

Applying Psychological Capital to Senior Management Development: A “Must” and Not “Nice to Have”

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Abstract

The purpose of this viewpoint is to describe the necessity to use psychological capital (which includes the attributes of self-efficacy, optimism, hope and resiliency) in order to develop managers, especially senior ones.

The viewpoint includes an example of optional steps of micro-intervention for senior management. In the 21st-century VUCA world, managers need to invest in processes that strengthen their resistance to psychological pressures and negative outcomes, while enabling them to cope with confidence with instability, volatility and uncertainty. In this regard, Psychological Capital (PsyCap) can and will contribute to significant changes for the better in managers and organizations as a whole. This viewpoint offers a relatively new view for developing senior managers.

Keywords: management, psychological capital, training, development, resilience

1. Introduction

In a business world of expanding markets, increased competition and pressures to produce, the recent observation of David Petraeus (former CIA Director and Commander of US forces in Afghanistan) on the strategic importance of "getting big things done" (UBS Bank, 2018), should strike a critical cord among senior management of companies and organizations. The challenge for senior managers, however, is more acute than recognizing the need to achieve. The question to be asked is, of course, "How do you make it happen?" For, as Bennett and Lemoine (2014), among many others, point out, the context in which senior managers operate is extremely significant. Managers must make decisions in pressing times, in dynamic work environments dependent on numerous changing variables beyond their control, and often based upon partial and vague information and a great deal of ambiguity. In a VUCA world, managers need to invest in processes that strengthen their resistance to psychological pressures and negative outcomes while enabling them to cope with confidence with instability, volatility and uncertainty.

In this respect, we may turn to the field of Positive Organizational Behavior, as seen in the workplace, with its emphasis on human empowerment and psychological capital. Following Rappaport (1987) who introduced the concept of empowerment in a wider social context and Kanter (1993) who applied the construct to organizations, empowerment refers to those measures aimed at increasing workers' autonomy, self-control, and determination, so that they can represent the interests of their concerns in a responsible manner and act on their own authority. This autonomy engenders control over one's decisions, so that individuals attain power and the ability to utilize resources in the most productive way. Notably, Fred Luthans defined Positive Organizational Behavior (POB) 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, 2002, p. 59). Employing a socio-structural approach regarding empowerment at the employee level, management might then derive a system of structures, policies, and practices aimed at decentralization.

Perhaps more pertinent to senior management, however, is the perception of empowerment that is based on Bandura's (1994) concept of self-efficacy, viewed as a cognitive state characterized by a sense of perceived control, perceptions of competence, and internalization of the goals and objectives of the organization. Empowerment is here conceived as a bottom-up process driven by individuals' intrinsic motivation towards their

roles. While we might be more familiar with this concept as it refers to subordinates who have been empowered by their supervisors, the attributes so described are, of course, quite applicable to senior management that is responsible, ultimately, to their superiors and the board. This line of discussion brings us to the more recently researched category of positive organizational behavior identified as psychological capital which, besides its utility as a tool for enriching managers' coping skills, can also be used as an assessment criterion of senior managers.

2. Psychological Capital

Psychological capital (PsyCap) is defined as "an individual's positive psychological state of development" (Luthans, Youssef-Morgan & Avolio, 2015, p.2). PsyCap stems from the positive organizational behavior field (based on positive psychology), which incorporates investigations of human resource strengths and psychological capacities that contribute to performance improvements in the workplace (Luthans et al., 2015). In short, PsyCap focuses on an individual's positive outlook; it is based on the image of the human being as a "proactive, creative, self-determined being" (Seligman & Csikszentmihalyi, 2000). In that spirit, PsyCap focuses on the following attributes: efficacy, optimism, hope and resiliency. After Luthans et al. (2015, p.2), these are defined as follows:

- **Efficacy.** *"Having confidence to take on and put in the necessary effort to succeed at challenging tasks."* This confidence emerges from peoples' conviction about their abilities to mobilize motivation, cognitive resources, and courses of action needed to successfully execute a specific task within a given context (Bhat & Nasheed Imtiaz, 2018).
- **Optimism.** *"Making a positive attribution about succeeding now and in the future."* PsyCap optimism is not just about believing that good things will happen in the future: For Martin Seligman, the recognized father of the positive psychology movement, PsyCap optimism is an explanatory style that attributes positive events to personal pervasive causes and interprets negative events in terms of external temporary situation-specific factors. Those who adopt this style have a positive view of their lives (Bhat & Nasheed Imtiaz, 2018).
- **Hope.** *"Persevering toward goals and, when necessary, redirecting paths to goals in order to succeed."* Following Snyder (2000), two important elements in PsyCap hope – namely, 'Agency' and 'Pathway' – differentiate this hope from its common usage. Agency refers to an individual's determination to attain a certain goal and not to despair, while the pathway component underscores the propensity to devise multiple alternatives to reach that goal.
- **Resiliency.** *"When beset by problems and adversity, sustaining and bouncing back and even beyond to attain success."* Of interest, PsyCap resilience relates not only to recovering from the adversities of sad events and life's miseries, but it also incorporates going beyond one's positive life experiences.

It is important to note that potentially, PsyCap includes more capacities, including creativity, flow, mindfulness, gratitude, forgiveness, emotional intelligence, courage and authenticity (Luthans et al., 2015). Workers differentiate in their level of psychological capital (Luthans et al., 2015) and other specific psychological strengths such as kindness, teamwork, leadership, social intelligence and forgiveness (Seligman, 2002).

The new realities of the 21st century environment necessitated progress in research on positivity and PsyCap (Luthans et al., 2015). On one hand, employees become increasingly mindful regarding the way that important factors for striving (such as wellness, health, learning and development) are influenced by their job (Hyland, Caputo & Reeves, 2018). On the other hand, organizations become more aware of the advantages of having employees with high PsyCap, as it is related to a wide range of positive work outcomes. On the global level, PsyCap is associated with many organizational benefits in which improved performance, whether direct or indirect, is the most pronounced (e.g., Avey, Reichard, Luthans, & Mhatre, 2011; Madrid, Diaz, Leka, Leiva & Barros, 2018; Rabenu, Yaniv, & Elizur, 2016; See also review of Newman, Ucbasaran, Zhu, & Hirst, 2014), a conclusion firmly established in a meta-analysis of 51 studies, conducted by Avey et al (2011). It is important to note that same is pertinent for other positive strengths such as growth mindset which improve leadership skills, innovative ideas and products in organizations (Dweck, 2016; Dweck & Hogan, 2016). For example, in very recent years, leading organizations such as Microsoft identify employees with potential to become talents and use a growth mindset (i.e., the belief that individual's qualities and abilities are not fixed, but rather can be developed and cultivated through the individual's efforts (Dweck, 2016) to develop them (Dweck & Hogan, 2016). Thus, based on the descriptions of the attributes above, we can envisage how PsyCap links with managers' soft-core skills of achieving power and influence. Power in this context refers less to autocratic behaviors, but rather to invoking our opening comments, to what Kanter (1993) describes as the "ability to mobilize resources to get things done" (p. 210). This is achieved in one or more of the following ways: Psychological capital establishes managers' power which, in turn, facilitates the degree of influence over their subordinates.

Specifically, PsyCap helps to establish managers' expertise since they challenge themselves to continuously study their fields and to keep up to date through self-efficacy, and not to become stagnant even when that effort becomes routine. Clearly, PsyCap also strengthens the manager's referent power as a role model for coping with stressful situations. Indeed Rabenu (2017) has demonstrated that among senior managers, the four attributes of PsyCap – optimism, hope, self-efficacy, and resilience (particularly during crises, even to the point of 'growing' from them) – all contribute towards creating a positive role model.

A manager with high PsyCap is rich in resources, namely, self-efficacy, hope, optimism and resilience. According to Hobfoll's (1989) Conservation of Resources (COR) theory, a person with more resources will be able to obtain additional resources in the future (the 'gain spiral'), and is less vulnerable to loss of resources (Chen, Westman, & Hobfoll, 2015). Thus, for example, managers who develop self-efficacy are more likely to build up their spirit and determination, which in turn leads to increased referent power as a role model (Luthans et al., 2015, p.229). Furthermore, although we stress the positive aspects of empowered behavior, it is important to stress that PsyCap also 'inoculates' against burnout (Rabenu, 2017). This is an extremely important observation because it is known that through crossover processes a burned-out manager can burn-out the entire management staff – and vice versa – with disastrous consequences (Pines, 2011).

As indicated, and as is well-known, there are a significant number of managerial skills that need to be developed within organizations. They include 'soft' people skills, clarity of vision, flexibility, innovation orientation, winning commitment, cognitive and meta-cognitive skills, and strategic planning skills, all of which can be nurtured (e.g., Daft, 2010; Day et al., 2014; Storey, 2010), especially when the development takes place by means of managerial experience in the organization (McCall, 2010). Now, add to the list strong PsyCap. The good news is that not only can PsyCap be developed (Luthans et al., 2015), but also that research has revealed, across cultures, the many significant positive relationships between PsyCap and desirable employee attributes. These include attitudes and psychological well-being (e.g., job satisfaction and organizational commitment), desirable employee citizenship behaviors and multiple measures of performance (self and supervisor evaluation, objective evaluation), as well as negative relationships between PsyCap and undesirable employee behaviors such as cynicism, turnover intentions, job stress, and anxiety (see review by Bhat & Imtiaz, 2018).

Furthermore, in their recent research, Madrid and colleagues (2018) indicated that PsyCap dimensions have "remarkable unique contributions for proficient, adaptive, and proactive behavior, particularly when job demands were high" (p. 461), leading the investigators to conclude that "[the] development of critical dimensions of psychological capital, according to the work behavior desired, is recommended" (p. 474).

3. Developing PsyCap among Senior Management

Together with Day, Fleenor, Atwater, Sturn and McKee (2014), we share the proposition that based on the accumulated body of knowledge concerning performance in the workplace a significant number of performance-related competence deficiencies can be fixed using a suitable intervention process. Likewise, PsyCap dimensions are amenable to change and development (Luthans et al., 2015), as evidenced by micro-interventions to foster PsyCap at a dimensional level created by Luthans and colleagues (Luthans, Avey, Avolio, Norman & Combs, 2006; Luthans, Vogelgesang & Lester, 2006).

It thus follows that organizations can tailor appropriate interventions and/or training programs in order to develop PsyCap at its dimensional level. Indeed, the research findings demonstrate that PsyCap micro-interventions (2-3 hours) – as advanced by Luthans and colleagues (2006) – promoted an average increase of 2% in measured PsyCap among trainees and managers included in the research (Luthans et al., 2015, p.254). Moreover, referring to the potential financial benefits to be reaped by the PsyCap enhancement of a particular organization's CEO, Luthans and colleagues stated that, "We do not intend to imply that this leader by himself will have such a dramatic impact on performance from a small increase in his PsyCap. Instead, we are simply suggesting that the higher up the individual is in any organization, the greater the potential cumulative impact (through others in terms of the cascading or social contagion effect) that an increase in PsyCap will have" (Luthans et al., 2015, p.264; see also Rabenu, 2017).

By way of illustration, a micro-interventions approach that targets senior management might consist of the following steps:

- i. Measuring the pre-intervention base level of the managers' PsyCap (by using PCQ measure; Luthans et al., 2007);
- ii. Guiding managers to establish (a) personal goals for themselves which they plan to attain, and (b) the benchmarks to be employed for assessing their success in achieving these goals. Further, the managers are

- coached towards establishing the *alternative* routes to attaining their goals (thereby pinpointing the hope dimension);
- iii. Enabling managers to experience the success associated with the attainment of set goals –even in simulated settings. Pinpointing the self-efficacy dimension, this experience enhances managers’ sense of control and competence and increases their managerial self-efficacy;
 - iv. Assisting managers to adopt interpretations of past performance in a way that attributes negative events (or failures) not only to internal (personal) factors, but also to external, temporal and specific situational circumstances. The objective is to enable the managers to (better) appreciate the present and to assist them to develop a positive, but realistic, standpoint for the future (processes linked to the optimism dimension);
 - v. Facilitating managers to identify potential personal setbacks at work and to assess the various elements of risk (e.g., How will they impact the manager? Does the risk represent a challenge or an opportunity? How much control does the manager possess? What are the factors beyond his or her control?) These questions lead managers to consider the resources available to cope with the various challenges (focusing thus on the resilience dimension); and
 - vi. Following the completion of the intervention, measuring the PsyCap (by using the PCQ measure) in order to (a) assess the extent to which the intervention has succeeded and (b) enable provision of feedback to the designers of the measures and to those who implement the intervention procedures. Notably, feedback also includes an assessment of the facilitators who helped the managers to develop both cognitively and emotionally throughout the intervention process.

4. Conclusions

We have indicated, perhaps, that employees begin their journey by being subordinate to their supervisors, and that at some point in their tenure they may become empowered to take on more responsibilities in their workplace, responsibilities that call for the exercise of power and influence among subordinates, especially through role-modeling. With a view to developing promising employees to take on management positions – and particularly with a view to enhancing the productivity of senior management – we believe that PsyCap can and will contribute to significant changes for the better in organizations and in society as a whole.

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