Psychological Capital: A Review of Evolving Literature

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Abstract

The aim of this article is to review significant research that has been conducted in the field of Psychological Capital. Psychological Capital or PsyCap refers to individual’s positive psychological state of development. The article first elaborates on the evolution of PsyCap, explains its uniqueness in relation to other positivity constructs, moves onto its dimensions and then reviews significant literature. Review covers those researches that analyze the effect of PsyCap on performance, leadership, significant work related attitudes and behaviors. The developmental nature of PsyCap is what makes it unique. Hence the research analyzing the effectiveness of PsyCap interventions have also been covered. Based on the review, the gap in existing knowledge has been highlighted in the directions for further research section, followed by practical implications and conclusion.

Keywords: Psychological Capital, Positive Organizational Behaviour, Work Outcomes

1. Introduction

Bill Gates is known for his comment that the most valuable asset of his company walks out of it every night. As stated by him, people are becoming the key competitive advantage of today’s organization. Building people’s strengths rather than focusing on their dysfunctions and problems is the need of the hour. This is the prime focus of recently emerged Positive Organizational Behavior (POB) (Luthans, 2002a, 2002b). Psychological Capital, an offshoot of POB represents an individual’s positivity (Luthans, Youssef, & Avolio, 2007).

Psychological Capital or simply PsyCap refers to individual’s positive psychological state of development characterized by hope, optimism, resiliency and self-efficacy (Luthans, Youssef, & Avolio, 2007). PsyCap represents how hopeful, resilient, confident and optimistic an employee is. These psychological capacities are very relevant in today’s business context which is characterized by heavy competition and uncertainty. Every day poses a new challenge that an employee has to face.
with grit. Examples include losing a significant project to a competitor even after making an effective presentation, putting up with an aggressive manager, bearing the brunt of a pay cut, meeting unrealistic deadlines etc. Those employees, who are more positive than their peers, cope better with these situations and hence perform better and exhibit favorable work attitudes and behavior, as per research (dealt in detail in subsequent sections). It is these employees that help organizations withstand turbulent times. Hence psychological capacities of employees are very important in the present scenario.

This article reviews research done in the area of PsyCap thereby emphasizing its importance in today’s workplace. It is an attempt to turn the attention of management researchers to PsyCap. Review would help them in understanding the extent of research done in this field. Also the gap in existing knowledge has been specified in a separate section of this article, which may help them in furthering the research in this area.

The article is structured in a way such that it first introduces the concept, reviews significant literature relating to PsyCap and then based on the review, identifies gap in the existing literature. To understand PsyCap, it is important to understand its roots. Hence the following section elaborates POB, from which PsyCap has evolved.

2. Positive Organizational Behaviour

Positive Organizational Behaviour (POB) (Luthans, 2002a, 2002b; Luthans & Youssef, 2004) has its roots in positive psychology. Positive psychology is concerned with concentrating on people’s strengths rather than on their weaknesses (Seligman & Csikszentmihalyi, 2000; Snyder & Lopez, 2002). It evolved due to the deliberate effort of Seligman (1998b) and many other research psychologists who pleaded that research must focus more on positivity. Applying the same logic, Luthans (2002a, 2002b) came up with POB. It draws from theory and research done in positive psychology and applies it to the workplace.

POB can be 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 in today’s workplace” (Luthans, 2002a, p. 59). From the definition, it can be seen that to be part of POB, certain criteria needs to be fulfilled. Those are, (a) It must be based on solid theory and research (b) should be state-like, rather than trait-like, hence (c) should be open to measurement and development (d) can be managed for performance improvement in the workplace and (e) should be relatively new to organizational behavior (Luthans 2002a,2002b; (Luthans, Youssef, & Avolio, 2007).

The criteria that, POB must be based on solid theory and research, separates it from popular self-help literature such as Norman Vincent Peale’s ‘The power of positive thinking’ and Stephen Covey’s ‘7 habits of highly effective people’, to name a few. Also, the criterion that it should be open to development puts a restriction that, to be part of POB, constructs should be state-like rather than trait-like. This way, the construct would be less stable, thereby open to development (Luthans 2002a, 2002b).

Positive psychological constructs that best meets the POB criteria are hope, optimism, resiliency and self-efficacy. The following section briefly outlines these four constructs and how they meet the inclusion criteria of POB.
3. Positive Constructs Satisfying POB Criteria

3.1 Self-Efficacy

Self-efficacy has been defined as “an individual's conviction (or confidence) about his or her abilities to mobilize the motivation, cognitive resources, and courses of action needed to successfully execute a specific task within a given context” (Stajkovic & Luthans, 1998b, p. 66). This deals with self-efficacy with respect to a specific task. Performing a task with efficacy does not mean the person would perform other tasks with the same efficacy. Only task specific efficacy is state-like. Whereas general efficacy is trait-like is stable over time and across situations. In POB, positive efficacy is treated as a state that can be developed and efficiently managed (Luthans, 2002a).

Self-efficacy has been found to be a strong predictor of performance (Bandura, 2000; Bandura & Locke, 2003; Stajkovic & Luthans, 1998a, 1998b,).

Bandura (1997, 2000) has demonstrated strategies to increase self-efficacy. Thus self-efficacy best fits POB inclusion criteria of being state-like, hence open to development, measurement and has performance impact in the workplace.

3.2 Hope

Hope is defined as “a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal directed energy) and (2) pathways (planning to meet goals)” (Snyder, Irving, & Anderson, 1991, p. 287). Hope consists of goal, agency and pathways. That is the agency or the “willpower” component of hope is the one that provides the determination to achieve goals, whereas the pathways or “waypower” component helps in coming up with alternate ways in achieving the goals set. It is this duality of willpower and waypower that sets it apart from other positivity constructs such as optimism and efficacy (Luthans, 2002b).

Hope has been found to positively related to academic and athletic performance (Curry, Snyder, Cook, Ruby, & Rehm, 1997; Onwuegbuzie & Snyder, 2000). Hope has not been widely researched in the workplace. Employees higher on hope derived greater job satisfaction and had greater commitment towards their organization (Adams, Snyder, Rand, King, & Sigman, & Pulvers, 2002; Larson & Luthans, 2006; Youssef & Luthans, 2007). Hope was also found to be significantly related to performance (Peterson & Luthans, 2003).

Snyder (2000) provides evidence that hope is developable and published the state–hope scale (Snyder, Sympsoon, Ybasco, Borders, Babyak, & Higgins, 1996). Thus, hope satisfies POB inclusion criteria.

3.3 Resiliency

Luthans (2002b) defines resilience as “the positive psychological capacity to rebound or ‘bounce back’ from adversity, conflict, and failure or even positive events, progress, and increased responsibility” (p. 702). According to Masten and Reed (2002), resilience is a positive reaction or adaptation process in situations of adversity.

Research on resilience in management is scanty. Most of the research on resilience has been in clinical and developmental psychology. Caverley (2005) found that resilient employees exhibited low burnout and absenteeism rates. Resilience of Chinese workers related to their performance (Luthans,
Avolio, Walumbwa, and Li, 2005). Resilience was also found to be positively related to job satisfaction, work happiness and organizational commitment (Youssef & Luthans, 2007).

Masten and Reed (2002) have discussed successful strategies for resilience-based developmental interventions, and Wagnild and Young (1993) have developed a state-like measure of it.

3.4 Optimism

Seligman (1998a) defines optimism as an attributional style that explains positive events in terms of personal, permanent, and pervasive causes and negative events in terms of external, temporary, and situation-specific ones. That is, attributing a positive event like promotion to his/her ability that would remain with him forever and that would help him/her in all the tasks undertaken and attributing a negative event like layoff to external cause like economic slowdown which is temporary and that setback wouldn’t pervade to other situations.

Realistic optimism as opposed to dispositional optimism is what is relevant to POB. Realistic optimism refers to realistic appraisal of the situation at hand, an understanding of what can be done with the resources available at that point in time. Hence it can vary across situations and therefore state-like (Peterson, 2000).

A study conducted on metropolitan life insurance agents, found that optimistic sales agents demonstrated higher performance than their pessimistic peers (Seligman & Schulman, 1986). Schulman (1999) proved that optimism results in increased motivation, greater sales productivity and better physical health. Optimism was found to have a positive correlation with leadership (Chemers, Watson, & May, 2000; Wunderley, Reddy, & Dember, 1998). Optimism was found to be significantly related to their Chinese workers performance (Luthans et al., 2005) and to employee performance, job satisfaction, work happiness and organizational commitment (Youssef & Luthans, 2007).

Although trait-like optimism has been used in research (Carver & Scheier, 2002), Seligman’s (1998a) ‘learned optimism’, which states that even pessimists can be trained to think like optimists, supports the state-like nature of optimism. Thus optimism satisfies the inclusion criteria of POB.

4. Origin of PsyCap

The four positive psychological constructs discussed above were combined and represented as Psychological Capital, as the four psychological capacities have a underlying common thread of positivity among them (Avey, Wernsing, & Luthans, 2008). PsyCap was empirically validated as a core construct (Luthans, Avolio, Avey, & Norman, 2007).

The root of Psychological Capital can be traced back to 2002, when Seligman in his book, Authentic happiness (2002) stated that “when we are engaged (absorbed in flow), perhaps we are investing, building psychological capital for our future.” These four psychological capacities have also been used by Stajkovic (2003) in his core confidence factor for work motivation.

Positive psychologist Csikszentmihalyi (as quoted in Kersting, 2003, p.26) noted that such psychological capital “is developed through a pattern of investment of psychic resources that results in obtaining experiential rewards from the present moment while also increasing the likelihood of future benefit. It’s about the state of the components of your inner life. When you add up the components, experiences and capital, it makes up the value.” The “components” in our case are efficacy, optimism, hope, and resilience. (Luthans et al., 2007). According to them, PsyCap represents,
“one’s positive appraisal of circumstances and probability for success based on motivated effort and perseverance”.

According to Luthans, Luthans, & Luthans (2004), PsyCap is beyond human and social capital. While economic capital focused on “what you have?” human capital on “what you know?” and social capital on “whom you know?”, Psychological Capital focuses on “Who you are?” and what you can become? (Luthans & Avolio, 2003; Luthans, Avey, Avolio, Norman, & Combs, 2006). That is, its focus is on what your positive psychological strengths are.

Thus, PsyCap can be defined as, “an individual’s positive psychological state of development 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) persevering toward 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, & Avolio, 2007, p. 3).

5. Uniqueness of PsyCap

PsyCap is state-like and open to measurement, development and performance improvement in the workplace. It is this nature of PsyCap that makes it different from other constructs. Trait-like constructs such as big five personality traits, core self-evaluations and character strengths and virtues (CSVs) being trait like, are not open to development (Luthans, 2002b). They can only be measured but cannot be developed. Hence they are used in the workplace only as a tool for employee selection but not for improving one’s work outcomes.

At the same time, PsyCap is not a pure state construct like mood, that are momentary and that which change by the hour. They are more stable than the positive emotions and moods but less stable than core self-evaluation and the two personality traits (Luthans, Avolio, Avey, & Norman, 2007).

PsyCap is open to development by means of interventions, as demonstrated by research. Not only is PsyCap interventions effective in improving employee’s PsyCap, it has also been proved to improve performance (PsyCap interventions discussed in a separate section). Hence by improving employee’s PsyCap, organizations can improve their employee’s performance as well. This is what makes it unique.

6. Empirical Research on PsyCap

This section covers research that relates PsyCap to performance, leadership and significant work attitudes and behaviors. Research investigating the effectiveness of PsyCap interventions, have also been covered.

6.1. PsyCap and Work Outcomes

Effect of PsyCap on Performance

In two separate studies that were conducted in China, factory worker’s positive PsyCap was found to be a significant predictor of objective performance (Luthans et al., 2005; Luthans, Avey, Clapp-Smith & Li, 2008). Luthans, Avolio, Avey, & Norman (2007) also found that PsyCap related significantly to objective performance. In addition it was also found that PsyCap had a relatively stronger relationship with performance than its individual components of hope, optimism, resiliency and self-efficacy, meaning that an individual whose is higher on all the four psychological capacities
would perform better than the one who is higher on only one or two of these positive psychological capacities.

PsyCap being a positive psychological state-like capacity was analyzed to see if it had impact on employee’s creative performance. Abbas and Raja (2011) found that those higher on PsyCap exhibited more innovative behaviours, as rated by their supervisors, than those who were lower on PsyCap. A similar result was found by Sweetman, Luthans, Avey, and Luthans (2011) who found that PsyCap and each of its components related positively to creative performance. Also, PsyCap emerged as the most useful predictor of creative performance, any one of the four individual components of PsyCap.

Researchers realized that employee’s PsyCap does not exist in vacuum. Hence PsyCap was researched along with contextual factors contributing to performance. PsyCap was found to mediate the relationship between supportive organizational climate and performance (Luthans, Norman, Avolio, & Avey, 2008). It implies that, it is through the employee’s positive psychological states that the perception of supportive organizational climate gets translated into higher performance.

*Effect of PsyCap on Job Satisfaction & Organizational Commitment*

PsyCap has been researched to find out if it’s a predictor of desirable work attitudes such as job satisfaction and organizational commitment.

PsyCap, as per Luthans et al. (2004) is beyond economic, human and social capital. As suggested by them, Larson and Luthans (2006) found that PsyCap significantly increased the amount of variance in satisfaction and commitment, beyond human and social capital. A similar result was found by Luthans, Avolio, Avey, & Norman (2007), but the control variables in this research were two personality traits of conscientiousness and extraversion and core self-evaluation. This was done to find the effect of PsyCap on satisfaction and commitment over and above the positive traits.

*Effect of PsyCap on Cynicism, Intentions to Quit, Citizenship and Deviance Behaviours*

Most of the research in PsyCap, has adopted a holistic approach by analyzing its impact on number of work related attitudes, behavioral intentions and actual behaviors in the same research. Hence the following section highlights those researches that have adopted this holistic approach, after a brief explanation of work outcomes.

Employee cynicism is defined as an attitude arising from a critical appraisal of the motives, actions and values of one’s employing organization. It is subjectively based and stems from an individual’s employment experiences (Bedeian, 2007).

Citizenship behaviors are those discretionary behaviors exhibited by the individual that are beyond the formal duties of the employee, and that benefits the organization (Organ, 1988). Lee and Allen (2002) classified them as organizationally focused behaviors (OCBO) and individually focused behaviors (OCBI). Helping a coworker at work (OCBI) or attending functions that might help boost the image of the organization (OCBO) are examples of Organizational Citizenship Behavior (OCB). Counterproductive workplace behavior (CWB) or deviances are those behaviors that significantly violate organizational norms and endanger the well-being of the organization and / or its members (Bennett & Robinson, 2000, p. 356). Though OCB and CWB seem to be opposite ends of the same continuum, they have been proven to be conceptually and empirically distinct (Sackett, Berry, Wiemann, & Laczo, 2006).
Research in PsyCap has attempted to find out if those higher in positive PsyCap exhibit more citizenship behaviors and less deviance behaviors. Indeed that seemed to be result of most of the research in that area.

Avey, Wernsing, and Luthans (2008) found that positive employees (PsyCap and positive emotions) help positive organizational change by exhibiting lesser deviance and more citizenship behaviors and by being less cynical. In another study, PsyCap was found to be a significant predictor of citizenship behavior directed towards the organization (OCBO). Also, it was found to be negatively related to deviance (Norman, Avey, Nimnicht, & Pigeon, 2010).

Similarly, Avey, Luthans, and Youssef (2010) found that PsyCap was negatively related to cynicism, intentions to quit and CWB, whereas it was found to be positively related to both OCBI and OCBO. The important contribution of the study by was that, they found that PsyCap predicted unique variance in OCBO, cynicism, intentions to quit and CWB over and above the positive traits, P-O and P-J fit. Positive traits (Big Five personality traits of conscientiousness and extroversion and core self-evaluation), P-J fit and P-O fit were controlled as they have already been shown to have significant impact on performance (Barrick & Mount, 1991; Judge & Bono, 2001; Kristof-Brown, Zimmerman, & Johnson, 2005).

PsyCap has hardly been researched in other cultures with the exception of China. Also the comparison on the influence of PsyCap in public and private sector had never been done. Shahnawaz and Jafri (2009) overcame this gap by exploring the effect of psychological capital on organizational commitment and OCB in public and private sector organizations in India. They provided initial support that PsyCap differently influences organizational commitment in public and private organizations.

**Effect of PsyCap on Engagement**

Employee Engagement has been defined as an individual’s involvement, satisfaction and enthusiasm for work. (Harter, Schmidt, & Hayes, 2002). Engagement has also been defined as, “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption.” (Schaufeli & Bakker, 2004).

Employee’s PsyCap was found to be significantly related to engagement through their positive emotions (Avey et al., 2008), meaning that the positive resources of employees (PsyCap and positive emotions) are associated with the desired attitude of engagement.

Sweetman and Luthans (2010) proposed that PsyCap would be positively related to work engagement. Their argument was based on Job Demands- Resource model (Demerouti, Bakker, Nachreiner, & Schaufeli, 2001) that suggests that job & personal resources interact with job demands to predict work engagement, which in turn predicts performance. As they had proposed Hodges (2010) in the same year, found that PsyCap correlated directly and significantly with employee engagement. This finding is important as a direct positive relationship between PsyCap and engagement had not been established before.
Effect of PsyCap on Absenteeism

Research on engineers in the managerial cadre from a large high tech manufacturing firm revealed that PsyCap was negatively related to both voluntary and involuntary absenteeism (Avey, Patera, & West, 2006). Voluntary absenteeism refers to absence due to reasons that could have been avoided (ex. vacations), whereas involuntary absenteeism are absence from workplace due to unavoidable reasons. Also, PsyCap was found to be a more useful predictor of involuntary absenteeism than both job satisfaction and organizational commitment. This is an important finding, as both these job attitudes had dominated absenteeism research as its predictor, for many years.

Effect of PsyCap on Psychological Well-Being

Though PsyCap has been shown to be related to performance, and a number of work related attitudes and behaviors, its relationship with well-being was researched only recently. Psychological Well-being (PWB) has been broadly defined as the overall effectiveness of an individual’s psychological functioning (Gechman & Weiner, 1975; Martin, 1984; Wright & Cropanzano, 2000).

Avey, Luthans, Smith, and Palmer (2010) demonstrated that PsyCap added small but significant variance in PWB over time. Thus it implies that, PsyCap may lead to desirable outcome of their psychological well-being over time.

Well-being can be differentiated into hedonic and eudaimonic wellbeing (Ryff & Keyes, 1995; Ryan & Deci, 2001). Culbertson, Fullagar, and Mills (2010) investigated the relationship between psychological capital and an employee’s eudaimonic and hedonic well-being. Hedonic wellbeing is the more typical operationalization of wellbeing, consisting of subjective happiness and the experience of pleasure (Ryan & Deci, 2001), whereas eudaimonic well-being is more cognition-based. It focuses on striving for self-realization (Waterman, 2008). It was found that variance in eudaimonic work well-being was predicted by one’s psychological capital, implying that one’s self-realization depends on one’s psychological capital. Also, the relation between psychological capital and hedonic well-being, measured two weeks later, is mediated by eudaimonic well-being. That is, employee’s positive PsyCap coupled with their self-realization leads to subjective happiness.

Effect of PsyCap on Stress

Research on the effect of PsyCap on stress is very few. Avey, Luthans, and Jensen (2009) found that those low in PsyCap are more prone to perception of stress symptoms, thereby leading to intentions to quit and job search behaviour. In a study by Roberts, Scherer, and Bowyer (2011), it was found that PsyCap lessened the effect of job stress on uncivil behaviours.

6.2 PsyCap and Leadership

PsyCap and Authentic Leadership

Authentic leadership has been defined as “a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development” (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008, p. 94).

Avolio and colleagues (Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Luthans & Avolio, 2003) had suggested that authentic leadership can enhance the psychological capital of their followers.
As suggested, a study conducted on several groups in a large financial institution found that authentic leadership of group’s supervisor influenced their group’s performance and OCB through their collective psychological capital and group trust (Walumbwa, Luthans, Avey, & Oke, 2009). That is, it is through the follower’s collective positive psychological capacities and the group’s trust in their leader, the effect of authentic leadership gets translated into group’s performance and OCB. Wooley, Caza, and Levy (2010) found that positive relationship between authentic leadership and followers’ psychological capital was partially mediated by positive work climate, implying that authentic leaders can influence their follower’s PsyCap provided they perceived a positive work climate.

**PsyCap and Transformational Leadership**

Transformational leaders as per Bass (1985) inspire their followers to higher level of performance and positive work related outcomes by appealing to a collective vision that helps them to look beyond their self-interests. The four dimensions of transformational leadership are charisma, inspirational motivation, intellectual stimulation and individualized consideration. Research has demonstrated that transformational leadership significantly and positively relates to work outcomes such as performance and job satisfaction. The relationship between follower’s PsyCap, perception of transformational leadership and their effect of work outcomes is what is discussed next.

Research analysing this relationship revealed that follower’s PsyCap fully mediated the relationship between their perception of leader’s transformational leadership and their in-role performance, OCBI and OCBO (Gooty, Gavin, Johnson, Frazier, & Snow, 2009). That is, follower’s get inspired by their leader’s transformational leadership through their positive psychological capacities and based on their strength of perception and their level of PsyCap, they exhibit positive work behaviours.

**Effectiveness of PsyCap Interventions**

As stated earlier in the article, the developmental nature of PsyCap is what makes it unique from other positivity constructs. Also, it is this nature of PsyCap that makes it more important in the workplace context. The following section briefs about research done in this aspect.

A micro-intervention called PsyCap Intervention (PCI) put forth by Luthans et al. (2006), conducted on management students and practicing managers showed that PCI significantly increased participant’s PsyCap. This research not only provided preliminary support for PCI but also showed the financial impact and high return on investment of PCI. Research has also shown that PsyCap of employees can be developed through short web based training interventions (Luthans, Avey, & Patera, 2008). The next step in research was to demonstrate that PCI is effective in bringing about improvement in performance. That was what Luthans, Avey, Avolio, and Peterson (2010) did. Their study provided preliminary evidence that PCI was not only effective in PsyCap development, but also in performance improvement.

Hodges (2010) went a step ahead and examined the potential contagion effect of the PsyCap development program attended by the manager, on their subordinate’s PsyCap, engagement and performance. Results showed that subordinate’s PsyCap had significantly increased, after their manager’s in the treatment group underwent the PsyCap development program confirming the contagion effect. However, results did not support a contagion effect of improvement in subordinate’s engagement and performance.
Thus organizations that want their employees to perform better and exhibit more of positive outcomes can make use of the PCI.

7. Directions for Future Research

Based on the review of literature, this section offers suggestions for future research in PsyCap.

Research that has analysed the effect of PsyCap on engagement has done so by taking it as a uni-dimensional construct (Avey et al., 2008; Hodges, 2010). As per Schaufeli and Bakker (2004) engagement is characterized by vigor, dedication, and absorption”. Hence further research analyzing the relationship between PsyCap and engagement can examine if PsyCap differently influences the components of engagement. The same could be said for deviance as well. Future research should analyse the effect of PsyCap on organizational and interpersonal deviance.

The effectiveness of PCI in performance improvement has been established (Luthans et al., 2010). But further research can analyse if improvement in PsyCap through PCI can reduce the stress levels of employees (Avey et al., 2009). PCI can then act as an effective stress management tool. Similarly, research is required to see if PCI is effective in improving the employee’s positive work outcomes such as satisfaction, commitment, engagement and citizenship behaviours and in lessening the negative work outcomes such as intentions to quit, cynicism and deviance.

Researchers have time and again stressed that PsyCap being a state-like construct that is open to change can be best understood through longitudinal research rather than cross-sectional design (Clapp-smith, Vogelgesang, & Avey, 2009; Gooty et al., 2009). Also experimental studies with controlled laboratory settings have been suggested to find out the causal and directional impact of PsyCap (Avey et al., 2008; Gooty et al., 2009).

Most of the research had established that PsyCap leads to better performance, positive work attitudes and behaviours. But, there is a need to analyze if better work outcomes lead to improvement in PsyCap (Luthans, Norman, Avolio, & Avey, 2008). The argument here is better performance may improve the hope, optimism, self-efficacy and resiliency of employees, thereby leading to an improvement in PsyCap. Also, PsyCap can be analyzed as an antecedent to authentic leadership rather than as an outcome or mediator or a moderator (Walumbwa et al., 2009). The same has been suggested for transformational leadership as well (Gooty et al., 2009).

Research in PsyCap has to advance further by analyzing its role in the workplace, in association with other constructs such as psychological ownership, self-leadership, workplace spirituality, psychological empowerment and so on.

Most of the research in PsyCap has been conducted by Luthans and his colleagues in the US and China. There is a need for research in PsyCap in other cultures and contexts, to generalize its importance in the workplace.

Gooty et al. (2009) made an interesting suggestion that the negative effects of PsyCap, for instance, being over confident or overly hopeful need to be considered as well.

Though it has been established that PsyCap leads to positive work outcomes, the role of additional mediators and moderators in the relationship between PsyCap and work outcomes have to be analyzed. For example, the role of task complexity and/or personality traits, organizational / cultural context
variables in the relationship PsyCap and performance (Luthans et al., 2005), the role of affectivity in the PsyCap – OCB, deviance relationship (Norman et al., 2010) to name a few.

8. Practical Implications

Positive PsyCap has been found to be significant in the workplace. The employees are the competitive advantage of today’s organizations. Hence organizations can make use of the developmental nature of PsyCap to improve their employees’ efficiency and thereby their competitive advantage.

9. Conclusion

The aim of this paper was to give a bird’s eye view of the research that has been conducted in the field of PsyCap. Research in PsyCap is in its early years. Given its importance in the workplace, extensive research would take place in the years to come. PsyCap has not been researched in the South Asian context. Hence this article may serve as an eye opener for management researchers to turn their attention towards research in PsyCap.

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