Status Quo and Demerits of the Research into Psychological Capital

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Keywords: Psychological Capital, Concept and Connotation, Status Quo of Research, Demerits of Research

Abstract. This paper looks back upon the evolution of the concept of psychological capital from birth to development, explores its concept and connotation, and confirms its mainstream definition in current academia. Then, it goes one step further and reviews and summarizes relevant empirical research from the perspective of the impact factors and impact effects of psychological capital. Finally, drawing on the status quo of the research into psychological capital, it analyzes the demerits of current research and gives suggestions for future studies.

Introduction

In recent years, an increasing number of Chinese corporates have been involved in the process of internationalization, especially since the B & R initiatives were proposed. Under such a complicated environment, both practitioners and scholars turn their attention from factors of institutional and organizational level to those of individual level, which have a more and more important effect on overall performance of companies. The key issue of this paper is psychological capital, which focuses on individual level and at the same time can be used to explain a multi-hierarchical of phenomena within a company.

The Concept and Connotation of Psychological Capital

The term "Psychological Capital" was first put forward by economists (Goldsmith, Veum, & Darity, 1997). However, it has a broad meaning, mainly referring to the values of an individual in work, ethics and life. Letcher and Niehoff (2004) study the concept of psychological capital from the perspective of personality traits. Regrettably, these scholars have failed to define the concept of psychological capital in a clear-cut manner, nor have they concluded whether the effect of psychological capital as a state or trait is positive or negative. This constitutes the essential difference between previous studies and the present study with respect to psychological capital.

In the present study, psychological capital is defined as a positive and developing psychological state of the individual that consists of 4 dimensions: self-efficacy, optimism, hope and resiliency (Luthans, Luthans, & Luthans, 2004; Luthans & Youssef, 2004). The exploration of the concept of psychological capital must start with two research topics—positive psychology and positive organizational behavior.

For a long time in the twentieth century, work related to psychology was considered primarily concerned with the treatment of mental illnesses, which is clearly partial and incomplete (Seligman, 1998a). The concept of "positive psychology" was put forward under such circumstances. Seligman (1998a) was the first scholar to come up with this term, which holds that psychology is not only a discipline concerned with the mental defects of the individual, it also continuously explores, identifies and cultivates his/her positive features and endeavors to apply them more extensively.

Positive psychology focuses on the mental health of the individual, and pays special attention to the following two research objectives in psychology that have long been forgotten in academia: 1. To help average people improve the quality of their lives and make them more effective and meaningful; 2. To help individuals become more aware of their potential (Seligman, 2002). As soon as the concept of positive psychology was put forward, it was applied to Industrial and Organizational Psychology, thereby helping organizations better cope with dilemmas and crises. Of
the findings that later surfaced, the most important one was Positive Organizational Behavior put forward by Luthans (2002). Luthans (2002) focuses on measurable positive mental states and the positive effects that this psychological state has on employee attitudes, behavior, and performance.

It is on the basis of the relevant constructs and empirical research evidence borrowed from positive psychology that Luthans and his team (Luthans, Luthans, & Luthans, 2004; Luthans, Youssef, 2004; Luthans, Youssef & Avolio, 2007), by the standards of positive organizational behavior, build the four-dimensional structure of "psychological capital", which includes self-efficacy, optimism, hope and resiliency. It is these four dimensions that make up "psychological capital"—a two-level psychological construct possessing empirical values, and this new construct is more relevant to satisfaction and performance than when it is split up (Luthans, Avolio, Avey & Norman, 2007). The definitions of these four dimensions are respectively: self-efficacy, first proposed by Bandura (1977), refers to the individual's confidence in his ability to achieve a particular goal in a given situation; optimism, defined by Seligman (1998b) on the basis of the attribution theory of Heider (1958), means that an optimistic person is more inclined to make internal, stable, and broad attributions in the case of positive events and external, uncertain and specific attributions in the case of negative events; hope is defined as a positive and motivational state that includes goal-driven determination and goal-achieving foresight; resiliency is defined in positive psychology as a positive way of coping with adversity and misfortune. It can be said that positive psychology and positive organizational behavior are the theoretical basis of psychological capital. It is based on this theoretical context that Luthans et al. (2007) define psychological capital in their book as follows:"The core psychological elements of the individual's general enthusiasm are specifically manifested in a mental state that is up to the standard of positive organizational behavior. It goes beyond human capital and social capital, and can give the individual a competitive advantage through selective investment and development".

Empirical Study on Psychological Capital

So far, a lot of empirical research into psychological capital has been conducted. This section will conduct a discussion about the factors that influence psychological capital and its impact effect and summarize related empirical research that has been done particularly in recent years.

In recent years, scholars have begun to discuss the factors that affect psychological capital. Representative discussions include the influence of distributive justice and procedural justice on psychological capital (Hur, Rhee & Ahn, 2015), the effect of occupational stress on psychological capital (Li, Ying, Fu, Wang, & Wang, 2012), the influence of emotional labor on psychological capital (Fu, 2015) and so on. Generally speaking, however, research conducted both at home and abroad into the factors that influence the individual's psychological capital is still relatively inadequate.

Since the birth of the concept of psychological capital, research into its impact effect has been going on for more than 10 years. Scholars have discussed its main-effect, mediating-effect and moderating-effect mechanisms. Plenty of research has been done into the main effect of psychological capital and most of it explores the various effect of psychological capital on individuals and groups in organizations as well as on organizations themselves. So far many studies have shown that psychological capital can effectively promote organizational performance and as a result gives the organization an edge in competition (Luthans, Youssef & Avolio, 2007). Psychological capital, as a variable on the individual level, can be used to predict individual behavior and attitudes effectively. For example, Judge and Bono (2001) find in a meta-analysis that the explanatory variability of psychological capital on employee performance self-rating exceeds 20%. Cole's (2006) research shows that all the dimensions of psychological capital can effectively promote employee job satisfaction and that there is a close relationship between them and organizational commitment. Luthans, Avolio, Walumbwa and Li (2005) find in their study that the various dimensions of psychological capital and the whole variable can effectively predict the organization's evaluation of staff performance and explanatory variability can reach 32%. Luthans, Avey, Avolio, Norman and Combs (2006) find that the sub-dimensions of psychological capital
have some effect on entrepreneurial leadership behavior and that psychological capital can therefore be seen as an important variable that affects entrepreneur performance. However, Avey, Patera and West (2006) find in their study that there is a significant negative correlation between psychological capital and employee turnover. Battley and Hauber (2007) have found that psychological capital has a positive impact on job performance and organizational citizenship behavior. The latest study also finds that a significant negative relationship exists between psychological capital and organizational silence (Abdi & Hosseini, 2015).

In recent years, the study on the mediating-effect mechanism of psychological capital has emerged in large numbers, and the study on psychological capital as a mediating variable is one of the topics. For example, Luthans et al. (2008) discover the mediating effect of psychological capital between supportive organizational setting and employee performance. Hur et al. (2015) discover the mediating effect of psychological capital between organizational justice and emotional labor. While Bouckenooghe et al. (2015) explore the mediating role of psychological capital in ethical leadership and job performance. Aybas and Acar (2017) found that positive psychological capital mediates the relationship between human resources management practices and employees’ work engagement.

Psychological capital is often used as a moderating variable in the study on organizational behavior and human resource management. For example, Zhong and Ren (2009) find that psychological capital has a negative moderating effect between academic stress and psychological distress. Abbas et al. (2012) find that psychological capital plays a moderating role between perceived politics and employee output. Haq (2014) explore the moderating effect of psychological capital between workplace rejection and job output, and point out that positive psychological capital can reduce the negative impact of job exclusion on job output. Wang et al. (2014) point out in their research that positive psychological capital of employees can be used as moderating variable to adjust the relationship between sincere leadership behavior and job performance.

Demerits of the Research into Psychological Capital

A relatively systematic literature review of the study on psychological capital has just been made above, and it is not difficult to find that relevant empirical studies on psychological capital have received a lot of attention. However, what is inconsistent with the extensive attention it has received is that the study on the antecedent variables of psychological capital is still rather inadequate—thorough research has been done into the main-effect, mediating-effect, and moderating-effect mechanisms of psychological capital but more intensive explorations of the antecedent variables of psychological capital are yet to be carried out.

In addition, the study on this concept focuses on research objects which concentrate on an obviously limited scope. The most widely studied topic is employee psychological capital and some scholars have begun to turn their attention to the psychological capital of entrepreneurs (for example, Avey, 2007; Zhu & Wang, 2011). An enterprise or organization is usually hierarchical, including a senior management team, a number of departments and team leaders, ordinary employees, etc. What are the relationships and differences between the psychological capitals of the personnel at different levels, how do they influence each other, and how do they influence enterprise development and performance are worth of further discussion and research.

Discussion

Based on what we synthesized before, the knowledge of psychological capital is still worth of exploration. For future directions, scholars should make efforts to rebuild the concept and construct of psychological capital, to better link it to Chinese culture and context, therefore to be more useful to explain and solve Chinese practices and problems.

Besides, even though psychological capital has been widely studied these days, there is still a lack of probing into the underlying mechanism of how it functions in different types of companies and with different types of jobs. For example, future research could try to test if employees in a very
industry need a higher level of positive psychological capital, or if a very position within a company needs more positive psychological capital.

Finally, there are few studies that focus on the relationship between work and life, since more and more scholars begin to emphasize the importance of well-being. As a key index of well-being (Datu & Valdes, 2016), psychological capital should draw more attention, especially when we realize that our research is not only for companies to help them get better performances, but also for employees to help them live better lives.

References


