

# **Applying Social Cognitive Theory to HRM Practices, HR Roles, and Firm Performance**

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## **Abstract**

This article presents a social cognitive theory (SCT) framework and its interrelation in Human Resource Management (HRM) studies in aspects of HRM practices, Human Resource (HR) roles, and firm performances. This study developed a proposed framework, derived based on Bandura's (1986) SCT, and supported by Bandura's (2001) Human Agency Theory and Lent's (1994) Social Cognitive Career Theory (SCCT) to explain the development of mediation linkage between HRM practices and firm performance through Ulrich's HR roles. The purpose of this study is to understand the nature of HRM studies and its connection to employee's psychological behaviour. Based on the findings on literature review, this paper proposed a framework to support the linkage between HRM practices and firm performance, with HR roles as key mediator for the relationship.

## **Keywords**

Human Resource Management Practices, Social Cognitive Theory, Human Resource Roles, Human Agency Theory

## **1. Introduction**

When it comes to HRM studies, there has been considerable robust evidence in theories and empirical researches on its contribution to firm performances in the past 30 years. During this period, notable theoretical perspectives have been introduced where HRM and firm performances are first viewed in universalistic approach, and later have been refined and expanded into contingency and configurational approach.

While the variety of numerous models introduced as an effort to demonstrate the connection between HRM practices and firm performance, the mixed theoretical findings proves that there are missing in the prospect to fill in the distinct value of 'black box' to support the relationship between these two variables. Previous studies in the past 10 years suggested that the contribution of HRM to firm performance literatures has progressed far enough to support the theory to be crucial, but there were still lack of support both on theory and explanation (Paauwe, 2009, 2009; Dimba, 2010; Marescaux *et al*, 2013; Theriou and Chatzoglou, 2015). Singh and Kassa (2016) finds that

there is an absence of theory to fully convincing the linkage between HRM practices and firm performance to ultimately explain the various findings on this field.

Based on the discussion above, our goal in the present article is to make a modest first effort of such theory integration through psychological view. This paper will outline a conceptual framework that attempts to explain human behaviour in HRM practices and its agency support in the linkage between HRM practices, HR roles, and firm performance. The framework consisted on complementing existing conceptual linkages between HRM practices and firm performances by providing better understanding on the connection through Bandura's (1986) SCT and supported by Bandura (2001) Social Agency and Lent *et al* (1994) SCCT to elaborate the mediation framework in this research.

## **2. Social Cognitive Theory and Human Agency Theory**

To understand more on the nature of this study, in this section we will briefly explain an overview for certain aspects of SCT and to suggest its potential contribution in HRM practices and firm performance study.

SCT is a psychological study advocated by Bandura (1986) to explain the interrelation between persons, their behavior, and how it affects external environment in a triadic reciprocity model. The core concept of this theory explained the social-structure factors of reproduction of an observed behavior influenced by the interaction by (a) personal attributes, traits that carried by individual, (b) behavioral, the response an individual carry based on the traits, and (c) external environment, which refers to outcome or consequences and individual act based traits carried by the person. Bandura (1986) explained in SCT that, people are neither driven by inner forces nor automatically controlled by the external factors. People function based on their own contribution for their own motivation, behavior, and development within a network of interest and influences.

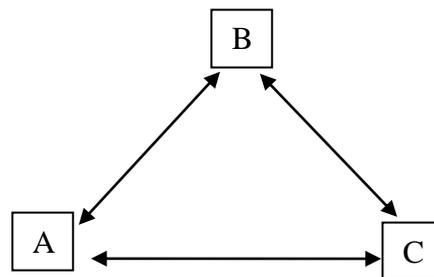


Figure 1. Social Cognitive Theory

Figure 1 explained the direction of SCT model. The relationship between A and B reflects the interaction between thought, affect, and action. The way human think, believe, and feel, affects how they behave (Bandura, 2001). Here, the A, which is personal attributes encompasses the biological properties of the organism. B, the behavioral factors are modifiable agent that support personal attributes (Bandura, 2001).

The A and C relationship is concerned with the interactive relation between personal attributes and external environment. The way human traits and cognitive competencies act influences the consequences or outcomes in how they behave to their environment.

The B and C relationship represents the influence between behavior and the environment. Bandura (2001) explained that behavior alters environment conditions. Where the environment is not a fixed entity that inevitably impinges upon individuals. Here, the aspects of the outcomes in external environment do not operate as consequences until appropriate behavior activates them. In other words, the aspect of the potential outcomes to becomes the actual outcomes for given personal traits thus depends on the behavior carried by the attributes.

Human agency theory is another branch of study in Bandura's psychological studies. Human agency was raised briefly on Bandura's (1986) SCT articles, and later began to articulate more as an important agent to support his SCT studies (Bandura, 1997; Bandura, 1999; Bandura, 2001; Bandura, 2006; Bandura, 2009).

Bandura (2009) defined human agency theory as 'the human capability to exert influence intentionally one's functioning and actions and life circumstances'. It is a medium that act as tools people use to accomplish the tasks and goals that give meaning, direction, and satisfaction to their lives (Bandura, 1997). There are four core properties of human agency described by Bandura which are intentionality, forethought, self-reactiveness, and self-reflectiveness.

Intentionality agency refers to acts done intentionally. An intention is a representation of a future course of action to be performed which does not simply consisted on expectation and prediction of future action, but also as a proactive commitment to intentional outcomes. Bandura (2001) review on human agency theory added that intentionality as an important agent where some social policies and practices that originally designed with well-meaning intent turn out bad because of unplanned purposes. In short, intentionality agency originates actions for given purposes is the key feature to produce intended outcomes. It can also be referred as action plans and strategies for realizing them (Bandura, 2009).

Forethought agency is the temporal extension of agency to go beyond planning. Forethought agency includes more than future-directed plans. People set goals for themselves and foresee likely outcomes of prospective actions to guide their future actions. Through the exercise of forethought, people are motivated to guide their actions in participating future events in matters of value, directions, coherence, and meaning to one's life.

Self-reactiveness is an agent that broadens the role of the agent to be more than just 'planner and fore-thinkers, but also includes processes of self-management, and self-motivation, as well as emotional states that can undermine self-regulation. Self-reactiveness sets individual forms as part of the individual directness to make positive judgement in situational circumstances.

Self-reflectiveness refers to self-examining. People are not only agents of actions, but also by nature self-examiners to their own functioning. Self-reflectiveness agency act as awareness agent that support human personal efficacy, the meaning to pursuit behaviors, and if needed, to change the way how they judge certain traits.

Reviews on SCT and human agency theory showed some correlational supports in explaining the relationship between HRM practices, HR roles, and firm performance.

## **2.1. HRM Practices as SCT's Personal Attributes**

Huselid (1995) discussed HRM practices as an entity in an organization that used to represent in shaping employees' attitudes and behaviors. Nazuridin *et al* (2008) supported the idea where they argue that HRM function to support the needs to manage employees based on their individual characteristic. Marescaux *et al* (2012) study suggested that HRM practices act as basic attributes in an organization which different organization implementing same practices in diverse ways.

Therefore, in this study we assumed HRM practices as a personal attribute that generally carried by organizations. Our review on previous literatures came out with five different practices based on its frequencies (most to least studied) in HRM practices-performance studies. The practices are training and development, recruitment and selection, compensation and benefits, employee relations and communication, and safety and health.

## **2.2. HR Roles as Behavioral Factors**

Bandura (2001) explained that individual reaction towards certain situation are based on their personal attributes and it carried by the behavior factors where it serves to modulate either to improve or decline external environment. Our study aims to link HR roles as behavioral factors that support the relationship between HRM practices and firm

performance. This supported by Wielemaker and Flint (2005) study where they suggested in order HRM practices to be strategic, a deliverable system must be implemented to act a catalyst in order HRM practices support firm performance.

In our model, HR roles serve as the deliverable system where it carries its roles to stimulate these practices to become strategic value. The characteristic of HR roles is somewhat applicable to human agency theory. Strategic partner role serves as intentionality and self-reflectiveness. Strategic partner role is a role that supporting organizational strategic orientation by linking HRM activities with the strategic vision of the firm. Self-reflectiveness on the other hand supported employees to be change agent to direct employees to be able to act according on different situation and needs. Human capital developer role serves as human agency theory's forethought. It is a role that support HRM practices to be anticipating on future perspective. Employee advocacy is a role that serves as self-reactiveness. Employee advocate role refers to HRM activities that support employees' motivation and indulge the needs of employees improve themselves. Taking into consideration on functional expert role, the roles function as a process or a system to carry day-to-day HRM administrative activities. Therefore, the functional expert role is exempted from the model as it acts as a system that support more on functioning HRM daily activities rather than as a strategic agent.

### **2.3. Firm Performance as External Environment**

External environment refers to the outcome from the relationship between individual personal attributes and behaviors. The external environment in our study refers to firm performance as a result from HRM practices (personal attributes) and how it supported by HR roles (behavior factors) to lead firm performance (external environment). In this study, the external outcome based on the relationship carried by HRM practices and HR roles will be based on three different aspects, which are financial, non-financial, and HR-related performance.

### **3. The Conversion of Bandura's (1986) SCT in Lent's (1994) SCCT Mediation Study**

While our conceptual scheme attempts to build stronger HRM practices-performance model through Bandura's SCT and human agency theory, we follow Lent's (1994) SCCT point of view on liberties to explain the directional path of our model framework. Lent (1994) explained that the general social study does not necessarily follow on Bandura's model where the directional linkages in different variables are predominantly causal pathway if (a) the new framework follows over the course of behavioural development linking personal attributes and external environment, and (b) the variables carry differential causal weight. For example, secondary interrelated variables to SCT. In this paper, instead of representing HRM practices, HR roles, and firm performance are bidirectionally linked, we attempt to hypothesize HR roles as a mediator that support the relationship between HRM practices and firm performance.

Bandura (1986) advocated SCT model based on triadic reciprocity, where personal attributes, behavioural factors, and external environment are operated as interlocking mechanisms that effect on another bidirectionally. However, Lent (1994) argued that this relationship is partially bidirectional as the main assumption still lies on behaviour as interactive roles that support personal attributes and external environment,  $B = f(P \leftrightarrow E)$ . That is, behaviour is considered as the by-product of *P-E* transaction, rather than co-determinant of the model framework. The direction of personal attributes and external environment will be based on the role carried by the behavioural factors in the social relationship. In terms of HRM studies, previous literatures proven the relationship between HRM practices and firm performance. Other studies suggested that there are still missing 'black box' to fully explain what makes HRM practices support firm performance (Theriou and Chatzoglou, 2014; Marescaux *et al*, 2010; Paauwe, 2009), and other suggested there's a need to study the mediator that play as part in HRM practices-performance linkage (Dimba, 2010). By referring to these assumptions, the HRM practices, HR roles, and firm performance roles can be viewed as a mediation path framework.

#### 4. Methodologies

The nature of this study is based on exploratory methodology which hypotheses obtained based on theory development through positivistic paradigm. Positivistic paradigm refers to methods where literature used to obtain instruments and variables to support hypotheses testing. As there is limited knowledge covering on psychological and human resource studies available from previous literature, this study is moving towards research based on explaining variance. Therefore, partial least square (PLS) statistical equation method (SEM) is viewed as significant method for statistical analysis for this study. This study will be using SmartPLS software for data analysis. It compliments with this study’s mediating framework which involve analyzing latent construct both reflective and formative analysis.

Based on preliminary data analysis, reliability and validity analysis showed positive numbers with each variable’s Cronbach’s Alpha are above 0.89, Composite Reliability above 0.91, and Average Variance Extracted (AVE) above 0.64.

Table 1: Preliminary data analysis: reliability and validity test.

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Compensation and Benefits	0.92	0.92	0.94	0.72
Employee Advocate	0.93	0.93	0.94	0.65
Employee Relation and Communication	0.89	0.89	0.91	0.64
Firm Performance	0.94	0.94	0.95	0.73
Human Capital Developer	0.94	0.94	0.95	0.67
Recruitment and Selection	0.90	0.90	0.92	0.67
Safety and Health	0.92	0.92	0.94	0.71
Strategic Partner	0.95	0.95	0.96	0.70
Training and Development	0.90	0.90	0.92	0.67

#### 5. Proposed Conceptual Framework and Conclusion

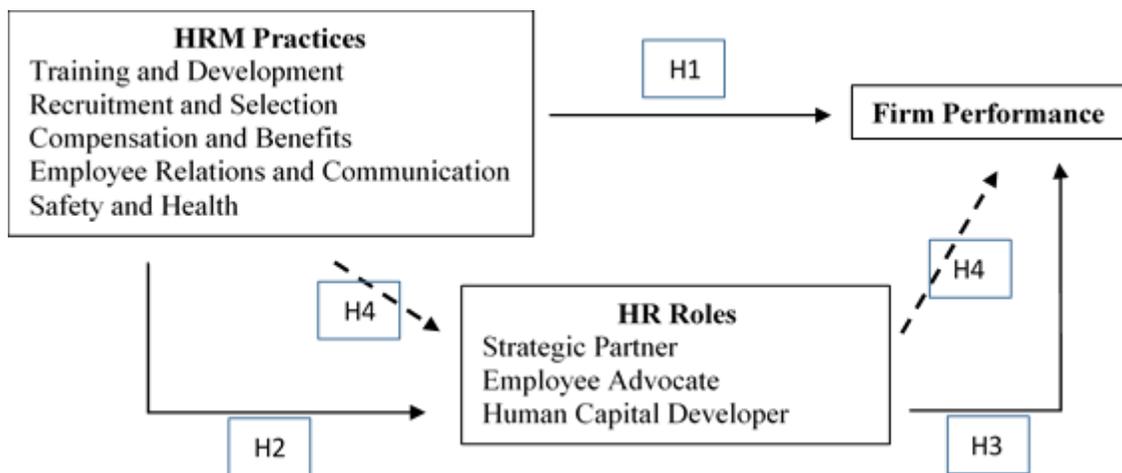


Figure 2. Proposed HRM practice, HR Roles, and Firm Performance Framework

Based on the discussion above, HRM studies are closely related to psychological and behavioural studies. The SCT model is an evolving construction, the subject of study can be related in any psychological entity regardless of the study background. HRM practices is one of interesting behavioural branch study where it involves people's daily activity and at the same time to maximize organizational function. The logical view in this paper between behavioural and HRM subjects showed the uniqueness and complexities in social sciences studies. Our intent in this paper is to provide framework by explaining the missing value in HRM practices-performance relationship. With this present perspective, we hope this paper may contribute to more comprehensive, new insights, and understanding on HRM studies.

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## **Biographies**

**Ivana Chandra Voo** is a PhD student in Faculty of Management, UTM interested in Strategic Human Resource Management (HRM) field. She is currently writing a thesis on HRM practices, strategic HRM particularly in HR roles and its relationship with firm performance.

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**Choi Sang Long** research interest is in HRM and organizational behavior. He is currently an Associate Professor in a foreign based university in Malaysia. He has more than 20 years of corporate managerial (HRM) experience in various industries prior being an academician. He has published more than 100 research papers in journals, book chapters, and conference proceedings.