

## ARTICLE

# THE RELATIONSHIP BETWEEN PSYCHOLOGICAL CAPITAL AND FINANCIAL PERFORMANCE OF EAST AZERBAIJAN PROVINCE TELECOMMUNICATION COMPANY, IRAN

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## ABSTRACT

Rapid technological development in recent decades has brought about a great revolution in all aspects of human life and activities towards a knowledge-based economy and paradigm change governing the industrial economy. As a result, today, we are observing a knowledge-based economy. Such economy is based on intangible assets and intellectual capital. In this environment, intellectual capital is considered a competitive advantage these days. This article aimed to identify and determine the effect of psychological capital on financial performance of East Azerbaijan Province Telecommunication Company, Iran. The sample size consisted of 181 employees working in East Azerbaijan Province Telecommunication Company. The variables are Self-efficacy, Resilience, Optimism, and Hope. The results indicate that psychological capital has a positive, significant relationship with the financial performance. The secondary hypotheses were also verified.

## INTRODUCTION

Until recently, three main capitals in a working environment were economic, human, and social capital. A successful organization was the one with each of above mentioned capitals. In recent years after the introduction of positive psychology followed by the positive organizational behavior, three mentioned capitals and experienced and professional human resources are not sufficient for the success of administrative, manufacturing, and service organizations. At the same time, positive features of employees are of great importance. The concept of psychological capital emerged with the introduction of positive psychology, positive organizational behavior and then the mixture of positive organizational behaviors and a central structure by Luthans et al. Psychological capital is a central structure which consists of Self-efficacy, Resilience, Optimism, and Hope. With the advent of the fourth type of capital in organizations, experts realized that the organizations without this capital, even if they are rich in other three types of capitals, would not be successful. The studies by Luthans et al. showed that strengthening psychological capital in organizations improve the performance by at least 10%. [1] In recent years, most empirical studies by Luthans et al. were conducted to examine the effect of psychological capital on organizational variables including job satisfaction, performance, and organizational commitment. The study concerning the effect of psychological capital on performance and job satisfaction among Chinese workers showed that psychological capital has a significant relationship with job satisfaction and performance [2]. Psychological capital is worth investigating from different aspects. First, psychological capital development, management, and investment can be one of appropriate methods in order to promote the competitive advantage of employees and organizations. Second, no empirical study has been done in Iran in this regard. Therefore, this article can be a solution to create a positive working environment in Iranian organizations. Third, psychological capital is a young one compared to other types of capital, so it can be an interesting topic for researchers. With the advent of positive organizational behavior, organizational studies were directed towards it. In this regard, the effect of positive features of employees on organizational variables is of great importance including self-efficacy, resilience, hope, and optimism. As a result, multiple studies have been conducted concerning the relationship and effect of each of above mentioned features on organizational consequences. The results show that if these positive behavioral features are located in a central structure, it would be effective in organizational consequences. This article aimed to study the effect of psychological capital on financial performance as one of key elements of organizational survival in East Azerbaijan Province Telecommunication Company, Iran.

## CONCEPTUAL DEFINITION OF VARIABLES

### Self-Efficacy

It is one's belief in one's ability to succeed in specific situations or accomplish a task [3]

### KEY WORDS

Capital, Employment, Financial performance,

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**Resilience**

It shows one`s capacity to recover quickly from difficulties. A set of attitudes and skills is required to increase resilience known as hardiness with three depositions namely commitment, control, and challenge [4]

**Optimism**

Optimists rely on general documents, have stable documents, associate their success with their internal abilities, and associate their failures with unstable and external factors [5]

**Hope**

As an internal force enriching the life, hope enables one to overview the status quo. Lack of hope declines the quality of life and creates disappointment and frustration [6]

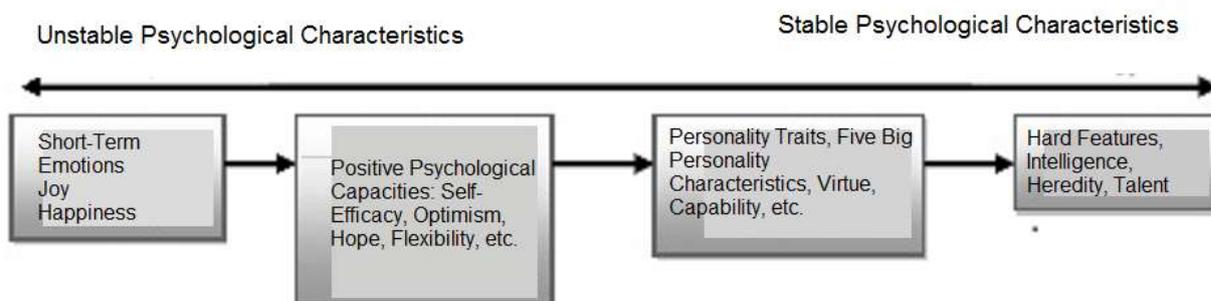
**Psychological Capital**

Psychological capital is rooted in positive, organizational behavior and positive psychology. Luthans defines positive organizational behavior as the positive application of HR capabilities and psychological capacities which can be measured to improve the performance in today`s working environment, developed and managed. Therefore, as most of theorists in this field state, positive organizational behavior is considered a response for such achievements [7] They try to fill the gap brought about by such approaches in work environment using new attitudes. Psychological capital is the main idea of positive, organizational behavior following the important scientific criteria as follows:1.Theoretical and research foundations, 2. Measurability and a valid evaluation tool, 3. Development and training capabilities and 4. Being unique in the field of organizational behavior [8] Researchers have identified four structures for psychological capital namely self-efficacy, hope, optimism, and flexibility [8]

Psychological capital is a positive psychological development mode characterized by the following features: commitment and efforts for the success in challenging tasks (self-confidence and self-efficacy), a positive reference regarding the present and future achievements (optimism), sustainability in objectives and the consideration of essential changes for achieving the goals (hope), and stability in the face of adversity and problems for success (flexibility). Theories and studies show that hope, optimism, flexibility, and self-efficacy are correlated and form a high-level construct known as psychological capital. Empirical studies support the convergence and distinction among these four positive psychological constructs [9].

**Selection and Promotion**

So far, a wide range of competencies and capabilities have been introduced for employee selection and promotion by theorists and researchers which are legally defensible according to their effects on employee performance and other organizational and individual variables. Yet, these variables cannot be controlled and intervened. Psychological capital is a state which can be measured, developed, and improved in work environment, making it distinctive. Like five personality traits, central self-assessment, capabilities, and virtues, psychological features cannot be developed [10]. Therefore, they can be only used as a tool to select but improve the results [11] because they are fixed and cannot be intervened for improving and developing.



**Fig.1:** Relationship and Difference between Psychological Features and States (Hoveyda, Frouhar and Jamshidian, 2011: 192)

Hoveyda, Frouhar, and Jamshidian (2011) stated that although awareness concerning the psychological features associated with one's personality can be a general predictor to find an appropriate person for a given role, psychological states can be better predictors for the successful implementation of assigned task and even growth and progress. Some studies show that, compared to the demographic features, self-assessment features, personality traits, Person-Organization fit, and Person-Job fit, psychological capital have higher added value for organizational results [12] For instance, the study by Seligman among insurance sales representatives showed that optimists who failed the professional sales skills test sold more than pessimists who passed the test [13] This study is of great importance of psychological capital rather than HR (knowledge, skills, etc.) and its role in predicting the next achievement in career path. Lunenberg (2011) also pointed out that since the ones with high psychological capital are motivated to participate in behaviors helping better performance can be better choices for job promotion. Yusef and Luthans (2009) proposed that positive psychological states, unlike technical skills, need to be taken into account for hiring the managers and employees. Such skills and competencies are the prerequisites for the selection and promotion of managers and leaders because individuals with higher psychological capital welcome challenges, have motivations, have a wider horizon, can better use the information, and influence positively on the performance. Hung and Lee (2013) showed that psychological capital plays the mediating role in work capital-work success. They added that psychological capital brings about individuals to use their own cognitive resources in order to maintain their motivational energy for adaptability and adjustment during their work. Such features make individuals use their abilities and motivation in order to cope with challenges. That is why theorists and researchers support the psychological capital evaluation prior to the employment and selection. Luthans et al. (2007) pointed out that the new leader of a leading hotel facing bankruptcy in Egypt decided to change the staff. He only asked one question in the interview concerning the level of hope for the future of hotel. It resulted in the prosperity of hotel by hopeful employees that were hired after the interview. This case study shows the need for staff with high psychological capital to cope with the challenge.

### Employee retention

One of the main HR management objectives is employee retention. Since retention measures are complementary to other HR management measures and processes, they alone would not lead to dramatic results even if hiring, appointment, and other personnel measures are well done. Hiring process of employees has become long, time-taking, and costly. On the other hand, official training in universities which become outdated in today's complicated environment is not sufficient for diverse and changing needs of organizations. As a result, organizations need to invest on employee training. This highlights the necessity of employee retention. In particular, today's knowledge-based employees take out a treasure of valuable experience and knowledge when they leave organizations. As a result, rival organizations easily hire other talents. Paying attention to the dimensions of psychological capital has always been one of the most important and effective factors affecting the determination of motivation, absence, and turnover. The study by Avi, Pottra, and West (2006) among engineers working in a high-tech manufacturing company showed that psychological capital has a negative relationship with the voluntary and involuntary absence from work. Avi, Luthans, and Jensen (2009) realized that individuals with low psychological capital are more prone to depression and, accordingly, turnover and job search behavior. The study by Roberts, Askyr, and Boyer(2011) showed that psychological capital declines the effect of job stress on non-citizenship behaviors. In their Longitudinal study, Avi, Versing, and Ketane (2011) figured out that psychological capital can play the role of positive emotions. It also has a positive effect on productivity by declining the employee stress. Psychological capital also has a positive relationship with job commitment and satisfaction of employees who tend to stay in organizations [14]. Luke (2011) showed that positive emotions have a positive effect on psychological capital. Psychological capital also has the meditating role in perceived job stress-job satisfaction relationship and ultimately turnover. The study by Herbert showed that psychological capital has a negative relationship with job stress and burnout. It has a positive relationship with job passion. All above mentioned issues are directly or indirectly associated with the willingness to stay in the organization. Therefore, psychological capital can directly or indirectly decline the loss in organizations by declining the adverse organizational results and increasing the optimal, organizational results as well as creating competitive advantage. It seems that psychological capital has at least three impacts: first, organizational culture and environment for creating a positive and happy working environment; second, financial and economic performance directly or indirectly; and third, physical, psychological, emotional, and behavioral effects which can lead to the increasing scope of thinking and measures according to the Ferdickson theory of creation and expansion (2004). Hence, these employees can identify and create more resources to face the upcoming challenges. This theory states that positive emotions develop thinking processes such as creativity and brainstorming, leading to the creation of resources. The process is repeated until some positive psychological aspects bring about the possibility of other positive psychological aspects in working environment [15] This is consistent with emotional contagion perspective [16] For example, this perspective proposes that something simple as

positive emotions by managers not only strengthens the positivism in managers but also increases it among the employees [17], meaning that positivism propagates in the organization through the employees especially through the leaders due their influence on employees. Therefore, psychological capital can have a positive impact on organizational environment and helps the safe organizational environment [18] This enhances the willingness to stay in organizations. In total, it seems that psychological capital is potentially capable of tolerating uncertainties, challenge, and creating positive working environment, and in general organizational attractiveness. This eventually leads to the employee retention.

## HYPOTHESES

### Main Hypothesis

Psychological capital is effective in financial performance.

### Secondary Hypotheses

Self-efficacy has a positive effect on financial performance.

Resilience has a positive effect on financial performance.

Optimism has a positive effect on financial performance.

Hope has a positive effect on financial performance.

## METHOD

This is an applied, descriptive survey because this article aimed to study the relationship among the variables. Data were analyzed using SPSS. Correlational method was employed for the data analysis and hypothesis testing in order to determine the interaction among variables. Multiple coefficient of determination (R<sup>2</sup>) is used to evaluate the model efficiency. It showed that to what extent the model is consistent with the data and what percentage of variance determines the independent variable.

### Hypothesis Testing

H0: Psychological capital is not effective in financial performance.

H1: Psychological capital is effective in financial performance.

**Table 1:** Pearson Test for Main Hypothesis

Variable	Determination Coefficient	correlation Coefficient	Sig. level
Psychological Capital	0.26	0.52	0.00
Financial Performance			

According to [Table 1], correlation coefficient is 0.52 between psychological capital and financial performance. Therefore, at 99% confidence, null hypothesis is not verified. The alternative hypothesis states that psychological capital has a significant relationship with financial performance. The determination factor is 0.26. It means that 26% of variance of financial performance is determined by psychological capital variance.

### First Secondary Hypothesis

H0: Self-efficacy has no positive effect on financial performance.

H1: Self-efficacy has a positive effect on financial performance.

**Table 2:** Pearson Test for the First Secondary Hypothesis

Variable	Determination Coefficient	correlation Coefficient	Sig. level
Self-Efficacy	0.24	0.50	0.00
Financial Performance			

According to [Table 2], correlation coefficient is 0.50 between self-efficacy and financial performance. Therefore, at 99% confidence, null hypothesis is not verified. The alternative hypothesis states that self-efficacy has a significant relationship with financial performance. The determination factor is 0.24. It means that 24% of variance of financial performance is determined by self-efficacy variance.

### Second Secondary Hypothesis

H0: Resilience has no positive effect on financial performance.

H1: Resilience has a positive effect on financial performance.

**Table 3:** Pearson Test for the Second Secondary Hypothesis

Variable	Determination Coefficient	correlation Coefficient	Sig. level
Resilience	0.23	0.43	0.00
Financial Performance			

According to [Table 3], correlation coefficient is 0.43 between resilience and financial performance. Therefore, at 99% confidence, null hypothesis is not verified. The alternative hypothesis states that resilience has a significant relationship with financial performance. The determination factor is 0.23. It means that 23% of variance of financial performance is determined by resilience variance.

**Third Secondary Hypothesis**

H0: Optimism has no positive effect on financial performance.

H1: Optimism has a positive effect on financial performance.

**Table 4: Pearson Test for the Third Secondary Hypothesis**

Variable	Determination Coefficient	correlation Coefficient	Sig. level
Optimism	0.21	0.40	0.00
Financial Performance			

According to [Table 4], correlation coefficient is 0.40 between optimism and financial performance. Therefore, at 99% confidence, null hypothesis is not verified. The alternative hypothesis states that optimism has a significant relationship with financial performance. The determination factor is 0.21. It means that 21% of variance of financial performance is determined by optimism variance.

**Fourth Secondary Hypothesis**

H0: Hope has no positive effect on financial performance.

H1: Hope has a positive effect on financial performance.

**Table 5: Pearson Test for the Fourth Secondary Hypothesis**

Variable	Determination Coefficient	correlation Coefficient	Sig. level
Hope	0.20	0.37	0.00
Financial Performance			

According to [Table 5], correlation coefficient is 0.37 between hope and financial performance. Therefore, at 99% confidence, null hypothesis is not verified. The alternative hypothesis states that hope has a significant relationship with financial performance. The determination factor is 0.20. It means that 20% of variance of financial performance is determined by optimism variance.

**CONCLUSION**

Psychological capital is a modern and important topic in HR management and organizational behavior. As stated, psychological capital considers employee potentials and capacities. Weaknesses and problems are solved through strengthening the strong points [19]. This modern approach has a unique feature in order to create the sustainable competitive advantage in organizations. Another feature of psychological capital is that it is beyond the recognized social and human traditional capital [20]. Psychological capital has important implications for attracting, promoting, and maintaining in contemporary organizations. Along with its positive impact on various individual and organizational variables, psychological capital cannot be imitated [21], making psychological capital a sustainable competitive advantage for the contemporary organizations. In total, managers need to empower their employees by effective psychological capital management in order to effectively cope with the problems. This way, they will help convert the internal and external threats into opportunity and maximize the use of opportunities. Finally, psychological capital dimensions (self-efficacy, resilience, hope, and optimism) have a positive, significant effect on financial performance.

**CONFLICT OF INTEREST**

There is no conflict of interest.

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**FINANCIAL DISCLOSURE**

None

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