PSYCHOLOGICAL CAPITAL

Preprint

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Abstract

This entry discusses ‘psychological capital’ and critically examines the prevailing research discourse surrounding the concept within the fields of Work and Organizational Psychology, and Organizational Behavior. It highlights the limitations of the current research approach, which tends to individualize and instrumentalize psychological capital, focusing on dominant groups' experiences and disregarding the influence of broader societal structures and contexts. The entry discusses novel work introducing a socio-psychological perspective that considers collective processes and social inequalities shaping psychological capital development. The article calls for interdisciplinary dialogues to bridge the gap between various strands of literature on hope, optimism, resilience and self-efficacy, the constituents of psychological capital. It concludes by urging a shift towards a counter-framework that prioritizes societal well-being, social justice, and the eradication of inequalities in an beyond organizations.

Keywords: Psychological capital; hope; optimism; resilience; self-efficacy; positive psychology

DEFINITION, HISTORY, USE OF THE CONCEPT & CRITICAL PERSPECTIVES

Over the past two decades, extensive research into psychological capital has revealed that possessing high levels of hope, optimism, confidence, and resilience – in essence, having high levels of Psychological Capital – significantly contributes to a positive work and life experience. Research findings consistently indicate that psychological capital not only predicts career success, job satisfaction, and overall well-being, but also acts as a buffer against adversities and contributes to higher income and better health (Cenciotti et al., 2017). Psychological capital is a pivotal internal capacity necessary for personal, organizational and societal advancement, achievement of goals, elevation of social status, effective problem-solving, adeptly handling setbacks and bouncing back from adversities (Cenciotti et al., 2017).

Psychological capital 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 et al., 2007, p. 3). .

The fundamental theoretical mechanism connecting the subdimensions of psychological capital is "a positive appraisal of circumstances and probability for success based on motivated effort and perseverance" (Luthans et al., 2015: 30). The conceptual framework was designed with the explicit requirement that its components adhere to several criteria: being developmental, measurable, pertinent to organizational behavior, and grounded in established theory and research.

The prevailing perspective on psychological capital views it as a state that individuals can consciously develop. Consequently, research has explored organizational interventions that promise to develop individuals' psychological capital with enduring effects (as a result of participating in training programs lasting a few hours, Luthans et al., 2006). According to these intervention studies, numerous processes contribute to the development of psychological capital. Individuals can achieve this by receiving and internalizing positive feedback, coupled with exposure to positive expectations; having frequent opportunities for achieving mastery and success; having access to social support and positive role models (that are similar to oneself); engaging in agentic behaviors and having alternative pathways towards goal attainment; and lastly, reshaping counterproductive beliefs about one's capacities and future.

Psychological capital has undergone extensive research within the realm of work and organizational psychology, as well as organizational behavior. Initially conceived within a workplace context, and with the majority of research conducted in this arena, recent studies have showcased the concept's applicability and adaptability across diverse contexts, including clinical, family, school, and military settings.

Emphasis on Performance-Related Outcomes

Research on psychological capital has primarily focused on its potential benefits for organizations, aligning with the tradition of positive organizational behavior. This tradition views employees' positive psychological states as strategic assets serving business organizations. The construct holds a central place within an economic and managerial research discourse that accentuates its potential to yield financial returns, positioning it as a resource to elevate organizational productivity and efficiency. As a result, most research on psychological capital has centered on investigating its organizationally relevant outcomes, with overwhelming attention to its positive impact on performance (e.g., Avey, Nimnicht, & Pigeon, 2010; Avey, Reichard, Luthans, & Mhatre, 2011; Luthans et al., 2007). These studies have delved into its impact on employee behaviors and attitudes pertaining to productivity, such as innovation, commitment, creativity, job satisfaction, absenteeism, counterproductive work behavior, and turnover intentions (Avey, Nimnicht, & Pigeon, 2010). Consequently, the significance of this construct lies in its potential to contribute to organizations' competitive advantages. In the realm of psychological capital research, a managerial perspective predominates, instrumentalizing employees' psychological states as resources in pursuit of organizational interests.

Origins of Psychological Capital: A black box

Given the predominant focus on organizational and performance-related outcomes in psychological capital research, the origins of psychological capital remain a black box due to the absence of research on its antecedents. Because literature characterizes the development of psychological capital as a conscious, individual-level process amenable to targeted interventions, we know very little about the organizational, social or relational processes safeguarding, fostering, or depleting psychological capital. The origins of psychological capital are not well understood and lack theorization, except for some emerging work (Dóci et al., 2023a,b). Our knowledge about the sources of psychological capital primarily stems from intervention studies outlining how intentional cultivation of employees' psychological capital can occur through teaching them appropriate cognitive and behavioral strategies. These strategies include nurturing an agentic mindset, setting specific and challenging goals, creating alternative pathways toward goal attainment, observing role models, or transforming negative beliefs about one's capabilities to achieve goals (Luthans et al., 2006).

While the field has demonstrated significant interest in exploring the development of psychological capital via organizational interventions to enhance productivity, there has been a dearth of research endeavors dedicated to comprehending the reasons behind differences in psychological capital and their connections with social inequalities.

Who Is Excluded From Research on Psychological Capital?

Social inequalities in accessing psychological capital have received minimal attention to date. This lack of attention can be attributed partially to the field's instrumental approach towards employees' resources, aimed at leveraging them for organizational profit, and partially because the majority of research on psychological capital has primarily been conducted at the individual level. With the exception of recent work (Dóci et al., 2023a,b), no research acknowledges the social disparities in people's access to psychological capital or the processes underlying its development.

The field tends to individualize the origins of psychological capital, perceiving it as a product of deliberate individual efforts. Furthermore, the organizational interventions that have informed research on psychological capital development were executed with the participation of a restricted segment of the population: high-status employees in business organizations (often middle managers), whose lived experiences and challenges considerably differ from those encountered by marginalized individuals. While these interventions build upon and cater to the experiences prevalent in dominant social groups, researchers assert that the processes outlined for psychological capital development hold universal applicability.

The adverse conditions that deplete the psychological capital of marginalized individuals, such as discrimination, harassment, or precarity stem from collective and social factors and tend to be more severe than the experiences faced by members of dominant social groups. The prevailing notion that psychological capital is an individually and intentionally cultivated resource tends to overlook the inequalities ingrained in people's social experiences, which significantly shape their psychological capital, and places disproportionate individual responsibility on them for their psychological resources and well-being.

In summary, several noteworthy tendencies are evident within research on psychological capital, aligned with the broader fields of work and organizational psychology, and organizational behavior. The field's principal objective has been the examination of organizational behavior and psychology with the aim of enhancing employee performance and productivity for organizational gain. This objective is particularly evident in psychological capital research, where the majority of studies center around performance or performance-related constructs as outcome variables, some even incorporating calculations regarding the financial advantages stemming from increased employee psychological capital (Luthans et al., 2006). This research trajectory inherently serves corporate interests, albeit masquerading as objective and impartial science. Additionally, psychological capital research is aligned with these fields' general tendency to individualize individuals' psychological experiences and states, as well as the associated responsibility for them.

To address the constraints arising from a psychological perspective that individualizes the sources of positive psychological states, a socio-psychological approach to psychological capital has recently emerged.

A Socio-Psychological Perspective on Psychological Capital

The existing literature on psychological capital fails to acknowledge the disparities between social groups concerning their social and relational experiences, which shape their beliefs and anticipations about themselves and their future (that is, their psychological capital). To tackle this limitation, researchers have introduced a theory that elucidates the social and relational development of psychological capital and its uneven distribution across society. This theory posits that societal disparities lead to differential relational processes that give rise to psychological capital. When comparing marginalized group members to dominant group members, it becomes apparent that the former: (1) receive significantly less positive social feedback, (2) the expectations towards them are less positive, (3) are granted fewer opportunities to achieve mastery and success, (4) experience less support for engaging in agentic behaviors, (5) possess fewer alternative avenues to attain their objectives, (6) receive less social support, and (7) have access to fewer successful role models who share their characteristics. These pathways delineate the developmental trajectory of psychological capital, as elucidated by intervention literature.

Due to these social and relational ‘deprivations’, marginalized group members are less likely to develop positive beliefs and expectations about themselves and their future – beliefs that constitute their psychological capital. This theory elucidates how psychological capital forms through social and relational dynamics, and how psychological inequalities emerge from these processes (Dóci et al., 2023a) Consequently, this implies that the positive psychological capacities, repeatedly shown as prerequisites for achieving success, high income, favorable job opportunities, job satisfaction, and good health, are unevenly distributed across society. Dominant social groups possess a greater likelihood of cultivating these psychological attributes – a hopeful, confident, optimistic, and resilient perspective on life – due to their past experiences and the prevalence of positive, rewarding, acknowledging, supportive, and respectful interactions within their social environment.

To extend this theory and achieve a comprehensive socio-psychological understanding of psychological capital and its societal role, researchers have recently integrated it into Bourdieu's capital framework (Dóci et al., 2023b). This paramount framework in sociology elucidates the reproduction of social inequalities. It posits that social inequalities endure in society through disguised processes wherein powerful social groups accumulate various forms of capital through their conversion, thus sustaining their elite position in society. The incorporation of psychological capital into this framework underscores the pivotal role psychological capital plays in accumulating (all forms of) capital, thereby contributing to the persistence of social disparities. The theory suggests that psychological capital can be converted into other forms of capital (and vice versa). A hopeful, optimistic, confident, and resilient attitude yields benefits, potentially facilitating the accumulation of social capital (high-powered connections, inclusion in influential networks), cultural capital (e.g., elite education), and economic capital. Likewise, other forms of capital can be converted to psychological capital, as a life characterized by supportive social connections, educational success and economic prosperity can foster the development of a positive, hopeful, optimistic and confident outlook.

The integration of a sociological perspective into the examination of psychological capital provides insight into its social origins and the relational processes that foster its growth. It also highlights the disparities within these processes between social groups, elucidating why marginalized groups, who are most in need of psychological capital, face the greatest challenges in developing and sustaining elevated levels of it.

DISCUSSION OF FUTURE RESEARCH DIRECTIONS

The existing literature on psychological capital has displayed a degree of homogeneity, primarily concentrating on outcomes related to performance. This lack of diverse perspectives hampers a comprehensive understanding of psychological capital in its complexity, and of the role it plays within organizations and society. Moreover, this restricted viewpoint has repercussions regarding the effective promotion and cultivation of employee well-being and psychological capital within organizations and institutions, particularly in terms of targeted HRM interventions.

To start with, there exists a significant disparity between our academic definitions of psychological capital and its components (hope, optimism, self-efficacy, and resilience), and individuals' lived experiences and everyday understanding of the positive psychological states that aid them in leading fulfilling lives, as well as how these states develop or encounter hindrances. For example, the literature on psychological capital relies on the definition of hope provided by Snyder and colleagues (1991), which describes it 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)". This definition represents an individualistic, achievement-oriented, decontextualized, and rational interpretation of hope. It aligns with the concept of 'homo economicus', an economic model of human behavior asserting that individuals consistently act in their self-interest, make rational decisions, and strategically pursue utility maximalization. However, how people actually experience hope may significantly differ from this perspective.

For many, hope may not revolve around individual goals, strategies, and pathways for achieving them. Instead, it can be an emotional, embodied (or even spiritual) experience, often of collective nature, arising from a intricate interplay of internal and external factors, circumstances, and social-relational processes. External factors, such as one's health status and that of their family members, financial situation, access to stable and meaningful employment (or job insecurity), involvement in a community (or social isolation), living conditions, neighborhood safety, access to essential services like healthcare, and family dynamics, can influence a person's level of hope.

Moreover, broader political, social, economic, and environmental developments may also shape people's hope. Contextual factors like an economic crisis, a highly precarious job market, insufficient social safeguards, political instability, erosion of freedoms, government repression, dwindling water and food resources, as well as the present and future implications of the climate and ecological crisis, are all likely to exert a depleting effect on hope, contributing to a shared collective experience of diminished hope.

Additionally, the theory and concept of psychological capital, along with strategies for fostering it within individuals and organizations, were initially developed in the context of business organizations. They were tested with participants often occupying middle management positions, whose life experiences and challenges significantly contrast with those faced by marginalized group members. Despite this, researchers maintain that the identified processes underlying the development of psychological capital, and related interventions, are universally applicable. Moreover, nearly all research on psychological capital has adopted a quantitative approach, employing survey instruments within a positivist research paradigm. This has resulted in the further reification of the psychological capital construct and its underlying processes, while they only reflect the experiences of a privileged societal stratum. It has also led to the exclusion of alternative interpretations, distancing the construct from the real-life experiences of individuals.

To address these limitations, there is a need for qualitative research on psychological capital. This research may aim to comprehend how (marginalized) employees interpret their organizational experiences, both individually and collectively, and how their self- and future related beliefs and expectations (that is, their psychological capital), emerge from these interpretations, interactions, and discourses. The research may aim to uncover how everyday understandings of psychological resources deviate from the prevailing accounts in organizational literature, giving particular attention to the experiences of marginalized employees.

Furthermore, the prevalent discourse surrounding psychological capital portrays it as a set of individual psychological capacities, with the implication that interventions targeting employees' psychological capital center on the individual level. In current literature there is almost no recognition of social group disparities in people's access to psychological resources. To address these gaps, forthcoming research could elucidate the social and relational processes affecting employees' psychological capital within organizations, and unveil the divergent access to psychological capital across social groups. Future research could also uncover HRM practices and processes (e.g. talent management practices) that enhance or hinder the development of psychological capital among employees, paying specific attention to the distinct nature of these practices for dominant and marginalized employees. Based on these findings, HRM processes and structural interventions could be crafted to foster the psychological capital of marginalized employees.

In terms of interdisciplinary engagement, there exists a significant disconnection between 1) organizational literature on psychological capital, 2) clinical and public health literature on hope, optimism, self-efficacy, and resilience, and 3) sociological literature on structural inequalities and their influence on mental well-being. Researchers could initiate interdisciplinary dialogues across these adjacent fields to reach a comprehensive understanding of the development and preservation of psychological capital in and beyond organizational and institutional contexts. This interdisciplinary conversation could have broad-ranging implications for research, policy, and HRM practices in organizations.

Additionally, extending psychological capital research beyond the confines of the workplace to domains like family and education is pivotal. Both within workplaces and educational institutions, research may explore the role these establishments play in selecting, supporting, and advancing individuals exhibiting high levels of psychological capital, thereby inadvertently perpetuating social inequalities. Research may investigate how positive psychological attributes are metrified and incorporated into institutional practices, for example selection, promotion and evaluation procedures. Research may also delve into the conduct of institutional actors (who wield influence) to comprehend how they foster opportunities for individuals from dominant social groups to nurture psychological capital while depriving others of these opportunities. Through these efforts, future research may uncover the relational dynamics that sustain psychological capital within dominant social groups.

Finally, the research strand on psychological capital, aligned with WOP and OB research, largely neglects the broader societal backdrop within which individuals and organizations operate. The current context encompasses an escalating array of crises, including the climate crisis; biodiversity crisis; scarcity of resources such as food, water, and energy; deepening inequalities, poverty and precarity; public health emergencies and mental health crisis. Undoubtedly, these factors exert an impact on employees' psychological capital, thereby necessitating due consideration. Therefore it becomes imperative to integrate a wider societal perspective into our research endeavors, focusing on how employee psychological capital (with particular attention to vulnerable and marginalized groups) can be safeguarded and augmented by institutions and organizations amidst the exacerbating crisis.

CONCLUSION

The prevailing discourse in organizational psychology pertaining to psychological capital and well-being within organizations is characterized by several attributes: First, it is *instrumental*, as it views psychological capital and individual well-being as organizational assets to be harnessed for productivity and profit. This serves a corporate agenda, masquerading as impartial science. Second, it is *elitist*, as the discourse identifies psychological processes based on the experiences of dominant group members, whose lived experiences markedly diverge from those of marginalized and minoritized individuals. Simultaneously, these processes are proclaimed to be universally applicable. Third, it *individualizes* the sources of confidence, hope, optimism, and resilience, attributing these qualities to individual effort and merit, disregarding the impact of social structures and hierarchies on psychological capital. Fourth, due to its emphasis on performance and productivity it encourages the psychological and behavioral *adaptation* of the individual to the social and economic order, therefore functioning as an instrument of social control. For all these reasons, the prevailing discourse inadvertently *reinforces inequalities*.

Instead, future research may operate within an alternative framework to study psychological capital that strives to serve society and promote *social justice*, rather than prioritize managerial interests; explores the experiences of *marginalized and minoritized* groups; centers on *relational and social* processes from which psychological capital derives; with the ultimate goal of social change, *emancipation* and *overcoming inequalities*.

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