Positive Psychological Capital Concept: A Critical Analysis in the Context of Participatory Management

Agnieszka Bożek

Primary submission: 20.09.14. Final acceptance: 09.04.15

Abstract

Purpose: The purpose of the study was a critical analysis of the concept of positive psychological capital (PsyCap) and an indication of its applicability in organizations that implemented participatory management.

Methodology: The study was based on the review and comparative analysis of literature. The theoretical foundations of the concept and its practical translation into organization reality, as well as the results of a meta-analysis of the impact of PsyCap on employee attitudes, behavior and performance, was presented. The limitations of this concept in the context of participatory management were also indicated.

Findings: Conducted debate supported the conclusion that the development of employee self-efficacy, hope, optimism and resilience can contribute to strengthening participatory attitudes among workers, and thus enhancing the efficiency of the entire organization. However under several conditions, employee positive psychological states were treated not as organizational resources but as an integral part of themselves. Employees felt responsible for their personal development and development of their own PsyCap was optional.

Originality: The study dealt with the relatively new issue of a psychological capital management in organizations that could provide an alternative to the classical human capital management. Its implementation in organizations with participatory management has not yet been discussed in the management literature.

Keywords: psychological capital, participatory management, positive organizational behavior

JEL: M54, M59, J54
Introduction

Evolution of thinking about determinants of organizational efficiency

Two of the most frequently asked questions by researchers and practitioners of management have been “what factors and managerial practices are critical to the efficiency of organizations?” and “what is most important for maintaining competitive advantage?”. Initially the answers were that these are financial capital and resources that competitors could not easily duplicate, such as plant, equipment, technology or patents. But as far as the material status of individual companies has leveled, non-material factors have begun to play a significant role, such as the presence of vision, long-term approaches to planning and decision-making, employee-orientated leadership or structural-cultural fit within the organization (Luthans and Youssef, 2004). As a result, as early as in the mid-twentieth century, the economists who pondered over the revolution began to notice that people were the most important asset of any company (Reinhard, 2012). The theoretical foundation that had started to dominate in seeking determinants of organizational performance became resource-based theory (RBT) (Crook, Ketchen, Combs and Todd, 2008). Since then, a lot of publications on human capital and the role of knowledge, skills and specific competencies of individual employees in the building of business efficiency were released. However, other studies suggested that the role of these factors, particularly explicit knowledge, may be overestimated. Meta-analysis of the research in that field revealed that on average, education has a predictive validity of 0.10 for job performance and experience of only 0.18 (Harter and Schmidt, 2002).

The search for new factors of competitive advantage led to the concept of social capital, which refers to resources such as relationships with colleagues, partners and customers, networks of contacts and the level of trust (Luthans, Luthans and Luthans, 2004). An extensive analysis of the scientific literature revealed that social capital had a positive impact on career success, turnover, executive compensation, entrepreneurship, supplier relations, regional production networks and inter-company learning (Adler and Kwon, 2002).

Another important event that changed the way of thinking was the emergence of the positive psychology movement, which aimed to promote research into what is good in a person, what works and what is expanding (Sheldon and King, 2001). One of the four main areas of interest of positive psychology became positive institutions, which are organizations that allow their employees to flourish at work every day (Seligman and Csikszentmihalyi, 2000). Drawing from research in positive psychology, the positive
organizational behavior (POB) approach was more specifically defined as “the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement” (Luthans, 2002, p. 59). It was stated that when considering the issue of employee and organization development, finding an answer to the question “Who am I?” is at least as important as the answers to the questions “What do I know?” and “Who do I know?” (Luthans et al., 2004). What is more, not only ambient qualities of workers count but also their potential for development: “Who are you becoming?” (Luthans, Avey, Avolio and Peterson, 2010). On this basis, Luthans, Youssef and Avolio (2007) proposed the concept of positive psychological capital (PsyCap), understood as an individual’s positive psychological state of development in an organization. It contains such dimensions as self-efficacy, hope, optimism and resilience.

The whole evolution in thinking about the determinants of organizational efficiency and competitive advantage is presented in Figure 1.

Figure 1. Evolution of thinking about the factors that influence the competitive advantage

<table>
<thead>
<tr>
<th>Economic Capital</th>
<th>Human Capital</th>
<th>Social Capital</th>
<th>Psychological Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What you have?</strong></td>
<td><strong>What you know?</strong></td>
<td><strong>Who you know?</strong></td>
<td><strong>Who you are?</strong></td>
</tr>
<tr>
<td>Finances</td>
<td>Experience</td>
<td>Relationships</td>
<td>Confidence</td>
</tr>
<tr>
<td>Tangible assets  (plant, equipment, patents)</td>
<td>Education</td>
<td>Network of contacts</td>
<td>Hope</td>
</tr>
<tr>
<td></td>
<td>Skills</td>
<td></td>
<td>Optimism</td>
</tr>
<tr>
<td></td>
<td>Knowledge</td>
<td></td>
<td>Resilience</td>
</tr>
<tr>
<td></td>
<td>Ideas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Luthans et al. (2004, p. 46).

The first goal of the study was to present in detail the concept of PsyCap: its theoretical foundation, empirical findings and implementation in organizations. The second goal was to make an analysis of possibilities of its application in organizations that introduced participatory management, a method based on the participation in management of their employees from different levels of the organizational hierarchy. In particular, it is important to identify the limitations of the concept and the conditions that must be met for it to be implemented in such types of organization. This topic had not yet been discussed in the management literature; however, it may contribute to the development of research in the field of human capital management.
Participatory management

Although the employment of people with very high development potential is crucial for the organization’s performance, it will not enhance the value of the company unless appropriate management practices are introduced. One such practice is participatory management, which has been recognized as an area of research in management studies from the 1950s (Graham and Titus, 1979). This is not a unified management system and takes many forms, such as open-book management, employee share ownership, eupsychic management, Great Game of Business, values-based management, engagement-based management, employee democracy, empowerment, self-tracking assemblies, participatory decision-making, workers’ self-organization, co-management, works councils or co-ownership (Stocki, Prokopowicz and Żmuda, 2012). The types of participation in management can be distinguished on the basis of several criteria including the impact of employees (informational, consulting, decision-making and financial participation); level of the organizational hierarchy, which is influenced by the employees (participation at the level of serial jobs, middle managers, management, corporation); and the existence or absence of intermediaries (direct and indirect participation) (Piwowarczyk, 2006).

What is common to all of these approaches is that employees participate voluntarily in the management of some processes taking place in the company. The basic manifestations and principles of participatory management include:

- Managers spend more than 50% of the time outside of their cabinets and contact their colleagues on any important aspect;
- Number of management levels is reduced;
- Communication between superiors and employees is simplified;
- Employees are treated as partners and their individuality is being respected;
- Strict control and discipline replaces mutual trust;
- Companies operate in working groups made up of employees from different departments, whose task is to solve the current major problems;
- The company carried out frequent and intense training for both managers and specialists;
- Managers often consult opinion on planned activities with their subordinates (Peterson and Hillkirk, 1993).

These strategies have been successfully implemented in companies around the world such as SCR Holdings Corporation, Southwest Airlines, W.L. Gore Associates, Harley-
Positive Psychological Capital Concept: A Critical Analysis in the Context of Participatory...

- Davidson, Home Depot (all with their headquarters in the U.S.); Semco (Brazil); and Suma Wholefoods (UK). They have also proved themselves in small businesses, such as xtech.pl (Poland).

In this study, participation was construed according to the definition devised by Prokopowicz, Stocki and Żmuda (2008, p. 5) as “the process of person’s individual development in social interactions which is conditioned both by social meaning and voluntary acts of the person.” This definition suggests four basic conditions that underlie the idea of participation and which must be met so that its introduction to business management brings the desired results. First, employees should be treated as persons, each of whom has their own unique development potential. This is in contrast to the dominant approach in management practice, where one speaks about human resources as something on which to draw, and which can be replaced as it wears out. Second, participation means to act jointly with others. Although every employee should be treated individually, without the will to work together for the good of the organization and co-workers, the idea of participation becomes just another passing fad in management. Third, employees should derive a sense of meaning from the joint action. This is possible only when they know the goal of their work and they understand what effects it brings. Finally, employees should have the freedom to choose an action and its direction. Each employee is a person with free will, giving him or her the opportunity to undertake independent decisions and increase the responsibility for their actions, which in turn causes these decisions to be more thoughtful and beneficial to the entire organization (Prokopowicz et al., 2008).

Studies carried out on participation (mainly partial), showed that participation of employees in organization management had a positive impact on the company and team performance (Heller, Pusić, Strauss and Wilpert, 1998), as well as employees’ job-satisfaction (Heller, 1971), subjective well-being (Mika, Stocki and Bożek, 2013) and fulfillment of different kind of personal needs and higher-order needs (Mendel, 2001).

Positive Psychological Capital in Theory and Practice

Theoretical foundation

The idea of psychological capital was established within the positive organizational behavior (POB) approach. POB differs from other similar but separate positive approaches as it focuses on human capacities that are theory and research based; whose validity is measurable; that are state-like, which means that they are changeable and can develop;
and that have a demonstrated impact on performance (Luthans, 2002). An overview of literature allowed Luthans and colleagues (2007) to distinguish four such states: self-efficacy, hope, optimism and resilience. Together, they form a distinct construct of PsyCap as:

An individual’s positive psychological state of development that is characterized by:
(1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) working towards goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success (Luthans, Youssef and Avolio, 2007, p. 3).

Each of the four components of PsyCap was distinguished on the basis of scientific theory and research and had appropriate measurement tools.

The construct of self-efficacy has the most extensive theoretical and research support. Its roots are in Bandura’s (1991) social cognitive theory of self-regulation. When applied to the workplace, self-efficacy is defined as the individual’s conviction or confidence about his or her abilities to mobilize the motivation, cognitive resources or courses of action needed to successfully execute a specific task within a given context (Stajkovic and Luthans, 1998, p. 66). Self-efficacious employees choose challenging tasks, are highly self-motivated, invest necessary effort to accomplish their goals and persevere when faced with obstacles (Luthans and Youssef, 2004). Meta-analysis of 114 studies has shown that self-efficacy has a correlation of .38 with work related performance (Stajkovic and Luthans, 1998).

The construct of hope was widely described by Snyder (1995). According to his theory, hope is a motivational state based on the interaction between goals, willpower (agency) and way-finding (pathways). People are stimulated to achieve their goals by their own sense of agency, which provides them with determination and willpower to invest the energy necessary to achieve their goals. What is more, those with high hope are motivated to search for new pathways if the old ones are no longer available. If they succeed, it increases their determination to keep going (Snyder, 2000). As a number of independent studies show, hope also leads to higher work performance outcomes. (Peterson and Byron, 2007; Youssef and Luthans, 2007).

Optimism was conceptualized independently by Seligman (1998) and Carver and Scheier (2002). The former author understood it as an attribution style in which positive events
are explained by internal constants and global factors and negative events by external, temporal and specific factors. On the other hand, the latter authors claim that it is more about expectancy. Optimists have positive expectancy toward future events and are more likely than pessimists to put effort in achieving their goals even when facing difficulties. However, both concepts agree that optimism can be learned and developed. Hope is also found to have performance impact in work settings (Youssef and Luthans, 2007).

The capacity of resilience was mainly of interest in clinical and developmental psychology. It is understood as the ability to adapt to adverse, conflictual or risky situations or even highly positive but stressful events and bounce back stronger and more resourceful from them (Masten and Reed, 2002). Resilient people are able to thrive through setbacks and difficulties and as the organizational researchers found, they are characterized by fervent acceptance of reality, deep belief in life’s meaningfulness and the ability to improvise and adapt to significant change (Luthans and Youssef, 2004). Resilience has also been proven to be related to performance in the workplace (Waite and Richardson, 2004).

**Empirical findings**

PsyCap does not have significant impact only on employee performance. Avey, Reichard, Luthans and Mhatre (2011) conducted meta-analysis of the studies, where PsyCap was quantitatively measured as a core construct and quantitatively related to one or more variables concerning employee attitudes, behaviors and performance. The scholars found 51 independent samples based on a total of 12,567 participants from different countries. The analysis showed that PsyCap is significantly positively related to 1) desired employee attitudes like job satisfaction, organizational commitment and psychological well-being; 2) desired employee behaviors like citizenship; and 3) multiple measures of performance (self-evaluation, supervisor evaluation and objective measures). Avey and colleagues (2011) also found significant negative relationships between PsyCap and undesirable employee attitudes like cynicism, turnover intentions, job stress and anxiety as well as undesirable employee behaviors like deviance. Interestingly, the correlations revealed were stronger in studies conducted in the United States than in other countries such as China, India or Australia. Newer reviews of the literature and research in the PsyCap area made by Newman et al. (2014) took into account both cross-sectional data and longitudinal studies and confirmed that PsyCap of employees have positive impact in various areas of business. In one such longitudinal study, Peterson et al. (2011) found that PsyCap of employees was positively related to both supervisor-rated performance and their financial performance based on the individual sales figures.
Implementation in organizations

The value of these components of PsyCap is that they can be developed through appropriate interventions on both individual and organizational levels.

According to Bandura (1997), one of the most powerful interventions to develop self-efficacy is to allow employees to experience success. Such mastery experience is possible only when working toward challenging but achievable, specific and proximal goals and may be guided through experiential exercises, on-the-job training and coaching (Luthans and Youssef, 2004). Another possibility is to observe and model other employees who are succeeding. Such vicarious learning is more effective when the person observed is very similar to the observer in terms of age, position or experience and when the task performed by him or her is relevant to theirs (Bandura, 1999). That is why mentoring should be done by peers or immediate superiors rather than external experts or somebody from the head office (Lewis, 2011). A competent person giving positive feedback and pointing out an employee’s strengths that will help them to successfully accomplish the task might be useful, although this strategy is not as powerful as the previous two (Luthans et al., 2004).

The capacity of hope can also be successfully developed in organizational settings. Snyder (2002) and Luthans and Jensen (2002) listed a couple of useful strategies to increase the level of hope in employees. First, attention should be drawn to the types of professional goals and the way they are being set. Goals at work should be challenging but achievable to stimulate excitement and exploration. What is more, when set by the person or the team that is going to accomplish them, they more likely activate the willpower to put in the effort to achieve them than goals commissioned by a superior or top management. Second, it is better to break the large goals down into smaller ones, which will allow the person to notice his or her progress and to experience small successes. Third, even the hopeful person should plan pathways to his or her goals. At least one alternative pathway to the goal should be developed. In some companies like Royal Dutch Shell, employees are engaged in what-if and scenario analysis to prepare them for multiple possibilities. (Luthans and Youssef, 2004) Fourth, the visualization of the goal, the way to achieve it and the possible obstacles can increase the hope of accomplishing it. Finally, employees should also learn when and how to re-goal to avoid wasting time and energy on striving for goals that are not feasible (Luthans et al., 2004).

Optimism seems to be necessary for persons to be able to draw lessons from their own or any other person’s successes and build a sense of agency and control over their actions. Schneider (2001) proposed three strategies to develop this capacity. The first
approach is *leniency for the past*, which means to accept past failures, forgive oneself for irreversible mistakes and give oneself the possibility to doubt. The second strategy is *appreciation for the present*, which is associated with gratitude for what is happening regardless of whether we have any influence over it or not. The last approach is called *opportunity seeking for the future*, which means waiting for what might happen in the future with curiosity and treating this as an option for growth. Schulman (1999) proposed another set of cognitive guidelines for optimism building. First, one should identify self-defeating beliefs when facing challenges. Second, one should evaluate the accuracy of those beliefs. Third, when dysfunctional beliefs are rejected, they should be replaced with more constructive and appropriate ones. The employees could learn this through coaching.

As the development of optimism is mainly due to the use of appropriate cognitive strategies, resilience is built through life experience and by the accumulation of asset, risk and process-focused strategies recommended by Masten (2001). Asset-focused strategies are about acknowledging and appreciating the personal resources possessed. This might be done through training, mentoring or development programs. Risk-focused strategies involve reducing risk of failure and possible stressors that may cause undesirable outcomes. It could be done through wellness programs to decrease the likelihood of diseases caused by excessive stress or burnout and through outplacement programs to avoid depression associated with the dismissal and increase the chances of finding a new job. Process-focused strategies concentrate on building the ability to utilize one’s inventory of assets to cope in challenging or threatening situations. Increasing employees’ self-awareness and hence their ability to self-regulate by coaching or psychological support might enhance their resilience. Sometimes even making a break or telling a joke could be useful as a resilience process (Lewis, 2011).

**Positive Psychological Capital Development Strategies in Participatory Management**

Since studies show that developing PsyCap brings benefits to employees and organizations that employ them, one might wonder whether it could also positively affect the attitudes of employees in organizations practicing participatory management. To consider the possibility of implementing the concept of PsyCap in such companies, one should begin with an analysis of the assumptions underpinning the participation.

The idea of participation assumes that employees are persons with free will and unique potential for growth, who voluntarily undertake actions with other co-workers for the
sake of the common good. In the concept of PsyCap, it is also stated that employees have the capability to develop and grow. However, managers should pay attention not to treat certain trait-like or state-like capacities of employees as a resource of the company, while there is a risk for human objectification. That is why it would be better to speak about PsyCap of employees and not of the organization.

The concept of PsyCap also supports the self-determination of goals, especially as a strategy to develop hope. This is in line with the assumption that employees have free will, and therefore are able to undertake independent decisions about their work and take responsibility for the results of such decisions. Setting goals by oneself also contributes to an increased sense of meaning in one's work, and if this is done together with the team, increases the sense of community. However, to maintain those senses and responsibility for one's self and others, the employees should familiarize themselves thoroughly with the assumptions that lie behind the proposed strategies to strengthen their own PsyCap. They also should have a choice if and how to use these strategies and should take responsibility for their development.

Except for the collective goal setting and scenario analysis (developing hope), strategies that could contribute to strengthening participatory attitudes of employees are vicarious learning and modeling (developing self-efficacy); leniency for the past; appreciation for the present and opportunity seeking for the future (developing optimism); acknowledging and appreciating the possessed personal resources; and building self-awareness (developing resiliency). Since those strategies build a sense of agency of the person, as their implementation is dependent only on him or herself; the managers and other people in the organization could at most try to create appropriate conditions.

Besides these conditions that should be met for the introduction of the strategies to strengthen employees’ PsyCap that correspond to the assumptions of participation, the limitations of this concept should be remembered. Although Luthans and colleagues (2007) claimed that self-efficacy, hope, optimism and resilience are the most vital state-like capacities of employees that have an impact on their performance, one cannot forget about the other important factors affecting the motivation to work, and consequently work performance, like sense of autonomy and sense of relatedness. As Gagné and Deci (2005) showed, meeting the employees’ needs of autonomy, relatedness and competence (which can be considered equivalent with the need for self-efficacy) has a significantly positive effect on the results of their work. Therefore, the action taken in the organization for the benefit of employees and, consequently, the entire organization, should not be limited only to the discussed strategies.
Conclusions

Although the concept of PsyCap is quite new, it was met with approval from some researchers and practitioners of management, particularly in the United States. That resulted in numerous studies and publications on this topic that continue to appear. As a concept derived from positive organizational psychology, and thus emphasizing what is good in employees, PsyCap has the potential to be successfully implemented in different kinds of organizations. As this study has attempted to demonstrate, the development of employees’ self-efficacy, hope, optimism and resilience can contribute to strengthening participatory attitudes among workers, and thus enhance the efficiency of the entire organization. This assumes that 1) one considers the subjectivity of workers and their free choice; 2) employees engage themselves in the development of their own PsyCap; and 3) development activities focused on personnel management are not limited only to the use of these strategies.

Since the issue of the introduction of strategies to increase employees’ PsyCap in organizations that have implemented participatory management was discussed only in theory, it would be advisable to conduct research on the effects of such introductions in those type of organizations. Particularly, investigating the question of exactly which strategies have the most positive effect on strengthening employees’ participative attitudes might be important.

References


