



Psychological Capital: Impact of Hope, Efficacy, Resilience, and Optimism on Employee Retention

Author: Joy W. Taylor, Ed.D.

Table of Contents

Introduction.....	1
Free-Agent Labor Market.....	1
Talent Stagnation	3
Build a HERO With Psychological Capital	3
Moving Beyond Hope and Optimism to Efficacy and Resilience	4
Efficacy.....	5
Organizational Resilience.....	5
Developing Psychological Capital.....	6
Recommendations	6
The American HERO	7
Conclusions	8
References.....	9

Introduction

Now in its fourth year, an overview of The University of Phoenix Career Institute® 2024 Career Optimism Index® findings indicate that while career challenges such as financial stress, burnout, and mental health struggles continue, worker optimism for the future of their careers continues to be positive. This white paper focuses on key findings related to employees' efficacy as evidenced by their optimism in their abilities, resilience, adaptability, and personal fulfillment. Hope brings the possibility of something better and is associated with positive outcomes, increased confidence, courage, and resilience (Campbell, 2019). This paper investigates how the resources of hope, efficacy, resilience, and optimism propel workers forward, help them navigate challenges in the workplace, increase job satisfaction, and can lead to reduced staff turnover.

Free-Agent Labor Market

The United States (U.S.) workforce is changing, and employers have good reason to be concerned. As the U.S. continues to grapple with workplace impacts post-pandemic, according to the latest Career Optimism Index, 54% of Americans surveyed are either actively looking for a job or expecting to look for one in the next six months. Even though these numbers are concerning, 65% of survey participants stated they would be more likely to stay with a company throughout their career if it provided more opportunities for applying new skills, upskilling, and reskilling. This demonstrates that there is a window of opportunity for employers to address employee needs and thereby increase retention rates and job satisfaction in the workplace (Career Institute, 2024).

One of the impacts on the job market during and post-pandemic was a change in how and where employees performed their work. Employees had to pivot from traditional office settings to remote work or a hybrid approach. As a result, these sudden changes led to the dilemma of

employees initiating transfers to the next organization similar to methods employed by professional athletes who go out on their own as “free agents” to seek higher salaries when their contracts end. A free-agent labor market is one in which workers want to decide their schedule, or their own pace and own time commitments. Workers feel confident about available opportunities and will pursue their interests as opposed to collective organizational interests, even if those opportunities lie outside their current company (Career Institute, 2023). This can result in labor shortages and ultimately an employee-driven job market as workers freely transition from one opportunity to another rather than remaining with one company.

There are pros and cons for both employers and employees in a free-agent labor market. While employees can earn better salaries and align skills and interests with the right opportunities; reduced productivity can make them feel expendable. Likewise, employers can tailor hiring to candidates by selecting independent contractors who have the skills they require at the moment. The unfortunate result of this strategy is that hiring independent contractors is expensive and can prevent a company from building a strong in-house knowledge base or sense of community (Career Institute, 2023).

Employers are cautioned to recognize the shift in attitude demonstrated by workers. Nearly a fourth of survey participants (20%) expressed dissatisfaction in their current job with 42% expressing concern about losing their job due to a bad economy. This fear was coupled with 27% of Americans stating they do not feel empowered at work, and 53% saying they can be easily replaced (Career Institute, 2024). Regarding gaining new skills to enhance career development, 46% of American workers surveyed indicated a desire to have their job provide this training. It is important to note, however, that nearly as many, 40%, prefer to get these skills through learning on their own without taking a course (UOPX, 2024).

Talent Stagnation

An issue compounding the challenge employers are encountering with the impact of a free-labor market is the loss of business savings resulting from talent stagnation which can occur due to a variety of work conditions including employees feeling a decrease in career optimism, lack of a clear path for advancement, increased turnover, few intrinsic rewards, and loss of productivity (Career Institute, 2024). As evidenced in prior years, results demonstrate a disconnect between employer and employee mindset regarding opportunities for advancement. For example, within this study, 90% of employers in the survey felt their company provided workers with opportunities for advancement, compared to 69% of workers with the same impression. Likewise, 62% of employers feel their company offers opportunities for internal promotions and advancement, and only 36% of workers agree. To address moments of talent stagnation workers desire mentorship programs (49%), skills development opportunities (55%), options for internal mobility (55%), and clear guidelines for a career path (53%). A promising finding of the survey demonstrates that while workers desire to learn new skills and take on new roles, they do not necessarily desire to leave their current jobs as evidenced by 65% of workers stating that if their company gave them more opportunities to apply new skills, they would be more likely to remain there throughout their careers (Career Institute, 2024).

Build a HERO With Psychological Capital

Psychological Capital (PsyCap) is a theory embedded in Positive Organizational Behavior (POB) that focuses on guiding people to reach their full potential, increase performance, and develop a stronger sense of well-being within organizations (Luthans, 2004). Psychological Capital is a combination of four key resources outlined in the HERO model (Luthans & Youssef-Morgan, 2017). These psychological resources of hope, efficacy, resilience,

and optimism are considered to be “state-like” traits that can change and be developed with evidence-based interventions. The resource of hope is a cognitive process that links goals, pathways, and options for success. Efficacy connects with hope through the belief that one can control outcomes by modeling the positive experiences of others who are successful. Resilience, an internal resource, allows individuals to cope when faced with challenging situations. Finally, optimism helps people develop a realistic view of what they are facing and how to best approach a resolution (Luthans & Youssef-Morgan, 2017).

Moving Beyond Hope and Optimism to Efficacy and Resilience

Campbell (2019) suggests that a sense of hope brings with it a clarity of vision as it often leads to having a goal in mind, developing a course of action, and can lead to feelings of empowerment and reduced stress. Hope faces reality and motivates us to feel a greater sense of control over circumstances. This empowerment keeps us moving forward instead of feeling stuck (Campbell, 2019).

Hope is future-oriented and frequently emerges when challenging circumstances cause people to feel uncertain. Human emotions, such as fear, that emerge when faced with obstacles or difficult circumstances, can co-exist with hope. Chipman (2017) states that increasing hope does not require the elimination of the threat. Rather, it can be used as a catalyst for action. With hope, we can continue living because hope helps us see a way out leading to realistic optimism. This flexibility causes an optimist who typically has an unwavering belief in things working out to adjust his/her mindset to accommodate realistic expectations when presented with data and evidence to support an adjustment (Maor et al., 2022).

Likewise, with hope, we can live through tough times (Chipman, 2017). For example, most (68%) employees surveyed within the University of Phoenix Career Optimism Index note

they would consider staying at their current job if they thought things would change. There is an opportunity for employers who have a clear understanding of what drives career hope, efficacy, resilience, and optimism to address employee needs (Career Institute, 2024).

Efficacy

Managers and supervisors can boost self-efficacy in employees through professional development, coaching, goal setting, and by assigning challenging tasks. According to Bandura (1988), high self-efficacy affects learning and performance by influencing the goals employees choose for themselves since people with high efficacy tend to learn and perform at higher levels. Further, vicarious experiences such as seeing a co-worker perform a particular task can increase self-efficacy in situations where the worker being watched and modeled is seen as someone possessing similar abilities. For example, while a novice teacher may feel intimidated by a 20-year veteran educator, the self-efficacy would be greater when modeling a teacher with three to five years of experience: they are still new but have been teaching long enough to know various strategies. Organizational leaders should select individuals who tend to look within themselves to meet challenges since self-reflective employees are more likely to be motivated to engage in behaviors that will help them perform well in the workplace (Al Kahtani & Sulphery, 2022).

Organizational Resilience

Research conducted by McKinsey & Company (Maor et al., 2022) noted companies that cultivate organizational resilience can gain an important, lasting advantage over competitors as they turn obstacles into opportunities for sustainable, inclusive growth. The ability to bounce back from setbacks and challenges is an important trait in the workplace. This internal resilience empowers employees to better manage work-related stress with an open mind. Cultivating this resilience, however, can be difficult. To cultivate organizational resilience, companies will need

to think differently about how teams are structured and managed. Recommendations for doing so include maintaining flexibility, building self-sufficient teams with adaptable leaders, investing in current and future talent and culture, and dynamic decision-making (Maor et al., 2022). To protect the psychological safety of workers, organizations that have cultivated a resilient environment promote the idea to teams that it is okay to make mistakes, encourage teams to take risks, seek new solutions, and use potential failures as an opportunity to try something else, thereby allowing the worker to control their development (Maor et al., 2022).

Developing Psychological Capital

If Psychological Capital interventions are to be effectively developed, they need to be administered in the right environment. The resources of hope, efficacy, resilience, and optimism are not ranked in importance, but they are connected and can help to promote positive thinking patterns which may eventually replace deep-seated assumptions and beliefs when consistently applied over time. This applied transformation requires employees to be surrounded by an organizational climate that nurtures and supports them. When the developing employee is supported, empowered, recognized, appreciated, rewarded, and allowed to be authentic and innovative, while being treated fairly, Psychological Capital is likely to thrive and yield its desired outcomes in the workplace and extend beyond with a spillover effect leading to higher levels of well-being at the individual, team, organizational, family and community levels (Petersen, 2015).

Recommendations

Youssef-Morgan & Sundermann (2014) identified the characteristics of effective Psychological Capital development interventions. Initially, the intervention should lead to recognized, desirable outcomes that are a result of the intervention. These must be evidence-

based interventions rather than a management fad or pep talk. Secondly, the intervention should focus on manipulating malleable individual, group, or organizational strengths—aligning with the state-like nature of PsyCap. Next, the intervention must be different from and add value beyond existing programs. Last, but not least, the benefits of the intervention should outweigh its cost to yield a positive return on investment.

The American HERO

Based on the 2024 University of Phoenix Career Optimism Index survey results, hope propels American workers and helps them navigate challenges with 72% of participants indicating they feel in control of their careers. Similarly, 78% of participants feel hopeful about the future of their careers (Career Institute, 2024). It is important to note, however, that American workers' career optimism does not lie with their current employer. Instead, while the majority remain hopeful about their careers, their optimistic outlook is based on a sense of personal efficacy and resilience coupled with the resources of hope and optimism. There continues to be a significant gap between what American workers believe their employees do to support them, and what employers believe their companies are offering. While there is a disconnect between workers and employers, there is still room for optimism. Investing in employees' professional development by providing a clear path for advancement, opportunities for skill development, building on psychological safety by encouraging them to engage in risk-taking, providing effective models and mentors for them to emulate, and using evidenced-based interventions when confronting obstacles, should be viewed as internal investments in current and future organizational success.

Conclusions

Hope, efficacy, resilience, and optimism are not passive behavioral traits. They are open to development and can readily adapt and respond to relatively short training interventions. These traits allow organizational leaders and employees to re-identify goals and appreciate setbacks as opportunities for growth as well as keep us moving forward to a better future instead of feeling stuck by giving us a sense of control and increased confidence. Rather than depending on wishful thinking, these traits can be developed when employers intentionally provide proven support in the form of role models and mentors, professional development based on employee interests and priorities, building self-sufficient teams with adaptable leaders, investing in current and future talent and culture, and dynamic decision-making.

References

- Alkahtani, N. S., Sulphay, M. M. (2022). *A study on how psychological capital, social capital, workplace wellbeing, and employee engagement relate to task performance*.
<https://journals.sagepub.com/doi/pdf/10.1177/21582440221095010>
- Bandura, A. (1988). *Bandura's self-efficacy theory of motivation in psychology*.
<https://www.simplypsychology.org/self-efficacy.html>
- Campbell, P. (2019). *Why hope matters: Hoping we can make things better is the secret to doing it*. <https://www.psychologytoday.com/us/blog/imperfect-spirituality/201902/why-hope-matters?msclkid=21400043c02011ec9b3d486f22aa67e3>
- Career Institute, University of Phoenix (2023). *Career Optimism Index*.
- Career Institute, University of Phoenix (2024). *Career Optimism Index*.
- Chipman, I. (2017). *The value of hope: Stanford research shows that lacking hope may cost you – and others around you*. <https://www.gsb.stanford.edu/insights/value-hope?msclkid=de7e61afc02011ec92e29d4d9a809de7>
- Luthans, F., Luthans, K. W., & Luthans, B. C. (2004). Positive psychological capital: Beyond human and social capital. *Business Horizons*, 47(1), 45–50.
<https://doi.org/10.1080/03091928608245897>
- Luthans, F., & Youssef-Morgan, C. M. (2017). Psychological capital: An evidence-based positive approach. *Annual Review of Organizational Psychology and Organizational Behavior*, 4, 339–366. <https://doi.org/10.1146/annurev-orgpsych-032516-113324>
- Maor, D., Park, M., & Weddle, B. (2022). Raising the resilience of your organization. Building organizational resilience | McKinsey. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/raising-the-resilience-of-your-organization#/>

- Petersen, K. (2015). *Authentic leadership and unit outcomes: Additive and interactive contributions of climate and psychological capital*. PhD Thesis, Bellevue Univ., Bellevue, Neb.
- Youssef, C. M., & Luthans, F. (2007). Positive organizational behavior in the workplace: The impact of hope, optimism, and resilience. *Journal of Management*, 33(5), 774-800.
<https://doi.org/10.1177/0149206307305562>
- Youssef-Morgan C. M. & Sundermann D. (2014). *Positive interventions: from prevention to amplification*. In *An Introduction to Work Psychology*, ed. M Peeters, J de Jong, T Taris, pp. 458–80. New York: Wiley-Blackwell