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A Study of Psychological Capital

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Abstract

The psychological capital includes four fundamental parts: Confidence (CO), optimism (OP), resiliency (RE), and hope (Luthans *et al.*, 2007) ^[10]. According to Luthans *et al.* (2007) ^[10], psychological capital is a source of both experiential and cognitive motivators. Studies on psychological capital have been carried out mainly in developed countries by Luthans *et al.* (2007) ^[10]. In developing countries, for example Vietnam, research on psychological capital has not been mentioned much or fully. It extends beyond social capital and human capital to create profitability. Psychological capital is a basic psychological aspect of positivity in general and criteria of positive financial conduct that are important to states in particular. Investment in who you are can provide you a competitive edge (Luthans *et al.*, 2004) ^[8].

Human nature and a healthy psychological state are both components of psychological capital (Avey *et al.*, 2009) ^[2]. This study discusses psychological capital based on theories such as the theory of psychology, the theory of organizational behavior, the theory of orientation and social cognition, cognitive mediation theory, the theory of expanding and building positive emotions, and the theory of employee psychological capital. This article presents the theoretical basis through a review of existing literature and related studies and provides more specific directions for further empirical analysis. This research has many practical implications and contributes to perfecting the theoretical framework on psychological capital in Vietnam today.

Keywords: Psychological Capital, Economics, Social Work, Theory, Business Administration

JEL codes: M10, A14, M10, O15

1. Introduction

According to Avey *et al.* (2011) ^[3], psychological capital significantly affects attitudes, behavior, and job performance. Both effort and employee maturity in their work are influenced by psychological capital (Nguyen, 2014; Porath *et al.*, 2012) ^[15, 17]. According to Luthans *et al.* (2013) ^[11], psychological capital is crucial for improving employees' ability to learn, professional skills, problem-solving abilities, and innovation in the workplace.

The psychological capital includes four fundamental parts: confidence (CO), optimism (OP), resiliency (RE), and hope (Luthans *et al.*, 2007) ^[10]. According to Luthans *et al.* (2007) ^[10], psychological capital is a source of both experiential and cognitive motivators. Studies on psychological capital have been carried out mainly in developed countries by Luthans *et al.* (2007) ^[10]. In developing countries, for example Vietnam, research on psychological capital has not been mentioned much or fully.

One of the top goals of a manager is to create the greatest value with the limited resources of the firm. The most important ingredient to building an effective business is that each individual and position in the business must have high performance.

The aim of this study is to discuss psychological capital in organizations. Accordingly, in addition to the introduction, the study includes part 2 presenting the research overview, part 3 presenting the research method, and part 4 presenting the discussion and implications.

2. Literature Review

2.1 Psychological capital

According to Luthans and Youssef (2004) ^[8], psychological capital is concerned with who you are. The psychological capabilities and actions of specific individuals are exploited by psychological capital (Luthans *et al.*, 2004) ^[8].

Positive organizational behavior produces psychological capital (Luthans & Youssef, 2004) ^[13], which indicates an optimistic assessment of any given circumstance as well as the likelihood of success based on one's positive efforts and tenacity (Luthans *et al.*, 2007) ^[10].

It extends beyond social capital and human capital to create profitability. Psychological capital is a basic psychological aspect of positivity in general and criteria of positive financial conduct that are important to states in particular. Investment in who you are can provide you a competitive edge (Luthans *et al.*, 2004) ^[8]. Human nature and a healthy psychological state are both components of psychological capital (Avey *et al.*, 2009) ^[2].

In the area of research on the effects of strategic resources on human performance, psychological capital is a type of strategic resource that is attracting growing interest (Ardichvili, 2011) ^[11].

2.2 Background theories

Theory of psychology, theory of organizational behavior, and theory of orientation and social cognition

Theory in psychology distinguishes between two types of human characteristics: personality type and psychological ability (Chen *et al.*, 2000) ^[5]. Based on the theory of organizational psychology, the theory of organizational behavior also distinguishes two types of employee competencies, which are (i) competencies belonging to personality and (ii) competencies belonging to mental states (Luthans *et al.*, 2005) ^[9]. Personality competencies do not depend on a specific job and are often difficult to change or stabilize over a long period of time. Meanwhile, psychological state capacity depends on each specific job and tends to change over time (Chen *et al.*, 2000) ^[5].

In organizational behavior, concerns about employee personality and psychological state have not received much attention from researchers. Personality is not specific to any one task or situation, and it tends to be stable over time. On the contrary, psychological states are specific to each specific situation, and they tend to be easily adjusted over time.

In social cognition and orientation theory, Bandura (2008) ^[4] suggests that self-confidence, hope, optimism, and resilience share an internal sense of direction, control, and belonging.

Cognitive mediation theory

Smith and Lazarus (1991) ^[19] developed cognitive mediation theory on the basis of the appraisal theory of emotional processes. Smith and Lazarus (1991) ^[19] assert that our emotions are determined by our appraisals of emotional stimuli coming from the environment. This appraisal acts as a mediator between emotional arousal and emotional response.

According to Smith and Lazarus (1991) ^[19], people are placed in situations in organizational life, and after evaluating the environment that affects their perception, they will have emotional reactions. Smith and Lazarus (1991) ^[19] also argued that cognitive activity is involved in interpreting the emotional context, emphasizing that the quality and intensity of emotions are controlled through cognitive processes, which are central to the relationship between people and the environment through coping strategies. Therefore, cognition is the basis of emotional response; in other words, cognition is considered the basis of emotional arousal.

The theory of expansion and construction of positive emotions

Fredrickson (2001) ^[7] was the first researcher to mention the broaden-and-build theory of positive emotions, which is closely associated with the field of positive psychology, exploring the function of positive emotions in building resilience. This theory is based on the notion that positive emotions can have the effect of broadening perceptions and responses to events as well as building adaptability and coping skills.

According to broaden-and-build theory, positive emotions should lead to the expansion of experiences and the building of resources (Fredrickson & Branigan, 2005) ^[6]. Specifically, this theory claims that positive emotions such as joy, interest, satisfaction, pride, and love, although phenomenologically distinct, all share the same extensibility. the basis of people's momentary thinking and build their long-term personal resources, from physical resources, such as coordination, coping with stress, and cardiovascular health, and intellectual resources, such as problem solving and creativity, to social resources, such as relationships, community, and friends, and psychological resources, such as psychological capital.

Theory of employees' psychological capital

Luthans and Youssef (2004) ^[13] developed, from the ideas of positive psychology, positive organizational wisdom, and positive organizational behavior, the psychological capital structure to assess an individual's psychological capacity, which can be measured, developed, and exploited for performance improvement purposes.

Positive psychology was introduced by Seligman (1998) ^[18] as a new trend in psychology. The author believes that positive psychology encourages emphasizing how to build people's strengths, such as characteristics, virtues, and talents, in order to make their lives more valuable and effective. The reason positive psychology is considered new is because it is seen as different or complementary to traditional psychology. Traditional psychology focuses only on mental illness and disease (Nolzen, 2018) ^[16]. According to Luthans *et al.* (2015) ^[12], despite certain achievements in finding effective treatments for mental illness and dysfunctional behavior, psychology in general pays very little attention to individuals with psychological well-being; positive psychology redirects psychological research toward the two neglected tasks of helping psychologically healthy people to be happier, more productive, and to realize their human potential. Recognizing the contribution of positive psychology to the formation of psychological capital, Luthans *et al.* (2015) ^[12] affirmed that the theory and research requirements of positive psychology have distinguished positive thinking, positive humanistic psychology, and personal development. This is an absolute prerequisite for Luthans *et al.* (2015) ^[12] to apply evidence-based positivity in the context of the workplace in the form of psychological capital. In addition to positive psychology, positive financial intelligence and positive organizational behavior are two major parallel and complementary trends created by the awareness of a prescriptive, science-based approach and the positive direction of researchers in organizational behavior and theory (Luthans *et al.*, 2015) ^[12].

3. Research Methods

This study uses a qualitative research method.

The literature search included works published from 1991 to the present.

A total of 19 sources were reviewed, abstracted, and analyzed to facilitate this review. The studies that were reviewed were chosen using the following criteria: (i) those addressing the resources that can help us learn more about psychological capital. (ii) Research focusing on the importance of psychological capital.

We also conducted interviews with leading experts in psychological capital. They are business managers of firms and senior lecturers with practical experience working for leading universities in Vietnam.

This paper presents the theoretical framework through a review of existing literature and related studies and provides a more specific direction for the ensuing empirical analysis.

4. Discussion and implications

The combined application of cognitive mediation theory and the theory of expanding and building positive emotions helps explain the close connection between elements of the organizational environment and positive emotions (through the process of cognitive processes) and psychological resources. Specifically, each individual is influenced by factors of the organizational environment. These influences will create emotional responses in each individual through their cognitive processes. At the same time, positive emotions such as joy, interest, satisfaction, pride, etc. will be able to expand people's temporary thinking base and build their long-term personal resources, including psychological resources. In other words, factors belonging to the organizational environment can contribute to the development of individuals' psychological resources.

Organizational administrators should focus on improving workers' confidence by providing training in expertise and skills and building a friendly working environment and organizational culture. In addition, empowerment is also one of the topics that leaders should pay attention to, creating an environment of mutual trust for both parties. Employees really need recognition and respect from administrators, expressed through giving them the right to self-determination and creating opportunities for employees to present their opinions in meetings. Leaders should listen and receive feedback from employees and need to assign highly challenging tasks to employees to stimulate them to improve their performance as well as set higher goals for their job. A difficult task is to convey the confidence of the administrator to the employee. The employee will have the feeling of being trusted and appreciated by their superiors.

Stubbornness is a psychological form that any person has (Masten, 2001)^[14]. It is important to know how to awaken this potential so that it becomes a real ability, utilized as a useful resource. Leaders should let workers know that the organization always accompanies workers; cheer and encourage workers when they encounter difficulties through solutions; and provide timely support and inspiration through stories of overcoming fate and examples of overcoming many difficulties. How many challenges and failures did it take to reach success?

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