

## **Managers Utilizing Psychological Capital for a Competitive Advantage**

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### **Abstract**

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*Efficacy, hope, optimism, and resilience are the four factors composing psychological capital that every manager possesses to some degree. Maximizing knowledge and skills for each of these four factors will improve a manager's job performance and satisfaction. The added value from psychological capital is that the synergy between efficacy, hope, optimism, and resilience produces an outcome "greater than the sum" of the four factors. In addition to the benefits of psychological capital for managers, nurturing and developing efficacy, hope, optimism, and resilience in staff pay big dividends to the work unit, while giving a competitive advantage to the organization.*

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**Keywords:** managers, psychological capital, efficacy, hope, optimism, resilience

### **1.0 Context**

A manager's psychological capital can be a tremendous asset base for maximizing job performance and satisfaction, as well as enhancing skills for career development. Efficacy, hope, optimism, and resilience are the components of psychological capital.

Efficacy involves managers being confident that they can accomplish challenging tasks and be successful. Hope refers to managers' inclinations to strive toward achieving specific goals and, when necessary, redirecting paths to accomplish those goals. Optimism means believing one can make positive contributions to the present and future and that everything will go well. Resilience refers to the capacity to effectively bounce back from adversity or failure (Datu, King, & Valdez, 2018, p. 261; Luthans & Youssef-Morgan, 2017, pp. 339-343).

All managers have each of these four components to some extent. Nurturing and continuously developing knowledge and skills for efficacy, hope, optimism, and resilience will aid managers in *being their best* and feeling a sense of self-satisfaction for the contributions they make to the work unit, staff, and organization. Appreciation and a positive contextual approach to situations are common to each of these four components. This means that enhancing one of the factors often prompts enhancement of the other three factors. While each component of psychological capital has its own characteristics, holistically the synergy of efficacy, hope, optimism, and resilience creates an effect that "is greater than the sum of its parts" (Ohlin, 2017, p. 1). When coupled with mindfulness—an acute awareness of what is happening in-the-moment—psychological capital becomes even more powerful (Roche, Haar, & Luthans, 2014). Additionally, efficacy, hope, optimism, and resilience are easier to change than personality factors and, therefore, more amenable to development and strengthening (Datu, King, & Valdez, 2018).

Luthans (cited in Ohlin, 2017) indicates an organization can have a *competitive edge* through the development of psychological capital in managers and staff. Research has established that high levels of psychological capital result in: (1) improved performance and job satisfaction, (2) enhanced fulfillment of *life satisfaction* because of a strong relationship between job and personal satisfaction, and (3) improved job performance (Ohlin, 2017, p. 4; Avey, Reichard, Luthans, & Mhatre, 2011, p 127).

## 2.0 Detailed Descriptions of the Four

### Psychological Capital Components

Efficacy, hope, optimism, and resilience are each described separately from the other factors. However, there may be some overlapping amongst the explanations of the factors.

**Efficacy** is the belief that managers have the knowledge, skills, ability, and motivation to be successful in accomplishing present tasks and future endeavors. Managers exemplifying efficacy welcome challenges because of the feeling that they have the strengths and skills to succeed in meeting such challenges. Efficacy also means that managers are energized to invest the time, hard work, and perseverance to be successful in accomplishing job goals. They do *whatever it takes* to work through challenges and get the job done at a high-performance level.

Managers skilled in efficacy are confident, knowing they can control or have an impact on the factors needed to make meaningful contributions to the work unit and organization. They also are creative and innovative in mobilizing the resources needed to meet new and unanticipated challenges.

Four ways for managers to strengthen efficacy are: (1) focus on past successes to fuel a feeling of the ability to control future events for success, (2) identify others in similar situations who have been successful and model them, (3) create situations for success that have high probability to be realized while overcoming self-doubt, and (4) have a growth mindset—believe they can continue to develop and improve as defined by Dweck (Dweck, 2016; Ohlin, 2017).

Two keys to managers effectively using efficacy are: (1) outcome expectancy—what needs to be done and (2) efficacy expectancy—examination of their own *capabilities* to do what needs to be done. Having a good match between their attributes and goals pursued is key to managers effectively applying efficacy. Efficacy also includes managers being masters of avoidance behaviors which prevent them from getting into situations that cause them to get in *over their heads* (Ohlin, 2017). It is also essential for managers to be able to critically analyze the reality of a situation and be motivated to overcome potential barriers to success.

**Hope** is the determination and motivation for managers to achieve goals, feel that destiny can be controlled, work relentless hours, and believe that a goal to which they set their minds will be reached. (This explanation of hope differs from the more nebulous one which is a general belief that present and future events will turn out well without a person significantly impacting such events.) Managers effectively utilizing hope possess an unwavering will-power and a belief that specific goals will be achieved. They possess exceptionally high *goal-directed energy* (Newman, Ucbasaran, Zhu, & Hirst, 2014, p. 4). Will-power includes: (1) identifying goals, (2) determining how to achieve the goals, (3) working relentlessly—days and even months—to accomplish goals without distraction, and (4) enjoying engaging in goal pursuit and accomplishment (Luthans, Youssef-Morgan, & Avolio 2015, p. 80). Will-power has many attributes similar to Duckworth's (2016) explanation for the concept of Grit.

Managers effectively utilizing hope know the *pathways* to achieving goals, as well as alternative pathways to use if initial ones are blocked (called *way-power*). When they are severely challenged and frustrated with their efforts because of difficult barriers to overcome, managers using hope know how to work through—or around—they in order to achieve goals. Managers knowledgeable in how to apply hope effectively utilize their strengths and are adept at coping with areas of weakness and vulnerability to achieve a goal, and create positive emotions to do so (Luthans, Youssef-Morgan, & Avolio, 2015). It is also important for managers to “create a context, climate, and culture for staff to continually seek alternative ways to overcome obstacles” (Luthans, Youssef-Morgan, & Avolio, 2015, p. 80).

**Optimism** is managers expecting positive and desirable events in the present and future which are representative of dispositions that expect *good things* to happen. The expectation that good things will happen is linked to sound reasons and attributions that explain why the results for a specific event should turn out positive. This, in turn, fuels positive motivation to achieve the desired results.

Additional important points of optimism are:

- Optimism is a general form of confidence that is task and situationally specific, meaning that managers specifically apply optimism and have a general positive expectation about life.
- Optimistic managers exhibit fundamentally different coping mechanisms than pessimists, and these mechanisms are much more effective.
- They apply coping skills in a problem-focused context for situations within their sphere of control and accept the realities of situations they cannot control.
- Optimistic managers focus less on the negative aspects of situations and more on making plans and preparing for the future.
- They frequently use humor to relieve negative situations (Luthans & Youssef-Morgan, 2017; Seligman, 2006)

Pessimism is the enemy of optimism. Managers must doggedly guard against pessimism interfering with their beliefs and actions that events will turn out positive for given situations. This means avoiding *self-blame* for outcomes, feeling sorry for self, and putting off addressing problems. Optimistic managers adhere to positive outcomes and work hard to make them happen. They also know how to reframe undesirable past events into a new context for positive results in the future (Seligman, 2002; Seligman, 2006; Seligman, 2018).

Realistic optimism means that a manager reviews negative information pertaining to a situation, but does not dwell on it. Next, the manager assesses the positives that exist for a goal that could make the desired outcome achievable. After these analyses, the realistic optimistic manager understands that if the cost of *being wrong* is high, proceeding optimistically is not the correct strategy to apply (Seligman, 2006; Seligman, 2018).

**Resilience** is the capacity of a manager to rebound or bounce back from adversity, conflict, and failure; and even take on increased responsibility (Hanson, 2018). Often resilient managers not only bounce back, but use adversity and failure as a springboard for growth and development beyond the normal equilibrium point. Resilient managers have *demonstrated positive adaptation* and are motivated to learn from adversity and failure (Luthans, Youssef-Morgan, & Avolio, 2015, p. 145).

Resilient managers have a strong belief in their ability to solve problems to overcome adversity and failure (Oaklander, 2018). They possess values and beliefs that provide meaning in difficult times to ascertain how to cope with adversity or failure and strive to become better managers because of the experience. They take ownership and seek an understanding of the causes of adversity or failure. Resilient managers effectively utilize social capital via networks of social support through friends and mentors as a source for overcoming adversity and failure and bouncing back stronger than ever before (Hanson, 2018; Countu, 2017). These managers also effectively manage stress (Newman, et al., 2014).

Resilience is a combination of: (1) Facing Reality—Accepting the adverse situation, admitting the reality of the distress, and dealing with the adverse factors head-on. (2) Searching for Meaning (Have purpose emerge as a compass to follow.)—Why did the adverse situation happen? What are the practical implications? What purpose emerges from the situation as a compass to follow? (3) Improvising—Modifying, adjusting, and making the changes needed to discover new ways to overcome the adversity and accomplish the goal derailed by adversity (Countu, 2010, pp. 49-51).

Oaklander (2018) contributes to managers' knowledge of effectively applying resilience through the information presented here (pp. 11-12).

1. Develop a core set of beliefs that are never compromised.
2. Try to find meaning in whatever stressful or traumatic things that happen.
3. Try to maintain a positive outlook.
4. Take cues from someone who is especially resilient.
5. Don't run from things that scare you: face them.
6. Be quick to reach out for support when things go wrong.
7. Learn new skills as often as possible.
8. Find an exercise regimen you will stick to.
9. Do not beat yourself up or dwell on the past.
10. Recognize what makes you uniquely strong—and own it.

### 3.0 Positive Outcomes of Psychological Capital of Managers and Staff Members

The effective development of efficacy, hope, optimism, and resilience—the four components of psychological capital—are each beneficial to managers and staff in and of themselves. Further, the synergy among these four factors results in a collectiveness of positive impact that is *greater than the sum of the four parts*. The nurturing and development of psychological capital in managers and staff bring a competitive advantage to the organization. Staff members that are high in psychological capital have: (1) positive expectations about future outcomes and greater belief in their ability to deal with various challenges involved in a job, (2) positive intentions to stay on their job and keep their commitment toward the mission of the organization, (3) more empowered feelings which result in reduction of staff turnover, (4) a reduction of cynicism—negative attitudes toward the organization and management in general, (5) an enhanced capacity of a broader *thought-action* repertoire to solve problems, (6) lower levels of absenteeism and less likely to search for jobs outside the organization, (7) improved performance levels and skills at *mediator relationships* with others, (8) enhanced well-being through reduction of stress and increased civility in the work place, (9) effective skills for ameliorating negative issues arising between organizational politics and productive job performance/job satisfaction, (10) reduced job burnout, and (11) a reduction of anti-social behaviors (Luthans, Youssef-Morgan, & Avolio, 2015; Avey Reichard, Luthans, & Mhatre, 2011).

### 4.0 Additional Factors to Consider as a Part of Psychological Capital

Luthans, Youssef-Morgan, and Avolio (2015) identify the following constructs as future candidates for inclusion in psychological capital: creativity, flow, mindfulness, gratitude, forgiveness, emotional intelligence, spirituality, authenticity, and courage. While there is presently a considerable research base to support each of these constructs as a part of psychological capital, Luthans and his colleagues desire more research before accepting these constructs.

**Creativity** is the generation of ideas that are original and adaptive. It also includes identifying novel approaches to solve day-to-day problems, and ideas and mechanisms regarding how one views others and self.

**Flow** is the experience of task accomplishment becoming rewarding as an end in itself, rather than simply the process to achieve goals. Managers experiencing flow are completely absorbed in the activity, with time being distorted and even sometimes seeming to stand still, as they are immersed in a state of accomplishing difficult and worthwhile endeavors. Flow is often attained when an individual has high skills and is experiencing a significant challenge.

**Mindfulness** is represented by a manager being acutely aware and sensitive to the context of what is taking place *in-the-moment*, and being engaged as an observer and participant. It includes a sharp awareness for processing of stimuli in a given situation and placing the stimuli in the proper context for understanding.

**Gratuity** is treating others with respect and expressing appreciation for the actions of others. It also means possessing a sense of thankfulness and joy when receiving a gift or benefits from others.

**Forgiveness** is accepting others in a psychological and social sense, even though they may have committed wrongdoings against oneself. It also means reconciliation of relationships with others who may have wronged one.

**Emotional Intelligence** is the skill to effectively perceive, express, understand, and use emotions, including the ability to cope with one's feelings in a positive manner.

**Spirituality** is feelings, thoughts, experiences, and behaviors that arise from the search for a greater power.

**Authenticity** is a manager being true to oneself regarding values and beliefs and behaving in a manner consistent with these values and beliefs. It is representative of an absence of self-deception. An authentic manager is willing to be accountable for mistakes made.

**Courage** is the emotional strengths and accompanying behaviors that represent the will to accomplish goals in the face of difficult circumstances and possible adverse consequences to a manager.

## 5.0 Concluding Thoughts

Managers will significantly benefit in job performance and satisfaction if they have—and apply—the knowledge and skills for developing psychological capital through efficacy, hope, optimism, and resilience. The effective development of psychological capital in staff will result in increased productivity of the work unit and organization as a whole. It will also result in staff having increased job satisfaction and loyalty, while providing a competitive advantage for the organization.

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