

## Impact of Psychological Capital on Employee Wellbeing

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### ABSTRACT

Effective management of human resource is the key factor for the organizational development and different strategies have been adopted by the manager. Psychological capital is one of the strategies for the development of the employee. It is the core construct comprises of self-efficacy, optimism, hope and resiliency. It has positive impact not only on the individual but also upon the organization to reduce cost as well as negative influence. The present paper explains the theoretical background of psychological capital and its implications for employee wellbeing as well as organization.

**Keywords:** *Positive Psychology, Psychological Capital, Organization, Employee Wellbeing*

The organizations in order to survive in the VUCA (Volatile, Uncertain, Complex and Ambiguous) world, has to continuously learn and innovate. It compels the employees for enhanced performance (Berg et al., 2017). In the workplace employees are assessed only on the basis of their performance. The HR functions such as recruitment & selection, training & development, compensation and rewards are largely depending on the task performance of the employees (Ramos-Villagrasa et al., 2019). According to Page and Vella- Brodrick (2009) the organizational performance and success depends on the health and wellbeing of the employees, it affects the task, work performance and behavior. Even though they perform their task at individual, group and organizational level (Nielsen et al., 2017).

Individual wellbeing is associated with the absenteeism, work motivation, commitment, positive attitude and satisfaction. The wellbeing and happiness related with work include job satisfaction as well as performance (Crede et al., 2007; Fisher, 2010) and burnout (Iverson et al., 1998). In this perspective, the employees mental health and wellbeing is considered as important contributory factor for the organizational performance and productivity.

In Occupational Health Psychology (OHP) and behavioural science, emphasis has been laid upon the importance of wellbeing which includes both physical and mental health. It affects the success of workplace. Positivity plays a pivotal role in wellbeing. According to Lyubomirsky (2008) well-being can be defined as a combination of dispositional, situational, and intentional factors. Research studies of Lyubomirsky, King & Diener, (2005) indicate that the individuals those who are positive and happy, their physical and mental

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Received: August 11, 2023; Revision Received: September 27, 2023; Accepted: September 30, 2023

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health are better. Happy and positive people are more resilient when they experience hardship, having stronger immune system and physically healthier (Lyubomirsky, 2008).

Psychological wellbeing (PWB) is related with both personal and work-life outcomes. The PWB and employee performance at work are positively related (Cropanzano & Wright, 2000; Wright et al., 1993). From positive psychology, Positive Organizational Behaviour (POB) emerged. The concept POB developed by Fred Luthans and he has applied positive psychology in the organizational behavior (Luthans, 2001; Luthans & Jensen, 2002; Luthans & Stajkovic, 2003). POB refers to the application of positively oriented strength and capacity of human resources which can be developed, assessed/ measured and managed effectively for the improvement of the organizational performance at the workplace (Luthans, 2002).

### **Theoretical Framework:**

In order to survive in the global competitive market, the organization has to utilize the internal resources effectively. The internal utilization of the resources is very important factor for organizational success. According to the resource-based theory various studies of organisational behavior confirm that the effective utilization of the internal resources for sustainable competitive advantage of the organization (Newbert, 2007). In this context, human resource is considered as one of the resources contributing for the organizational growth. So, understanding of the micro- foundation of the human capital and their interactions can be manifested and utilized for the task performance of the organisation (Coff & Kryseynski, 2011). Some of the antecedents of the task performance are workplace identity, employee thriving, employee wellbeing and work engagement.

According to Luthans and Yousseuf (2004), one of the indispensable human capital is the Psychological Capital (Psy Cap) which provides competitive advantage to the organization. The four categories of psychological resources are hope, self-efficacy, optimism and resilience. The PsyCap can be built and harnessed for enhanced organizational performance (Luthans and Yousseuf, 2004). The Psychological Resource theory postulates that individual resource is considered to be the core construct and all the four sub elements of PsyCap work as a cohesive resource rather than isolate elements (Zubair & Kamal, 2015). All the four elements of PsyCap may not contribute equally rather work as a causal sequence for explicit behavior (Madrid et al., 2018), it may work as collaborative and synergistic (Cozzarelli, 1993).

The conservation of resource theory or COR(Hobfall, 1989) states that positive adaptation of the individual in case of a loss of resources or lost or threaten under any circumstances. It focuses on the decision making and motivation of the individual to acquire, maintain and utilize the resources as per the requirement of the demand and also guard against depletion of resources (Wright & Hobfall, 2004). The secondary resources relating to work plays a very significant role such as cognitive evaluation as well as emotional attachment to the one's occupation (Wright & Hobfall, 2004) influence positively to one's primary resources, that is wellbeing (Westman et. al.,2005 & Wright & Bonett, 2007).

### **Psychological Capital (PsyCap): Concept**

The concept of positive psychological concept emphasizing upon the positive aspects of human behavior. In the year 1999 the concept was discussed by Martin Pearlman and in 2004 Fred Luthans and his associates developed it. The concept of Psychological Capital and Positive Psychological Capital has been used by many authors synonymously. The two

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concepts basically referred to the positive aspects such as meaning, development, process of human behavior relating to cognitive processing, motivation and the performance of the employee in the workplace. According to Fred Luthans, positive psychological capital instead of focusing on the stress, violence, injustice, alienation, exhaustion focusing more on positive components/aspects of human behavior. Psychological Capital (PsyCap) emphasizes on what a person can become instead of focusing who the person are?

According to Luthans, Youssef & Avolio et al., (2007), psychological capital is the individual's positive psychological state of development. It is characterized by i) self-efficacy (confidence of the individual putting necessary effort for success in challenging task), ii) optimism (positive attribution of the individual to succeed in task/goal in future), iii) hope (redirecting the path in order to achieve the goal) and iv) resilience (when confronted with the adversity, ability to bounce back to attain success).

### ***Components of Psychological Capital***

According to the Luthans & Youssef (2004), Psychological capital or PsyCap is an emerging area which broadly fall under positive organizational behavior. It is considered as a second-order construct which comprises of the four elements: i) self-efficacy (Bandura, 1997), ii) optimism (Carver & Sheier, 2003), iii) hope (Snyder et al.,1997), and iv) resiliency (Masten, 2001). Each of these factors has two aspects : i) Through training, it can be developed and ii) it is positively related with human performance. The four components of the psychological capital are discussed as follows:

#### **A) Self-Efficacy**

According to Bandura (1977), self-efficacy is one's ability to perform well in the task undertaken by him/her and it increases with experience (Philips & Gully,1997). It refers to confidence of the individual on his/her abilities to utilize motivation, effective use of cognitive resources and course of action one has undertaken to execute specific task (Stajkovic & Luthans,1998). Individuals those who are having high level of self-efficacy, they set challenging goals. They are working hard towards achieving the goal in a difficult and adverse situation. Even if, they fail to achieve the same, they are confident to overcome the challenges in both personal and professional life.

#### **B) Optimism:**

According to Carver & Sheier(2003), optimism can be defined as positive outcome expectancy, attribution one makes in response to an events. Optimist person attributes the positive outcomes is the result of stable efforts whereas negative outcomes is the result of unstable efforts which is unavoidable (Seligman,1998). In both time as well as context, optimism remain constant with individuals (Schulman et al., 1993). According to Seligman (1990), though the individual experiences fixed range of optimism, but with training the optimism can be developed. A number of research findings confirmed the positive correlation between optimism and wellbeing.

#### **C) Hope:**

The concept "hope" has been conceptualized by Snyder (1997). It consists of three elements such as goals, agency and pathways. Each individual must have some goals, (may be short term or long term). They may have inner desire/motivation to achieve the goal and find multiple ways to achieve it. One of the important factor in hope is the reinforcement of the self-view and is often viewed as will power of the individual. Like optimism, hope is the dispositional characteristics and can be increased through training (Valle et al, 2006).

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Individuals with high hope have the ability to deal with surprise-based events like tragic loss (Lopez et al, 2003). Hope acts as a buffer against psychological distress.

### **D) Resiliency:**

According to Tugade & Fredrickson, (2004) resilience refers to the extent one is able to rebound or bounce back from adversity and coping strategies adopted to deal with the stressful situations. The core concept is “adaptability” of the individual when confronted with negative experiences (Block & Kremon, 1996 & Masten et al., 1985). According to Masten (1999) resilient individuals can be categorized into two types: i) individuals must have experienced some form of adverse situations, ii) the degree to which the individuals can overcome or thrive in the stressful experiences.

To summarize, psychological capital is self-perpetuating, means some more additional elements can be added to it or individual can move along with the dimensions.

### ***Well being: Concept***

In order to develop work place resilience, nurturing employees wellbeing is very crucial. According to HR sentiment survey, on the future workplace 2021, 68 percent of the senior leaders on HR related employees stated that, well-being as well as mental health as important factor compared to other factors. There is a debate and discussion among social scientists regarding “what constitutes well-being” (Brunetto et al., 2021; Ryan & Deci, 2000; Fisher, 2010; Seligman, 2011). According to Pavot (2008), the term wellbeing is multifaceted concept comprising of two elements such as, i) affective and ii) cognitive. There are seven pillars of the components of the wellbeing such as i) Physical wellbeing, ii) Career wellbeing, iii) Financial wellbeing, iv) Social wellbeing, v) Emotional wellbeing, vi) Community wellbeing and vii) Purpose driven wellbeing.

The concept of wellbeing is best understood by exploring the framework proposed by Seligman. Seligman (2002) developed the authentic happiness model for all-round happiness of the individual. It comprises of three elements such as i) satisfied life, ii) an engaged life and iii) meaningful life. Seligman (2011) revised the early model of happiness in the later part of his professional career. He proposed a new wellbeing theory, and identified five elements of wellbeing: i) Positive emotions ii) Engagement, iii) Relationships, iv) Meaning, and v) Accomplishments, (acronym as PERMA). According to him all the five elements are intrinsically rewarding when added together resulted in human flourishing. Human flourishing refers to “optimum use of psychological functioning” which comprises all the five elements of well-being (Butler & Kern, 2016). According to Seligman, all the five elements are positively related to physical health, job satisfaction as well as organizational commitment. There is a positive relationship between all the elements of PERMA and wellbeing. The educational institutes and the organizations widely use PERMA framework for assessing the wellbeing of the employee.

The term wellbeing is a broader term which comprises of i) affective, ii) cognitive and iii) behavioral aspects (Ryff, 1989; and Seligman, 2011). The two components of wellbeing are i) subjective wellbeing and ii) psychological wellbeing. The subjective wellbeing is an umbrella term focusing on hedonic (striving for maximum pleasure as well as positive emotions /affective feelings) aspects of wellbeing. The eudemonic (autonomy as well as self-actualization) wellbeing coming under the category of psychological wellbeing (Fisher, 2010).

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The concept of eudemonic wellbeing has been discussed in various theories of psychological wellbeing. Ryff (1989) developed the six-dimensional model which comprises six factors such as i) self-acceptance, ii) environmental mastery, iii) Freedom/autonomy, iv) positive interpersonal relations with others, v) individual growth vi) purpose in life. The Self Detection Theory or SDT was developed by Ryan and Deci (2000). They concluded that the three primary psychological needs such as i) autonomy, ii) competence and iii) relatedness, when satisfied enhance wellbeing. Csikzentmihalyi(1990) and Baumann(2012) developed the concept of “Autotelic Personality” which also falls into the category of eudemonic happiness. Individuals those who are autotelic personality, they energies themselves into a meaningful activity for their own development.

The multidimensional aspects of wellbeing not only interpreted the wellbeing in a precise manner but also it provides an ample opportunity for the researchers for interpretation in order to foster the wellbeing and happiness of the employees. Psychological wellbeing can be interpreted, it can be measured in an organizational environment (Dagenais-Desmarais & Savoie, 2011).

### ***Psychological Capital and Well-being: Research Findings***

The positive psychology plays a key role in improving the wellbeing and happiness of the employee. But two factors are considered as the pillar such as i) existing resources for building wellbeing and ii) the strength an individual possess such as optimism, hope, resilience, and self-efficacy, help in sustaining the mental health of the employee (Seligman, 2006 & Luthans et al., 2006). The research findings on Positive Organisational Scholarship (POS) and Positive Organisational Behavior (POB) confirmed that the wellbeing of the employee at work is the outcome of two factors such as: i) job satisfaction and ii) job commitment.

The wellbeing of a person is the combination of positive strength of the individual and psychological capacities. According to Luthans et al., (2007) PsyCap is the positive psychological development of the individual. It comprises of four elements: Hope, Efficacy, Resilience and Optimism (acronymed as HERO). As it is malleable, so it can be developed. According to Avey et al (2011) this notion opens an avenue at workplace for the enhancement of the employee wellbeing. These positive approaches strengthen the individual's inner potential which enhances the mental health and wellbeing of the employees which in turn contribute the organizational performance, organizational culture and productivity of the organization.

According to the Xanthopoulou et al., (2007) the positive inner strength of the employee also leads to enhancement of job satisfaction, motivation and wellbeing. Research findings confirm that there is a positive relationship between Psycap and wellbeing. PsyCap is one of the core constructs in positive psychology in the organisation which includes both hedonic and eudemonic types of wellbeing. It is an effective way of enhancing the wellbeing of the employee (Cubertson et al., 2010). According to Luthans et al., (2006, 2008) micro-intervention and internet-based interventions of PsyCap can enhance the various sub-elements of PsyCap such as hope, efficiency, optimism and resilience. This intervention will enable the organization to adopt their own strategies for enhancing the employee wellbeing on the basis of their resources available.

The enhancement of the organizational performance largely depends upon the mental health and wellbeing of the employee (Page & Vella-Brodrick, 2009). Workplace wellbeing is the

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key factor of enhancing job performance (Fisher, 2010) and reduces fatigue of the employee (Amornpipot & Burapharat, 2019). The term Workplace wellbeing (WWB) is subjective having varied connotations. It is beneficial both for the individual as well as organization. Due to technical advancement, workplace wellbeing ensures quality of life for the employee (Jeffery et al., 2006) and it leads to health, productivity, success and longevity (Diener, 2013). PsyCap and workplace wellbeing are positively related (Clubertson et al., 2010) which enhances workplace wellbeing of employees (Nguyen & Nguyen, 2012). WWB also attract and retain the talent for the innovation and growth of the organization (Baron et al., 2016).

All the elements of PsyCap are related with WWB. It generates positive emotions as well as better coping strategies, which enhances employee wellness (Heinitz et al., 2018). The relationship between PsyCap and WWB is empirically tested by Amornpipat and Burapharat (2019). They found that job burnout has been reduced and physical as well as mental wellness has been enhanced by PsyCap. In contrast, the work-related dysfunction resulted negative feelings among employees such as reduced depression, burnout, negative self-esteem which adversely affect productivity, health, as well as organizational performance (Wright & Huang, 2012). There is a positive relationship between PsyCap and employee wellbeing (Avey et al., 2011; & Baron et al., 2016). Research studies confirm that PsyCap predict workplace wellbeing (Brunetto et al., 2021; Imran & Shahnawaz, 2020). According to Alkahtani et al., (2021) the relationship between Psycap and wellbeing was considered “Yin and Yang”.

### CONCLUSION

According to Luthans et al., (2004) development of the psychological capital contributes positively for the sustainable competitive advantage. The Occupational Health Psychology (OHP) and behavioral researchers concluded that wellbeing of the individual is impacted by optimism (Carver et al., 2005), hope (Snyder et al., 2006), self-efficacy (Bandura et al., 2006), and resilience (Williams & Cooper, 1998). Research studies also states that PsyCap is malleable, means one can change it (Luthans et al., 2008, & Avolio et al., 2007). So, the intervention strategies can be adopted by the organization or management practitioner for development of various sub elements of PsyCap for the enhancements of the wellbeing of the employees in the workplace which in turn facilitate organizational effectiveness. In the competitive market environment, human resource development not only focusing upon the development of the knowledge, skill and abilities of the employee in the organization, but also development of the psychological capital of the employee. Both Psycap research and theory enable the individual to discover who they are and what can be developed within them through the self-introspection.

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### **Acknowledgment**

The author(s) appreciates all those who participated in the study and helped to facilitate the research process.

### **Conflict of Interest**

The author(s) declared no conflict of interest.

**How to cite this article:** Panda, S. (2023). Impact of Psychological Capital on Employee Wellbeing. *International Journal of Indian Psychology*, 11(3), 4682-4688. DIP:18.01.436.20231103, DOI:10.25215/1103.436