

The Influence of the Social Perspective on the Performance of Employees

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Abstract

Employee performance is crucial for organizational success, significantly influencing productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, 2020). High-performing employees boost productivity, optimize resources, and foster a culture of creativity and continuous improvement, leading to business growth and adaptability. Enhanced employee performance also improves customer satisfaction, promoting repeat business and a strong organizational reputation (Harter et al., 2002). This paper examines how social factors within an organization impact employee performance through the lens of Social Exchange Theory (SET) and Social Identity Theory (SIT). SET emphasizes reciprocal relationships and mutual benefits, enhancing performance through perceived support, trust, and fairness. SIT focuses on group identity and belonging, where strong identification with a group fosters team cohesion and organizational pride. This study's comparative analysis highlights the strengths and applications of both theories, providing actionable insights for managers to improve employee performance by fostering reciprocal relationships, building a strong organizational identity, and developing supportive leadership styles. Ultimately, understanding and leveraging social factors can create a more supportive and productive work environment, ensuring sustained organizational success.

Key words: performance, productivity, innovation, customer, leadership

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1. Introduction

Employee performance is crucial for organizational success, as it significantly influences productivity, innovation, customer satisfaction, organizational culture, and financial outcomes. (Armstrong, M., 2020). High-performing employees enhance productivity by efficiently and effectively completing tasks, optimizing resource utilization, and boosting overall output. This increased efficiency not only saves costs but also helps the organization maintain a competitive edge. Moreover, when employees excel in their roles, they are often more engaged and motivated, fostering a culture of creativity and continuous improvement.

This innovative mindset can lead to the development of new products, services, and processes, driving business growth and adaptability in an ever-evolving market. Additionally, top-notch employee performance improves customer satisfaction by ensuring the delivery of high-quality products and services, effectively addressing customer needs, and maintaining positive relationships. Satisfied customers contribute to repeat business, positive word-of-mouth, and a strong reputation, all essential for long-term success (Harter et al, 2002, p. 268-279). Furthermore, a culture of excellence and accountability is built when employees perform well and are recognized for their achievements, attracting top talent, reducing turnover, and promoting a collaborative work environment. Financially, organizations benefit from high-performing employees through increased sales, higher profitability, and improved financial metrics. Thus, investing in strategies to enhance employee performance, such as training, development, effective leadership, and a supportive work environment, is vital for organizations aiming to achieve and sustain success

Building on the understanding that employee performance is crucial for organizational success due to its significant influence on productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, M., 2020), this paper sets out with three primary aims. First, it seeks to examine how social factors within an organization impact employee performance. Understanding these social dynamics is essential as they can either enhance or impede the ability of employees to perform at their best. Second, the paper aims to identify key social dynamics that specifically enhance or hinder performance. This involves pinpointing elements such as team cohesion, leadership styles, and workplace relationships that play pivotal roles in shaping employee behavior and outcomes. Finally, the paper intends to propose actionable insights for managers to improve performance through social mechanisms. By leveraging the identified social factors, managers can create strategies and interventions that foster a more supportive and productive work environment, ultimately leading to sustained organizational success.

2. Literature review

Employee performance is a pivotal factor in organizational success, influencing productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, M., 2020). To understand the multifaceted nature of employee performance, it is essential to explore the theoretical frameworks that explain how social factors within an organization impact this performance. Two prominent theories in this domain are Social Exchange Theory (SET) and Social Identity Theory (SIT). Social Exchange Theory (SET) is a fundamental framework for understanding workplace behavior (Cropanzano and Mitchell, 2005). This theory is so ingrained in our daily interactions that it extends beyond organizational settings to include exchanges with family, friends, and relatives, often occurring on a subtle level. According to Cropanzano et al. (2017), SET involves (i) an action initiated by an actor towards a target, (ii) a reciprocal attitudinal or behavioral response from the target, and (iii) the relationship that ensues.

In today's corporate environment, relationships are becoming increasingly complex, necessitating updates to SET to reflect the evolving nature of organizational operations and employee behavior (Cooper-Thomas and Morrison, 2019). Originating in the 1920s (Malinowski, 1922; Mauss, 1925), SET has implications in various fields, including social psychology (Homans, 1958; Thibault and Kelley, 1959; Gouldner, 1960), sociology (Blau, 1964), and anthropology (Firth, 1967; Sahlins, 1972).

Homans (1958) was the first to introduce the concept of "social behavior as exchange," which he later elaborated in its basic forms in 1961. Thibault and Kelley (1959) developed the idea further with the "social psychology of groups." Blau (1964) expanded on this by discussing "exchange and power," highlighting one party's ability to influence another to act in a certain way. While Blau emphasized the economic aspects of the theory, Homans focused more on the psychological aspects, specifically instrumental behavior. Blau (1964) argued that social exchange is limited to actions contingent on rewarding responses from others, where exchange behavior consists of voluntary actions motivated by anticipated returns.

Social Identity Theory explores how our sense of self is shaped by our group affiliations and how these affiliations influence our perceptions of both group members and outsiders. This theory has been widely applied to study phenomena such as favoritism towards in-groups and discrimination against out-groups but has seen limited application in the context of substance use. Specifically, it has been found that social identity can moderate the impact of peers on substance use behaviors. For instance, individuals who closely identify with their group are more likely to align their drinking habits with the perceived norms and approval of alcohol consumption within that group. The stronger the identification with the group, the greater the influence its members have on the individual. In examining social groups among high school students, athletes are typically more influenced by their fellow athletes, while drama club participants are more swayed by their peers in the drama club. There is a strong correlation between identifying with other substance users and one's own substance use behavior, which is partly attributed to both selection (substance users gravitate towards other substance users) and socialization (interaction with other substance users promotes substance use). Ultimately, those with whom we closely identify exert the greatest influence on our behavior.

Social Identity Theory can be broadly divided into two main components. The first component, which is more fundamental and psychological, explains the cognitive processes involved in defining social identity and the motivation that drives individuals to seek a positive social identity. The second component, which is socio-structural, addresses how individuals manage and respond to a negative social identity (Tajfel, 1970, p.96-102).

3. Research methodology

To analyze and compare Social Exchange Theory (SET) and Social Identity Theory (SIT) in the context of their influence on employee performance, I employed comparative analysis as a key method. This involved a detailed comparison of the two theories based on several criteria, such as their key concepts, focus, main influences on behavior, and their impact on employee performance. By using a comparative framework, I systematically evaluated how each theory explains the influence of social factors on employee performance, identifying similarities, differences, strengths, and limitations of each theory. Employee performance is crucial for organizational success, as it significantly influences productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, M., 2020). High-performing employees enhance productivity by efficiently and effectively completing tasks, optimizing resource utilization, and boosting overall output. This increased efficiency not only saves costs but also helps the organization maintain a competitive edge. Moreover, when employees excel in their roles, they are often more engaged and motivated, fostering a culture of creativity and continuous improvement. This innovative mindset can lead to the development of new products, services, and processes, driving business growth and adaptability in an ever-evolving market. Additionally, top-notch employee performance improves customer satisfaction by ensuring the delivery of high-quality products and services, effectively addressing customer needs, and maintaining positive relationships. Satisfied customers contribute to repeat business, positive word-of-mouth, and a strong reputation, all essential for long-term success (Harter et al, 2002, p. 268-279).

Furthermore, a culture of excellence and accountability is built when employees perform well and are recognized for their achievements, attracting top talent, reducing turnover, and promoting a collaborative work environment. Financially, organizations benefit from high-performing employees through increased sales, higher profitability, and improved financial metrics. Thus, investing in strategies to enhance employee performance, such as training, development, effective leadership, and a supportive work environment, is vital for organizations aiming to achieve and sustain success.

Building on the understanding that employee performance is crucial for organizational success due to its significant influence on productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, M., 2020), this paper sets out with three primary aims. First, it seeks to examine how social factors within an organization impact employee performance. Understanding these social dynamics is essential as they can either enhance or impede the ability of employees to perform at their best. Second, the paper aims to identify key social dynamics that specifically enhance or hinder performance. This involves pinpointing elements such as team cohesion, leadership styles, and workplace relationships that play pivotal roles in shaping employee behavior and outcomes. Finally, the paper intends to propose actionable insights for managers to improve performance through social mechanisms. By leveraging the identified social factors, managers can create strategies and interventions that foster a more supportive and productive work environment, ultimately leading to sustained organizational success.

4. Findings

In examining the impact of social factors on employee performance, this study utilized a comparative analysis of Social Exchange Theory (SET) and Social Identity Theory (SIT). This approach involved a detailed comparison based on several criteria, such as their key concepts, focus, main influences on behavior, and impact on employee performance. The results of this comparative analysis are summarized in Table 1.

Table no. 1 Comparison of Social Exchange Theory (SET) and Social Identity Theory (SIT)

Aspect	Social Exchange Theory (SET)	Social Identity Theory (SIT)
Focus	Exchange of resources and reciprocity	Group identity and belonging
Key concept	Reciprocity and mutual benefits	Social identification and self-categorization
Main influence on Behavior	Perceived support, trust, and fairness	Degree of identification with the organization or team
Impact on performance	High when employees feel valued and fairly treated	High when employees strongly identify with the group
Applications	Enhancing rewards, recognition, and support systems	Fostering team cohesion and organizational pride

Source: (Stets et al, 2000)

Social Exchange Theory (SET) emphasizes the importance of reciprocal relationships and mutual benefits. According to this theory, employee performance is enhanced when employees perceive high levels of support, trust, and fairness within the organization. The sense of being valued and fairly treated leads to greater employee engagement and motivation, which in turn boosts productivity and performance. SET's applications in organizational settings often involve enhancing rewards, recognition, and support systems to foster a positive exchange relationship between employees and the organization.

Social Identity Theory (SIT), on the other hand, focuses on the role of group identity and belonging. It posits that employee performance is influenced by the degree of identification with the organization or team. When employees strongly identify with their group, they are more likely to align their behavior with group norms and strive for the collective success of the group. This strong identification fosters team cohesion and organizational pride, which are critical for high performance. SIT's applications include fostering team cohesion and building a strong organizational identity to enhance employee commitment and performance.

5. Conclusions

The validity of this study is substantiated by its foundation in two well-regarded theoretical frameworks: Social Exchange Theory (SET) and Social Identity Theory (SIT). These theories have been extensively applied in organizational behavior research, lending credibility to the study's exploration of how social factors impact employee performance. The comparative analysis between SET and SIT, supported by a thorough literature review, ensures that the findings are grounded in established academic discourse.

Despite its limitations, this study offers valuable insights for managers and organizations aiming to enhance employee performance:

1. *Fostering reciprocal relationships:* By promoting reciprocity and mutual benefits, organizations can enhance employee engagement and motivation. Implementing effective reward systems, recognition programs, and support structures can foster a positive exchange relationship between employees and the organization.

2. *Building a strong organizational identity:* Emphasizing group identity and belonging can significantly improve employee performance. Managers should focus on team-building activities and initiatives that strengthen organizational pride and cohesion.

3. *Developing supportive leadership styles:* Leadership styles that emphasize support, fairness, and trust are crucial for enhancing employee performance. Training programs for leaders should incorporate these elements to create a more supportive work environment.

Employee performance is a critical driver of organizational success, influencing productivity, innovation, customer satisfaction, organizational culture, and financial outcomes (Armstrong, 2020). High-performing employees not only enhance productivity and efficiency but also foster a culture of

creativity and continuous improvement, driving business growth and adaptability. Moreover, top-notch employee performance leads to improved customer satisfaction, repeat business, and a strong organizational reputation (Harter et al., 2002).

This study underscores the importance of social factors in influencing employee performance, demonstrating that both SET and SIT provide valuable insights into these dynamics. By understanding and leveraging these social factors, managers can create strategies and interventions that foster a more supportive and productive work environment, ultimately leading to sustained organizational success. Future research should aim to address the identified limitations, enhancing the generalizability and depth of understanding in this vital area of organizational behavior.

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