

PSYCHOLOGICAL CAPITAL: CONCEPT, DEFINITION AND EFFECTS

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ABSTRACT

Post-pandemic organisations are facing lot of challenges which are difficult to handle. Organisations today require new capabilities in their employees to cope with an array of challenges, from coping with narrowing profitability gaps to enabling continual innovation; increasing stakeholders responsiveness to meeting regulatory requirements; and uncertainty to managing increasingly complex new services and value chains. These challenges can be managed only if human resource is managed effectively. People are intellectual/creative Capital for an organization and they constitute important source of dynamic input in any organization. Performance of an employee significantly influences Organisational performance. There have been several studies to indicate that there is a significant correlation between people and the profits they bring to the organization. As per Luthans (2002a), the study of psychological capital can be used in Organizational HRM (Human Resource Management). This paper is an attempt to understand the concept of psychological capital and its impact on various aspects of Individual/ Organizational outcomes. Psychological Capital is a positive cognitive resource comprising four dimensions (hope, self-efficacy, Resiliency & optimism) which influences not only employees' efficiency at work but also increases organisational effectiveness. Objective of this paper is to explore all concepts of psychological Capital and its significance by reviewing literature and theory on the subject.

Keywords: Psychological Capital, Psychological skills, Positive psychology

1. INTRODUCTION

Today organizations face potpourri of challenges posed by technology-driven disruption of business activities increasingly characterized by volatile, uncertain, ambiguous, and complex (VUCA) conditions. The VUCA-specific significance of the skills receives strong support from studies like IBM's Global Chief Executive Officer survey, which concluded from the input of the 1,500 CEOs who participated that "rapid escalation of complexity is the biggest challenge confronting the world's leaders" (Palmisano, 2010). Organization needs to incorporate a differentiating factor so that workers get a competitive advantage in the VUCA world. Today's organizations are more prone and interested in hiring employees who are energetic, optimistic

and dedicated to their works. Their mental stability and challenging attitudes are more accepted rather than their skills. Psychological capital provides the employees enough confidence to finish the work within time that enhance their growth. Keles mentioned that psychological Capital comprises of measurable, developable and effectively controllable applications related to the potential and psychological capacity of human resources resulting in performance increases in organisations.

Successful incorporation of Psychological Capital helps an employee to have confidence in performing challenging tasks, to make positive attributions and to bounce back for attaining success in an organization.

2. OBJECTIVE OF THE STUDY

According to several psychological studies employees who are hopeful, resilient, optimistic, have good performance and enhanced workplace performance (Green, Medlin, & Whitten, 2004; Luthans, Avey, Avolio, Norman, & Combs, 2006; Luthans & Youssef, 2007). This study addresses growing need of psychological capital research which is gaining momentum in today's uncertain environment. In this paper, an effort has been made to bring out the positive impact of Psychological Capital on employees' performance as well as on the effectiveness of the organisation. Luthans suggested that strength of people and organizations should be brought to the fore & emphasized with the support of scientific research. He also emphasized the significance of proactive and positive approaches. Therefore, it is expected that this study will encourage other researchers for doing further studies related to positive psychological Capital. Objective of this paper is to provide an insight to other researchers in the area of Psychological Capital and other related concepts. Psychological Capital has a positive impact on various aspects of human resource which will be discussed in subsequent section of this paper. Literature review on psychological capital has been discussed with the main framework and related topics.

3. THE CONCEPT OF PSYCHOLOGICAL CAPITAL

The practice and study of psychological capital have been initiated with positive organizational behavior in different domains including sports, health, military, education, work and life. Initially, different psychological skills such as hope, confidence, happiness and emotional intelligence were considered to be the fulfilment criteria of positive organizational behaviour (Luthans, Avolio, Walumbwa, & Li, 2005). Though after more experiments and implications of POB (Positive Organizational Theory), hope, optimism, confidence and resilience are taken to be effective criteria (Luthans et al. 2007).

Psychological Capital is manifestation of positive psychological state of individuals, which is a higher order construct which represents the commonality among the four component dimensions such as self-efficacy, optimism, hope and resiliency (Luthans & Youssef, 2004; Luthans & Youssef, 2007; Luthans et al, 2008). In the book, 'Authentic happiness' of Seligman (2002), people's higher-order needs are explored as psychological capital. This factor is articulately related to one's well being and happiness in his workplace. On the other hand, at the deep work engagement, an employee is perhaps investing and developing psychological capital for his further success (Seligman, 2002, p. 116). The importance of psychological

capital lies in turning one's dysfunctional behavior into creative, happy and productive approaches to life (Machado, 2008)

As per Psychological Capital's emerging theory, advancement or disciplined and positive psychology are central concerns. The emphasis has been based in particular on four elements such as resilience (Masten, 2001), optimism (Seligman et al. 1990), hope (Snyder, 2000, 2002), and self-efficacy (Bandura, 1997). Luthans, Avolio, Avey and Norman (2007) have explained the above-mentioned elements as per the following approaches.

- Optimism: Sustaining positive perspectives for orientation
- Hope: Persistent focus towards aims while redirecting and rearranging the paths for achieving the pre-desired objective.
- Resilience: To endure and spring back from extreme difficulties or adverse situations.
- Self-Efficacy: To have beliefs about self-capacity and competency for retaining performance attainments in challenging situations.

4. DEFINITION OF PSYCHOLOGICAL CAPITAL

Luthans, et al.,(2033) define psychological Capital as “an individual's positive psychological state of development that is characterised by :

- i) Self Efficacy: having confidence to take on and put in the necessary efforts to succeed at challenging tasks;
- ii) Optimism : making a positive attribution about succeeding now and in future ;
- iii) Hope: persevering towards goal and, when necessary, redirecting paths to goals in order to succeed;
- iv) Resilience: when beset by problems and adversity, sustaining and bouncing back and even beyond to attain success.

As per the view of Avolio and Luthans (2006), Psychological Capital defines the change or transformation of a person for the sake of positive development. This development of Psychological Capital is a cumulative contribution of capital investments. Social capital defines 'who a person knows', human capital seeks 'what a person knows' and financial capital directs 'what a person has'. Psychological Capital's dedicated domain in behavioural science has been argued for developing a roadmap in an efficient human resource function (Nelson & Cooper, 2007; Youssef & Luthans, 2012). Luthans et al. emphasised that psychological capital ("Psycap") focuses on "who you are becoming" rather than "who you are. As cetin et al. noted that Psychological capital carries a changing feature based on situation rather than having a stable characteristic feature. Psychological capital is a combination of all these four elements and as per Hughes it can be "measured, developed and effectively managed" for improving the work performance

5. CONSTRUCTS OF PSYCHOLOGICAL CAPITAL

Luthans and his co-workers have selected Hope, Resilience, Self-efficacy and Optimism as the main dimensions of Psychological Capital. The ensuing paragraphs focus on four critical constructs of Psychological Capital:

5.1 Hope

Hope is one of the most important and necessary psychological components that is used in daily life. This particular factor is observed and measured in mental and physical health, academic performance, and athletic ability, the aptness to recover from distress, trouble and inconvenience (Snyder et al. 1991; Curry et al. 1997). As per the view of Peterson and Byro (2008), one's hope is positively attached to profitability, job performance, leadership, job satisfaction, organizational commitment, and workplace happiness.

Page LF; Donohue R (2004) defined Hope as a pathway to achieve the goals whereas Snyder et al.(1991) mentioned that hope is a motivational state having two dimensions, agency and pathways. Agency is a determination that directs the goals while pathway is defined as a plan to achieve desired goals. As per the view of Harvey et al. (2007) the psychological factor hope has three elements and these are Path, Goal and Power. Hope directs a positive and motivational state of mind that provides goal-achieving energies through interactions. Accepting the challenges and providing realism for meeting goals are the main agendas of hope (Malone, 2010).

Hope has the capability to make a person deal with situations through illuminating, determining and following the best ways. On the contrary, Luthans et al. (2008) have stated that hopeful people are highly energetic for identifying goals and developing new pathways to attain the goals. Additionally hopeful people are more individual thinkers than ordinary ones (Luthans et al. 2007). At the time of difficulties and critical situations, dedicated and hopeful individuals become prone to undertake challenges for finding alternative paths in terms of achieving success (Snyder 1994, 2002).

5.2 Self-Efficacy

Bandura (1997) has developed the concept of self-efficacy from the Social cognitive theory. This particular theory depicts that one's beliefs, opinion about the courses of motivation, action and cognitive resources are accountable for completing a task within a pre-defined budget, duration (Stajkovic and Luthans, 1998). According to Luthans and Youssef (2004) the concept of self- efficacy as a cumulative effort of performance achievements, indirect modelling, mastery experiences, psychological excitement and social convenience. Ozkalp E. (2009) mentioned that self-efficacy is not related to competencies or individual capabilities rather it is related to the belief on personal abilities. As per detailed research, self-efficacy defines a worker's own beliefs of competency, assurance, persuasion to carry out work with efficiency and effectiveness. Self-efficacy has an intense part that is called mental state (Bandura, 1978).

More specifically Luthans et al. (2007b) have confirmed that Self-efficacy is essential for satisfying incorporation and inclusion criteria for Psychological Capital. The psychological factor of self-efficacy effectively generates a positive belief within an organization that is necessary for better work morale. Hence, it is proved that self-efficacy has a noteworthy interrelation and positive connection with employee's performance (Stajkovic and Luthans 1998; Bandura and Locke 2003).

5.3 Resilience

The factor 'resilience' is denoted as an important and positive factor of psychological capital. This particular factor has been generated from the differentiated work of clinical psychology. On the other hand, clinical psychology work of growing kids' achievements and success during hardships, are providing resources of resilience. The psychological factor 'resilience' can be characterized as a positive force that counters negative events by adding new constructive and pragmatic solutions (Kappagoda et al. 2014a). As per Luthans et al. (2006) psychological resiliency is the coping skills of people in case of uncertainty, negative situations and obstacles.

As per the view of Enzi and Ibrahim (2012), the three most important parts of resilience are coherence, control and connectedness. More precisely, resiliency denotes one's capability of rebounding by capitalizing on psychological, personal and social assets (Reich, 2006). According to Luthans et al. (2007) Resiliency can be developed and managed by three basic components of psychological capital, self-efficacy, hope and optimism. Luthans (2002) has stated that a resilient man is well equipped and capable of bouncing back from failure and uncertainty.

As per the view of Masten and Wright (2010), resilience directs a new path of change, different thinking with positive arrangement in a working station. Therefore, a resilient employee can be considered to take high risk for self-growth (Masten and Reed 2002). They are full of energy and are curious to know new things in life (Klohn 1996). Optimism and a humorous approach towards any critical situation are primary traits of resilient people (Wolin and Wolin 1993; Masten 1994). These people like new experiences and are innovative while using their creative exploration (Cohler 1987).

5.4 Optimism

Seligman (1998) has generated the theory of optimism as an integral part of POB (positive organizational behavior). Optimism generally creates a global, internal, stable attribution for achieving objectives. On the other hand, this psychological component of Psychological Capital is liable for driving an individual from negative, unstable and external events. Carver et al. (2005) have described the optimist who anticipates each and every event positively in life. Contrarily, pessimists are more prone to think about negative things. On the other hand, a self-assured person thinks that constructive and positive events are consequences of his own practices.

Through self-regulation and target achieving tendency, an optimist reacts in every adverse situation (Avey et al. 2010). As per the view of Seligman (1998), optimists are infested with global attribution, internal stability, the inward steadiness that are helpful for their task accomplishments. Seligman (1998) has found that optimistic sales agents are consistent in their good performance rather than pessimistic workers in an insurance company. According to Totterdell et al. (2006) worker's relationship attributes and work-related stress are mediated through optimistic thoughts. In this context, Simarasl et al. (2010) have found a broad opinion that the number of good incidents are than bad events.

6. LITERATURE REVIEW ON PSYCHOLOGICAL CAPITAL

The broad aspects of psychological capital have been developed as a great interest for understanding worker's competency that is extremely necessary for organizational achievements (Kappagoda et al. 2014a). Psychological Capital has been termed as a person's better psychological situation (Luthans and Youssef, 2007). As per the view of Luthans et al. (2007b) Psychological Capital is the most trending and highly effective factor that makes the workers to perform more professionally.

Previous research works have the results that psychological capital is related to employee attitude, behavior and performance (Avey et al. 2010). Pradhan and Jena (2016) have incorporated that emotionally intelligent workers are equipped with the ability to handle any kind of problem. Additionally, Psychological Capital has a high impact at the organizational level that enhance the competency of human resource management (Sahoo and Sia, 2015). As per the present research approach, the positive psychological state is an active factor of psychological capital that promotes individual behaviour and positive attitude. Psychological Capital has influence over a number of factors within the organisation as well as on the individual, the following paragraphs briefly discuss some of the factors:

6.1 Psychological Capital & Individual/Team level Outcome

Research indicates that psychological Capital generally relates to performance (Avey, et al., 2010; Rego, et al., 2010; Walumbwa et al., 2010; Luthans, et al., 2007a). When the performance of an employee increases, this will make them more positive and higher levels of positivity may build an individual's intellectual, physical, social and psychological resources to help them cope with the challenges at work place. Also, when an employee perform better, they will have self confidence and attribute more positively about their success now and in the future and their individual motivation will also increase as well. All of these will raise their psychological capital and employees with higher levels of psychological capitals will also be more satisfied with their job (Luthans, et al., 2007a).

In present days, Psychological Capital are being explored as having organizational and team influence (McKenny, Short, & Payne, 2013; Sahoo & Sia, 2015). On the other hand, West, Patera, and Carsten (2009) have done a research among students for retaining and observing their team level accomplishments.

A Psychological Capital questionnaire has been used for understanding team performance rather than individual performance (Luthans, Avolio et al., 2007). The reference shift version questionnaire has the outcome that Psychological Capital has a consequential relationship with coordination, cooperation, achievement. On the other hand, Dawkins, Martin, Scott and Sanderson (2011) have explored that interpersonal dynamics are liable for goal directed behavior while exploring the role of Psychological Capital .

6.2 Psychological Capital & Organizational Effectiveness

Psychological capital makes an employee stronger to assess different critical circumstances. As a result, an employee's adaptive way induces organizational effectiveness and personal productivity (Lyubomirsky, King, & Diener, 2005). Psychological Capital has direct correlation with worker's leadership, motivation, emotional motivation, and assertiveness.

These particular professional traits help individual to manage organizational relation, take complex decisions, and develop effective leadership (Thoresen 2006). On the other hand, Sun et al. (2011) have elaborated that employee's performance is enhanced and goal is achieved due to psychological capital. Additionally, Nelson and Cooper (2007) have proved that individual performance of a worker can be possible through successful incorporation of Psychological Capital .

6.3 Psychological Capital & Individual/Business performance

Psychological capital has a greater impact upon enhanced business and individual performance. Psychological Capital can be considered as a higher order factor that also supplements a worker's high worker's performance and competence (Luthans, Youssef, & Avolio, 2007). The interrelation between Psychological Capital and worker's performance are generally open for progress in future (Luthans, Norman, Avolio, & Avey, 2008).

Additionally, different research works have been completed for assessing the relationship between work performance and Psychological Capital among nurses. Luthans, Kyle, Jensen, and Susan (2005) have found from this research that Psychological Capital is significantly related in fostering job commitment, extra-role performance and staying intention.

6.4 Psychological Capital & Employee Efficiency

Plessis and Barkhuizen (2011) have indicated in their current study that presently companies have incorporated Psychological Capital as a prerequisite in terms of creating a better environment. This environment is liable for fostering employee efficiency and productivity. In this context, the highly grown concept of psychological capital in managerial literature have been researched in Indian approach. Additionally, optimism, self-efficacy, tenacity and hope have a positive impact on attitude. Therefore, hopeful employees are highly productive and have better performance.

5.5 Psychological Capital & Job Performance

Luthans et al. (2005) in their empirical study, have assessed the relationship between job performance and psychological capital in a Chinese company. From this study, it was concluded that Chinese worker's optimism, hope and tenacity have a great role in predicting job performance. Moreover, the whole concept of psychological capital that consists of hope, optimism, and tenacity, are more important for positive job role prediction. As per the summation of above results, psychological capital of workers has huge and positive effects on job performance. As per the view of Luthans et al. (2008), Psychological Capital has an outstanding input in human resources.

5.6 Psychological Capital & Absenteeism

Avey et al.(2006) have examined the correlation between absenteeism and psychological capital while evaluating competency of 105 high-level engineering staff. Hope and optimism are intimidating factors of Psychological Capital. On the other hand, these factors have predicted, regulated involuntary and voluntary absenteeism. Absence or absenteeism defines one's lack of presence in organization for low interests towards works. However psychological

capital has positive impacts upon worker's attitudinal determinants resulting in organizational commitment, job satisfaction and job commitment. This result shows that involuntary absenteeism and psychological capital have a negative correlation.

7. DISCUSSION & CONCLUSION

It is the "Human" factor which creates all the difference between a successful and un-successful organization. In today's ever-changing environment, Organisations need to prepare employees to face various challenges posed to them by the environment(both external as well as Internal).. Therefore, Organisations are required focus on developing psychological capital of its employees.

Luthans et al.(2004) emphasised that it is necessary to adapt psychological capital management and development for gaining competitive advantages. Presently, most of the business organizations are in the search of employees who are dedicated and focused towards their job roles (Adams et al., 2002; Bakker & Leiter,2010). Employees who are willing to work beyond their job roles, are company's first priority. Through incorporating psychological capital and emotional intelligence, an organization can improve worker's performance (Zhun Gong, Yuqi Chen and Yayu Wang, 2019). This paper emphasises the significance of Psychological Capital and its dimensions which can be used by organisations to not only attract and motivate GenY but to retain them as well.

According to Hmieleski et al. (2007) psychological capital is one of the key factor to achieve the goals, sustainable psychological well being and satisfaction both in life and job. As evident from the Literature review, there are many benefits of focusing on the Psychological capital of the employees working in the organisation. If organisations develop and follow a model based on the said component then, it can go a long way in ensuring the sustainability of employees in organizations which eventually will lead to enhanced organizational productivity, growth and effectiveness. Therefore, organisations should care for the 'sum total of the psychological capital' of employees they have with them.

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