about it'.

### Meaninglessness as a variant of alienation

The meaninglessness dimension of alienation was defined as 'the degree to which an executive perceives that he or she cannot make satisfactory predictions about the future outcomes of his/her behaviour'. A set of four items based on Hirschfeld and Feild's (2000) measures and Neal and Groat's (1974) measures were used to measure respondents' experience of meaninglessness. The items measuring the meaninglessness dimension of alienation were expressed through the statement: 'I feel that the only thing one can be sure of today in the performance appraisal system is that one can be sure of nothing'.

### Normlessness as a variant of alienation

Normlessness was defined as 'the degree to which an executive perceives that socially unapproved behaviours are required to achieve given goals in his/her role'. The executive experience of normlessness was measured using a set of five items based on Hirschfeld and Feild's (2000) measures and Neal and Groat's (1974) measures. The items measuring the normlessness dimension of alienation were expressed through the statement: 'I feel that in order to go up the career ladder, an employee must do things that he/she should not do'.

### Social isolation as a variant of alienation

The executive experience of social isolation was defined as 'the degree to which an executive perceives that he/she experiences a sense of isolation or rejection from fellow organisational members'. It was measured using a set of four items based on Hirschfeld and Feild's (2000) measures and Neal and Groat's (1974) measures. The items measuring the social-isolation dimension of alienation were expressed through the statement, 'I feel that there are few dependable ties between people any more in this organisation'.

### Self estrangement as a variant of alienation

The self-estrangement dimension of alienation was defined as 'the degree to which an executive perceives

**Table 2** Factor analysis of executive alienation subscales and internal consistency reliability scores.

Factor category	No of items	Amount of variance explained	Internal consistency reliability score
Factor 1 – Powerlessness	5	14%	$\alpha = 0.76$
Factor 2 – Meaninglessness	4	12%	$\alpha = 0.73$
Factor 3 – Normlessness	5	10%	$\alpha = 0.77$
Factor 4 – Social isolation	4	10%	$\alpha = 0.72$
Factor 5 – Self-estrangement	3	8%	$\alpha = 0.71$
Cumulative	21	56%	$\alpha = 0.89$

that he or she is highly dependent on given behaviour for anticipated future rewards'. It was measured using a set of three items based Hirschfeld and Feild's (2000) measures and Neal and Groat's (1974) measures and one item based on Drucker (1977). The items measuring the self-estrangement dimension of alienation were expressed through the statement, 'I feel little need to try my best at work, for it makes no difference anyway'.

The statements capturing these variables were measured on a five point Likert scale, ranging from strongly agree to strongly disagree. The statements measuring these variables were reviewed by seven experts (two professors from the Organisational Behaviour and Human Resource (HR) Management area, two senior HR managers in the industry and three senior managers in different functional categories) in order to ensure face validity, construct validity and content validity of the variables. Feedback was taken from the experts concerning the adequacy, precision and easy understanding of the statements measuring the variables.

### Scales and subscales

The study validated the executive alienation scale as well as subscales for its dimensions and the variables 'perceived performance review system complexity' and 'organisational formalisation' and returned high reliability figures for all the variables. The internal consistency reliability for

both perceived organisational formalisation ( $\alpha = 0.72$ ) and perceived performance review system complexity ( $\alpha = 0.77$ ) were acceptable. Because this measure for executive alienation was newly developed, Principle Component Analysis with Varimax rotation and Kaiser normalisation was done to examine its dimensionality. Factor analysis using SPSS showed that five factors emerged with eigenvalues  $> 1.00$  and accounted for 56% variance. Table 2 provides the variance accounted for by all the items of the executive alienation subscales and their internal consistency reliability levels.

As is clear from Table 2, Factor 1, powerlessness, accounted for 14% variance, Factor 2, meaninglessness, accounted for 12% variance, Factor 3, normlessness, accounted for 10% variance, Factor 4, social isolation, accounted for 10% variance and Factor 5, self-estrangement, accounted for 8% variance and the internal consistency reliability values for all the dimensions of executive alienation were acceptable (powerlessness -  $\alpha = 0.76$ ; meaninglessness -  $\alpha = 0.73$ ; normlessness -  $\alpha = 0.77$ ; social isolation -  $\alpha = 0.72$ ; self-estrangement -  $\alpha = 0.71$ ).

Bivariate correlation analysis was used to examine the relationship between all the variables, and bivariate and multivariate regression analysis was done to test hypothesis 1 and hypothesis 2 respectively. The results of bivariate correlation analysis with descriptive statistics are given in Table 3.

**Table 3** Descriptive statistics and correlations.

	M	SD	Correlations							
			A	B	C	D	E	F	G	
<i>Predictors</i>										
A. Formalisation	3.51	0.66	1.00							
B. PRS Complexity	2.47	0.84	-0.14**	1.00						
<i>Criteria</i>										
C. Powerlessness	2.80	0.78	-0.05	0.36***	1.00					
D. Meaninglessness	2.56	0.81	-0.27	0.45***	0.64***	1.00				
E. Normlessness	3.07	0.82	-0.10*	0.33***	0.48***	0.51***	1.00			
F. Social isolation	3.00	0.79	-0.03	0.30***	0.52***	0.53***	0.50***	1.00		
G. Self-estrangement	2.36	0.87	-0.06	0.38***	0.52***	0.46***	0.39***	0.38***	1.00	

$N = 477$ .

\*\*\* $p < 0.001$  one-tailed.

\*\* $p < 0.01$  one-tailed.

\* $p < 0.05$  one-tailed.

## Results

Table 3 presents the descriptive statistics and correlation matrix of the variables used in this study. As predicted in hypothesis 1, perceived formalisation has a significant negative relationship with perceived performance review system complexity at  $p < 0.01$  level. This finding indicates that there is a significant relationship between executive experience of organisational formalisation and executive perception of performance review system complexity.

Although previous studies (Agarwal, 1993; Michaels et al., 1988, 1996) found negative correlation between organisational formalisation and alienation, hypothesis 2a–2e did not support the earlier findings except for the normlessness variant of alienation (hypothesis 2c at  $p < 0.05$ ) based on this bivariate correlational analysis. This means that executive perception of high organisational formalisation is likely to reduce the executive experience of normlessness. This means that executives who work in a highly formalised environment are very unlikely to

perceive that socially unapproved behaviours are required to achieve the goals in his/her role.

As is clear from Table 3, perceived performance review system complexity has significant positive relationships with all the dimensions of executive alienation at  $p < 0.001$  level. This finding supports hypothesis 3a–3e. This is a very significant finding which indicates that executive perception of the complexity of the performance review system may lead to executive experience of high powerlessness, meaningfulness, normlessness, social isolation and self-estrangement.

While bivariate regression analysis was done to test hypotheses 1–3, multivariate regression analysis was done to test hypothesis 4 to examine whether perceived performance review system complexity would have a moderating effect on the relationship between perceived organisational formalisation and executive alienation. Each outcome variable in alienation was regressed on organisational formalisation and perceived performance review system complexity. The results of the analyses are given in Table 4.

**Table 4** Regression analysis to test hypothesis 4.

Analysis	Variables	Beta	R <sup>2</sup>	R <sup>2</sup> Change	Adj. R <sup>2</sup>	F	F Change	Sig.
Analysis 1	DV PRS Complexity X 1. Formalisation	−0.14	0.02	—	0.02	10.7		$p < 0.005$
Analysis 2 Step 1	DV Powerlessness X 1. Formalisation	−0.05	0.05	—	0.00	0.00	—	$p > 0.05$
Analysis 2 Step 2	DV Powerlessness X 1. Formalisation 2. PRS Complexity	−0.00 0.36	0.13	0.12	0.12	36.3	70.7	$p < 0.001$
Analysis 3 Step 1	DV Meaninglessness X 1. Formalisation	−0.02	0.00	—	−0.00	0.35	—	$p > 0.05$
Analysis 3 Step 2	DV Meaninglessness X 1. Formalisation 2. PRS Complexity	0.04 0.45	0.20	0.20	0.20	60.9	121.5	$p < 0.001$
Analysis 4 Step 1	DV Normlessness X 1. Formalisation	−0.10	0.01	—	0.00	5.34	—	$p < 0.05$
Analysis 4 Step 2	DV Normlessness X 1. Formalisation 2. PRS Complexity	−0.05 0.32	0.11	0.10	0.11	30.5	55.1	$p < 0.001$
Analysis 5 Step 1	DV Social Isolation X 1. Formalisation	−0.03	0.00	—	−0.00	0.57	—	$p > 0.05$
Analysis 5 Step 2	DV Social Isolation X 1. Formalisation 2. PRS Complexity	0.01 0.30	0.09	0.09	0.89	24.2	47.7	$p < 0.001$
Analysis 6 Step 1	DV Self Estrangement X 1. Formalisation	−0.06	0.00	—	0.00	2.16	—	$p > 0.05$
Analysis 6 Step 2	DV Self Estrangement X 1. Formalisation 2. PRS Complexity	−0.01 0.38	0.14	0.14	0.14	41.5	80.6	$p < 0.001$

DV – dependent variable.

PRS – performance review system.

**Hypothesis 1** stated that perceived organisational formalisation would have negative and significant relationship with perceived performance review system complexity. The simple bivariate regression analysis showed that perceived organisational formalisation accounted for 2% variance in perceived performance review system complexity at  $p < 0.005$  level and is consistent with the zero order correlation shown in **Table 3**. Further, we wanted to examine whether this relationship is influenced by variables like industry, size, management level in the organisation and years of experience since data have been collected from participants having diverse background and from industries with varying size. For this purpose, we created dummy variables for different industry verticals, size, management level and included them in the regression analysis with years of experience but found that these variables did not have any significant impact on the relationship between perceived formalisation and perceived performance review system complexity.

**Hypothesis 4** stated that perceived performance review system complexity would have significant moderating effect on the relationship between organisational formalisation and executive alienation. The multivariate regression analysis showed that formalisation did not have any significant relationship with any of the executive alienation dimensions. The model for Analysis 4, Step 1 was found to have a significance level of  $p < 0.05$ , the  $t$  value of perceived formalisation was less than 2 and its significance level was greater than  $p 0.05$  level. However, the introduction of perceived performance review system complexity into the models showed significant increase in  $R^2$  value and perceived PRS complexity has significant negative relationship with all the executive alienation dimensions at  $p < 0.001$  level and is consistent with the zero order correlation shown in **Table 3**.

This result is very significant as it shows that the relationship between perceived formalisation and alienation is no longer significant, when we control the relationships between the predictor variable and the mediating variable i.e., perceived organisational formalisation and perceived performance review system complexity, and the relationship between the mediating variable and the dependent variables i.e., perceived performance review system complexity and all the five alienation variants. The outcome of the result shows that perceived performance review system complexity emerges as the single dominant mediator in the relationship between perceived organisational formalisation and executive experience of alienation.

## Discussion

### Key findings and implications for future research

This study attempts to unravel the experience of alienation among executives using perceived organisational formalisation and performance review system complexity as predictors. One of the significant findings of the study is that perceived performance review system complexity has significant positive relationship with the experience of alienation through **hypothesis 3a–3e**.

Also the finding that perceived performance review system complexity would mediate the relationship between organisational formalisation and executive alienation through **hypothesis 4** is in line with the earlier studies which demonstrated that the degree of complexity of the performance review system and the manner in which the system was implemented were strongly related to the satisfaction with the review system (Giles & Mossholder, 1990). Williams and Levy (1992) suggested that the extent to which individuals believe that they understand the overall role and process of the organisation's performance review system may be very important in determining how they view the organisation in general and the appraisal process in particular.

Schneier (1977) recognised the importance of the cognitive complexity of appraisers in order to perceive behaviour in a multidimensional manner during performance review processes. There is also the common human resource practice of focussing training on appraisers to the exclusion of appraisees which has been criticised by Brentz et al., (1992). The finding that perceived complexity of the performance review system is significantly related to all alienation dimensions suggests the system has to take the appraisees into its ambit as well.

The finding that there is executive experience of powerlessness in the context of experiential perception of performance review system complexity is, in line with the earlier studies which suggested that the performance review system gets used as an instrument to achieve power needs (Chadha, 1977) and performance appraisal is a tool to control people (Ghosh, 1997). The finding that there is a relationship between executive experience of powerlessness and executive perception of the complexity of the performance review system can be interpreted as a sign of executive frustration with the inability to get on top of the system on account of its intimidating complexity.

The relationship between perceived complexity of the performance review system and a sense of meaninglessness can be interpreted in terms of the difficulty encountered in predicting the outcomes of behaviours and actions leading to acute anxiety.

The finding that executive experience of normlessness is significantly related to the executive experiential perception of the complexity of the performance review system indicates that, adherence to social norms regulating individual behaviour in organisations will not achieve desired outcomes in a highly complex performance review environment, since individuals tend to engage in socially unapproved activities to ensure their own survival. The normlessness dimension of alienation in the context of performance review has been highlighted in earlier studies (Majumdar, 1978; Niazi, 1976).

The other major finding is that there is a significant relationship between executive experience of social isolation and experiential perception of performance review system complexity. As discussed earlier the phenomenon of social isolation should be seen in the context of normlessness. The perceived complexity coupled with greater difficulty in identifying with group norms and values may induce executives to experience social isolation from persons in positions of authority, from the influential in the actual structure of decision making in the organisation,



from friends in the organisation, and from co-workers whose judgment is most respected (Miller, 1975).

The finding that executive experience of self-estrangement has a significant relationship with executive perception of performance review system complexity could be interpreted to mean that the individual executive may experience estrangement from the self when he/she perceives that engagement in actions related to the performance review system and processes, though complex and incomprehensible, is crucial to attain the rewards of work like salary, promotion and even for sheer survival in the organisation.

This translates into a situation wherein the experience of higher normlessness and social isolation may actually go hand in hand with lower levels of self-estrangement – considering the need for survival in a performance driven organisation and for remaining engaged to keep the job. The inevitable engagement in complex review activities may make the individual executive experience the loss of intrinsic meaning or pride in his/her work and he/she progressively becomes more highly dependent on the extrinsic rewards of work rather than on the intrinsic excitement of engaging in meaningful work.

### Limitations

While the strengths of the study could be attributed to the large sample size and the diversity of executive respondents from different industries, and different management levels, the study is not without its limitations. A methodological problem associated with this study is the common method/source variance factor. Most researchers agree that common method variance (i.e. variance that is attributable to the measurement method rather than to the constructs that the method represents) is a potential problem in behavioural research (Podsakoff et al. 2003). One of the common method variance problems is method effects produced by a common rater or source. When the measure of the predictor and criterion variable is provided by the same person (rater) or source through self-report, it is said to be producing artifactual covariance between the predictor and criterion variable.

Since the study uses the perception of an individual executive about the performance review system complexity and organisational formalisation (predictor variables) and uses the perception of executives to measure alienation (criterion variable) to find out the covariance between these two variables by asking the individual executive (source) to fill out a questionnaire (method), the possibility of producing method effects by the common method/source in this study cannot be ruled out. The study would have been strengthened if a multi-source/multi-method design had been used.

It is also suggested that if obtaining data simultaneously for predictor and criterion variables is not feasible, data for the two sets of variables could be collected at two different points in time. The data for predictor variables could be collected at time T1 and the data for the criterion variable could be collected at time T2 or vice versa. Given the difficulties involved in getting data from individual executives at different locations and in different points in time, this suggestion is too difficult to implement in practice.

Therefore, we decided to employ the other suggestion given by Podsakoff et al. (2003) i.e., protecting respondent anonymity and reducing evaluation apprehension in order to reduce method biases and obtain valid and reliable data for our research study.

Hence, we chose to contact the individual executives in organisations directly rather than contacting organisations for getting permission for the research study. The rationale behind contacting individual executives directly is that executives would be apprehensive and reluctant to give valid responses if contacted through HR departments/organisations, given the sensitivity attached to performance review systems.

The individual executives were given the option not to reveal his/her name, organisation and designation in the demographic section of the questionnaire. After filling out the questionnaire, the individual respondents were requested to give information about his/her peers/friends within the organisation or outside the organisation who would be appropriate respondents for this study. We trusted that this method would control the common method/source variance to some extent and reduce method effects.

The next limitation of this study is that this study is cross-sectional and exploratory in nature. Future research studies could be of longitudinal and confirmatory research design to ensure better results while examining executive alienation in the context of performance review systems.

### Conclusion

Performance review has been regarded as one of the most complex and controversial human resource techniques in organisations. However, most attempts related to measuring the complexity of the performance review system have been limited to appraisers' cognitive complexity related to review processes and review formats. While cognitive complexity in the context of performance review system has been recognised as an important characteristic of appraisers, the cognitive complexity of appraisees has been given little or no attention. This study has explored the domain of cognitive complexity of executive appraisees by examining perceived organisation formalisation and experiential perceptions of performance review system complexity as predictors of appraisee executive alienation in performance review systems.

This study has vast implications for researchers and practitioners who have an interest in measuring and evaluating performance of executives in organisations, since the overall performance of an organisation is dependent on the performance of its executives, and organisations are striving to design and implement performance review systems which enhance the performance of executives, and create a high performing culture in the organisation. One interesting research problem which emerges from this study is to examine the extent of alienation of the performance review sub systems (highly alienating/moderately alienating/not at all alienating) from the perspective of the experiential perceptions of appraisee executives. Such an investigation would be interesting from a practitioner's

point of view because the findings from such an investigation could help systems managers to take corrective action by making changes in sub systems in order to reduce alienation from performance review elements. Performance review systems should enhance performance, not prevent executives from performing.

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