Employee Engagement and Positive Psychological Capital

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Employee engagement, or the complete cognitive, emotional, and physical immersion of the self in one's work, is often touted as the pinnacle of positive employee attitudes. There is robust research to support this claim: Higher levels of employee engagement lead employees to perform work of higher quality (e.g., fewer errors), to be more committed to the organization, to be more likely to go above-and-beyond for the organization, and leave the organization at a reduced rate. As a result, organizations realize observable gains in productivity and employee replacement costs plummet. Further, engaged employees are more interested in and capable of forming strong connections with customers, as demonstrated in studies that link employee engagement to lower customer attrition rates and higher customer spending rates.

An engaged workforce, then, appears critical to developing and maintaining high-quality customer service relationships. As a consequence of the robust utility of engagement, researchers in a recent *Organizational Dynamics* article assert that employee engagement should also be included as an a fifth element in the Kaplan and Norton's Balanced Scorecard, in addition to the traditional four elements: financial, customer, internal processes, and learning and growth. The authors rightly argue that the relationship between employees connecting with and delighting customers and positive financial results from the employees' efforts warrant such an inclusion. Beyond this article, popular press examples of such a linkage can be found at companies such as Whole Foods, Costco, and Zappos, where a customer-centric and employee-centric culture purportedly drive organizational performance.

Despite its renown, there are few practical guides that are rooted in peer-reviewed and evidence-based research on how to develop employee engagement, as well as what specific outcomes to expect from engaged employees. Therefore, the purpose of this paper is to (1) provide a framework for understanding existing research on predictors of employee engagement, (2) expand that framework by describing a new predictor and enhancer of employee engagement rooted in one's own psychological state, Psychological Capital (PsyCap), and (3) provide managers and leaders with case studies that illustrate how to improve employee engagement through the use PsyCap. Here we will specifically draw on our recent qualitative and quantitative research gleaned from several diverse organizations to both make the case for the importance of PsyCap and to illustrate how leaders can improve the PsyCap of their followers through behaviors and cultural shifts.

PREDICTORS OF EMPLOYEE ENGAGEMENT

Engagement occurs when one is completely immersed in a job. The personal resources of effort and attention are directed fully toward the work. As such, existing research on employee engagement by and large draws from a resource

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perspective. A recent meta-analysis draws the following resource-based conclusions: First, burnout, or the feeling of exhaustion from one's job due to over-taxing of personal resources such as time and energy, hinders engagement. Related, job demands that require excessive resources with little return create barriers to growth, learning, or reaching personal goals also inhibit engagement. Second, job resources, or features of one's job that improve one's ability to reach goals or advance oneself, improve engagement by providing a cognitive and emotional context for focusing on one's preferred work. Resources are often diverse and idiosyncratic in their value, but include opportunities such as mentoring, having a flexible work schedule, or functional training. Job demands that challenge an employee also improve engagement because the resources used to meet the demand are quickly regenerated via reaching the goal. Here, like a muscle, pushing employees to (but not past) their limit improves learning, efficacy, and resolve over time.

A plethora of research exists to support a resource-based model of employee engagement, yet a formal categorization of this research has not yet been developed. Here we organize known predictors of engagement by viewing them as *capital, or a store of common resources that an employee can chose to draw from or can exert as needed or required.* A synthesis of research on employee engagement reveals three forms of capital: (1) human capital, or what you can functionally do at work based on innate or learned qualities, (2) social capital, or who you know and how you can leverage those connections at work, and (3) family capital, or the level of support you have in balancing work and life demands. Each of the forms of capital (human, social, and family) provides a different way of looking at the disparate dimensions that can affect employees' ability to feel engaged with their work. We next review these forms of capital and suggest that a fourth form of capital, now recognized as psychological capital, may also be a pivotal and critical influence on engagement.

HUMAN CAPITAL

Many separate studies link aspects of human capital to employee engagement. Human capital contains two elements: generic human capital and unit-specific human capital. Generic human capital relates to the knowledge, skills, and ability of an employee that are brought into the work environment, such as education received in school or general mental ability (GMA). The unit-specific human capital relates more to the specific needs of the organization. Improvements in these skills can be made through training or other developmental opportunities, mentoring, work design, or cultural attributes that would enhance the development of the individual's knowledge, skills, and ability. Human capital has a direct relationship with engagement: Employees with more "how to" knowledge are more capable of expressing themselves through their work, becoming immersed in their tasks, and understanding and reveling in the complexities of their responsibilities. These are all indicative of employee engagement.

SOCIAL CAPITAL

The concept of social capital considers the individual's relationships with others, relationships between her group and other groups, and her relationship with the broader organization to which she belongs. Social capital theory includes the notion of the quality of the relationship with the manager and the fit of the employee with the organization. The development of and strength of social networks on and off the job improve social capital. These personal relationships can facilitate the employee's ability to cope with stress and with the challenges of a working environment because these relationships can be a source of support, advice, or coaching. Further, more and higher quality relationships within an organization will dictate the strength of successful integration with the organization. This concept relates to an assessment of person-organization fit. Social capital is critical to developing engagement. Specifically the strong bonds, friendships, and ties afforded by increased social capital enable an employee to see how his or her task impacts others in the organization, as well as the organization's larger product. This deeper understanding of one's role enables employees to foster a more meaningful connection with their work and understand the criticality of their work, both hallmarks of engagement.

FAMILY CAPITAL

An emerging area of study relates to the work-family balance of an employee and how that balance, or lack thereof, affects employee engagement. It has been found that a more balanced relationship between work expectations and home expectations creates a more positive attitude in the work environment, which supports higher work engagement. Here an employee with work-life balance has the cognitive resources at work to be engaged; home demands do not linger on one's consciousness while at work. For example, health issues, financial problems, and problems with members of the family could all create a diversion from focusing on one's work experience during working hours, depleting the attention and energy needed to be engaged. More subtly, employees' beliefs about their ability to be effective at home, specifically to meet the demands of home life, also contribute to their feelings of work-life balance. This suggests that work-life balance is, at least in part, dependent on work and home temporal and investment expectations. Employees who can successfully detach from their home life and work life, when appropriate, can more swiftly delve into their work, another indicator of engagement. Further, organizations that support this balance, be it through flexible work arrangements, output-based performance criteria (rather than hours-worked-based performance criteria), and a supportive work-life balance culture often have more engaged workforces.

PSYCHOLOGICAL CAPITAL

Heretofore we have examined how a capital-based perspective on employee engagement provides a framework for organizations to understand the groups of resources underpinning employee engagement. Simply, this perspective finds that employees with more resources — be it from human, social and/or family capital — are most capable of feeling engagement. It is from this tenant that we now turn to a more recent, but generally ignored, fourth form of capital that

may be critical to developing employee engagement. While the more traditional forms of capital that focus on assessment of one's abilities and external resources have received considerable research attention (e.g., human capital is an assessment of one's talent- and knowledge-based resources; social capital is an assessment of one's external network resources and that network's utility; and family capital is an assessment of one's external work-life support systems), psychological capital and its emphasis on internal self-appraisal has been paid relatively little attention. Generically, Luthans and colleagues articulate the underlying psychological mechanisms of PsyCap as "who you are" and "who you are becoming." As such, psychological capital represents a form of capital that reflects internal resources, specifically positive psychological resources that one can draw from in order to succeed—not simply one's abilities in and of themselves, or resources provided by others.

It is critical to analyze psychological capital's role in developing employee engagement because engagement does not develop in a vacuum: it is influenced by an employee's internal capability to draw on existing capacities or resources, which influence the likelihood of being engaged. For example, a highly educated employee, that is, an employee with large amounts of human capital, who works in a dead-end or low-skilled job, will rarely feel engaged. In this way, human capital by itself does not guarantee engagement. The employee's hope (one component of PsyCap, discussed next), on the other hand, is the belief that he could use the aforementioned low-skilled job as a stepping stone to his dream job and will improve his engagement. Here "hope" could be considered as the internal resource that provides the context for the relationship between human capital and engagement.

We next describe the core tenants of positive psychological capital or PsyCap. In doing so, we use results of our recent study on psychological capital and engagement to connect those tenets to the development of engagement and describe how psychological capital can enhance the three existing forms of capital. Finally, we provide explicit description of how leaders can use psychological capital to improve engagement through real-world case examples.

EVOLUTION OF POSITIVE PSYCHOLOGICAL CAPITAL

Positive psychological capital (PsyCap) was termed and formulated by Luthans over a decade ago and with colleagues has an expanding theory- and research-based body of knowledge. Drawing on its roots in positive psychology and positive organizational behavior, he defined PsyCap as "one's positive appraisal of circumstances and probability for success based on motivated effort and perseverance." Importantly, PsyCap is state-like and open to change and development as compared with largely fixed traits such as personality. PsyCap being a state-like construct is significant because it means that it can be modified by training interventions, and we propose by leadership, to improve follower engagement. Before exploring how leaders can practically influence followers' PsyCap, that in turn enhances their engagement, we will first review the four first-order dimensions that make up the core construct of PsyCap: hope, efficacy, resiliency, and

optimism. We propose that each makes a unique contribution to employee engagement.

HERO: THE FOUR DIMENSIONS OF PSYCAP

After an extensive review of the positive psychology literature, four constructs aligned the best with Luthans' inclusion criteria for PsyCap: A foundation based on theory and research, having valid measurement, being state-like and thus open to development, and having performance impact. The four positive resources that best met these criteria were *hope, efficacy, resiliency, and optimism* (HERO). Luthans, Youssef, and Avolio in their PsyCap book incorporate these four in their widely recognized comprehensive definition of PsyCap as:

> . . .*an individual's positive psychological state of development that is 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.*

Each dimension is now discussed in more detail.

Hope: C. Rick Snyder provided the elements of hope, which consists of agency, pathways, and goals. Agency relates to "the belief in one's capacity to initiate and sustain actions." If the individual feels in control of environment or her own ability to influence a course of action; then she can be an agent to affect an action. Pathways relate to the person's individual belief that different courses of action are possible and under the control of the individual to reach a particular outcome. A third element relates to the centrality of goals and the belief of the individual in the ability to reach goals. Hope has a direct relationship with engagement. Engagement involves being completely devoted to one's task, and this devotion is sparked by feeling in control over the task (encompassed in agency—pathways) and one's achievement of the goals related to the task (influenced by goal centrality). Indeed our quantitative research of six distinct companies found that the PsyCap dimension of hope and engagement had a statistically significant, positive relationship.

How leaders influence hope: Leader behaviors can strongly influence employee feelings of hope. Specifically, leadership actions that clearly communicate performance expectations that have been developed in a way that are reflective of an individual employee's talents and capabilities will bolster hope. Further, leadership actions that structure a task environment that allows for both interdependence and independence provides employees with a perception that they have control over the ways and means of reaching goals. Results from our quantitative research support this statement, demonstrating that feelings of hope connect to employees' assessment of work method, decision-making autonomy, and feedback quality to their engagement.

Efficacy: Efficacy relates to the levels of the confidence that an individual has in his or her ability to complete a task

or take a specific action. This well-spring of confidence provides an appropriate context for engagement: employees feel comfortable with their task and employees feel that they are working toward specific goals and are masters of their task. From this context feelings of immersion in one's task increase, making engagement a greater possibility. In fact, we found empirical evidence for this direct link between efficacy and engagement even after controlling for several human capital factors that could also influence mastery (namely education, job experience, organization experience).

How leaders influence efficacy: Famous psychologist Albert Bandura determined four sources that could influence the level of personal perceptions of self-efficacy: mastery of the task, learning through modeling or vicarious learning, encouragement from others or positive feedback from performance, and physiological or psychological arousal. This is highly instructive for leaders: leadership behaviors that support skill development, that foster a climate of support for training, and provide clear, actionable feedback will improve efficacy. These sources of efficacy also suggest that hands-on learning is critical to improving efficacy. Trial-and-error learning, small-group modules, and safe spaces for practicing new skills are all learning environments that leaders should support in order to improve efficacy. Our research supports this: we found that feedback quality, robust training opportunities, and leadership task support all had a significantly positive relationship with feelings of efficacy.

Resiliency: A person is resilient, according to positive psychologist Ann Masten, if he or she still works toward a desired outcome in spite of serious threats, setbacks, or maladjustments. She believes that there are several judgments that the subject makes related to their continued efforts. One is their assessment of the risks associated with the effort. An example would be if the individual has had past failures or has vicariously seen past conditions that led to failures to reach the desired performance. Another judgment relates to the individual's ability to cope with the risk and navigate his or her efforts to persistence in the face of threats to reaching the goal. Employees who can influence others in order to thwart risk also experience more resilience, as do those who are effective at coping with realized risks. Resiliency is critical to sustained engagement. Engaged employees are active in their task environments: they want to discuss, improve, master, and manage aspects of their task in order to achieve an optimal outcome. Such a perspective requires an employee to be particularly comfortable with setbacks, or resilient. Our recent research also supports this claim: there is a strong, positive relationship between resiliency and employee engagement.

How leaders influence resiliency: Leaders can take an active role in improving resiliency of followers. A leader can modify resiliency through providing the resources or support that aid an employee's ability to continue on during more trying conditions. For example, leaders can create an environment of psychological safety, that is, a work environment where failure is not derided. This connection is clear in our quantitative research, particularly for employees who have worked with their leader for shorter amounts of time. Further, leaders can provide task support when needed such that the employee feels as though there is an outside resource that he or she can draw on in times of need. We also found that task and social resources from the manager had a clear connection with feelings of resiliency.

Optimism: Optimism relates to one's perception of the probability of a positive outcome. Like the previous dimensions, control is an important element of optimism: employees must feel that they control their own destiny or else the positive outcome may never be realized. Optimism is also central to engagement. Employees who work intensely on a task, devoting critical emotional, physical, and cognitive resources to their work, do so with the understanding that a positive outcome will be realized from their efforts. Without optimism, the likelihood of engagement dwindles, because the positive effect of engagement is less apparent. We found support for this relationship in our recent research of six organizations: optimism had a direct, positive relationship with engagement.

How leaders influence optimism: Here, too, leaders may take an active role in developing optimism among their followers. Specifically leaders can promote discussion of goals, rather than make unilateral goal decisions. In this way, the set goals will be more reflective of the employee's capabilities and less likely to be unrealistic, which would erode optimism. Leaders can also situate the task environment such that success is most likely: the necessary support, equipment, and social connections should be supplied by the leader in order to create a task atmosphere in which the employee feels success is most likely. To this point, in our quantitative research we found a positive relationship between leader provision of task support and feelings of empowerment and optimism.

PSYCAP'S INFLUENCE ON OTHER FORMS OF CAPITAL

In addition to directly impacting engagement, PsyCap also can enhance the influence of the more traditional forms of capital — human, social, and family — on engagement. The interaction of PsyCap with the other forms of capital stems from PsyCap's influence of how one comes to better understand one's self. Put another way, PsyCap can provide a lens through which to see one's other forms of capital and can distort or enhance perceptions of the resources underpinning that capital depending on its strength.

Human capital and PsyCap: Human capital focuses on the attitudes, abilities, and skills of an employee. The capital requirements of an employee's job can be used as a screening device in the hiring process or as a focus of training programs for those on-the-job. While lower PsyCap will not directly reduce the knowledge, skills, and abilities of an individual, it can deny the individual the confidence needed to be successful on a task and/or exhibit on-the-job behaviors. For example, employees who lack resiliency will give up easily when their existing skills are taxed but not exceeded, and employees who lack hope will not understand the connection between their innate talents and personal goal achievement.

Despite having human capital in these situations, the employees will not realize engagement without resiliency or hope. (Of course, the amount of resiliency or hope required for one's job is dependent on the complexity and difficulty of one's task.) Lower PsyCap may also reduce the

effectiveness of developmental approaches. Employees who are not confident in their ability to put new knowledge to use (lower efficacy; lower optimism) will not realize a positive connection between improved human capital and engagement. In this way, organizational expenditures on training or education may go unrealized unless efficacy and optimism are also optimized. From a more positive perspective, greater PsyCap can inure employees from setbacks due to a lack of human capital, or enhance an employee's ability to utilize skills and knowledge by giving them the fortitude and enthusiasm to reach their goals. As an example of this conclusion, our research found that employees with greater psychological capital had a stronger connection between education and engagement. We also found that for employees in more complex jobs, the relationships between several forms of human capital and engagement were stronger when resiliency was greater.

Social capital and PsyCap: Social capital is, by its definition, highly relational in nature. The extent to which this form of capital can be leveraged to improve engagement, however, it is contingent upon PsyCap. In tapping one's social network for support, mentoring, advice, or connections, one must believe that the outcome will be positive—that is, one must be optimistic that his or her network will enable a goal to be achieved and be hopeful that the social capital via connections gained are fruitful to achieving a goal. Further, when resiliency is high, employees may look more closely and expansively at their social capital because they will return to the social capital numerous times after each setback. We found some evidence of this moderation effect in our recent data collection; employees with greater psychological capital had stronger connections between team trust and identification (markers of social capital) and engagement.

Family capital and PsyCap: As discussed, adequate work-life balance enables engagement by freeing up the cognitive and emotional resources needed to connect with one's work. PsyCap only serves to enhance this feeling. While work-life balance makes available cognitive and emotional resources, PsyCap enables those resources to be sustained. For example, employees devoting complete attention to their task (rather than family obligations) can improve focus even more if the task is manageable and if training is available for when they want to delve deeper into the task. Our quantitative research supported this: Across six companies and more than 500 employees, those with work-life balance felt more engaged, but this relationship was significantly positive only when PsyCap was greater.

PRACTICAL GUIDELINES IN USING PSYCAP TO INFLUENCE ENGAGEMENT

Heretofore we have discussed our preliminary quantitative research results that connect PsyCap and engagement. We now use our qualitative research to guide a practical discussion of the influence of PsyCap on engagement. Using results of five case studies we have conducted we illustrate specific leader behaviors, leader-imposed structures, and cultures created by leaders can influence PsyCap, and in turn, employee engagement. We also connect engagement to specific outcomes.

CASE 1—TASTY CATERING

Tasty Catering, a catering firm located in a Chicago suburb, has a core of about 100 employees. It has been in business for several decades, starting as a hot dog stand in Chicago. The company practices Immanuel Kant's notion of ''freedom and responsibility within the culture of discipline'' as one of their culture values. The concept, as practiced, is that an employee should have freedom to make decisions within his or her defined areas of responsibility. In a practical sense, this means that broadly defined goals, metrics on performance, and organization-driven values set the boundaries for individual behavior. However, within those broadly defined boundaries, the employee has the freedom to determine how to attain those goals. Here is how this emphasis on Kant occurred.

The three brothers who owned the catering company faced a bit a challenge when two of the top employees being groomed for senior leadership positions threated to quit unless there was a change in culture. The brothers, who practiced a command and control philosophy that the two future leaders objected to so strongly, took notice because the brothers were nearing retirement and were counting on the young leaders to carry the company on into continued profitability (providing the owners with a retirement income). So the brothers reached out to find out how to better lead the organization to support the young leadership team. Using Collins' book, *Good to Great*, they developed teams to refocus the culture. It was an interesting process, as about half of the employees were Hispanic and some were less fluent in English. So copies of *Good to Great* were purchased in Spanish and English. Once the team had formulated the value statement, mission, and goals, they were printed in English and Spanish and placed in multiple locations around the building. The culture became so strong that the value statement is recited by teams throughout the company at the beginning of each meeting and on-site right before a catering event. The caterer's values, which were designed by an employee team, are simple:

1. always moral, ethical, and legal;
2. treat others with respect;
3. quality in everything we do;
4. high customer service standards;
5. competitiveness: a strong determination to be the best;
6. an enduring culture of individualized discipline;
7. freedom and responsibility within the culture of discipline.

We observed the culture was acting as a bonding agent. The common mission and goals developed transcended language barriers, making two seemingly disparate groups (English- and Spanish-speaking) cognitively coalesce around organizational values. [We also found this approach used at another of our cases, NewStream Enterprises, which similarly employs a significant body of Spanish-speaking-only workers. In addition to communicating to non-native workers about the mission and values in Spanish, NewStream Enterprises goes one step further, making it known that no employee would be excluded from advancement due to a language barrier.]

Moving from a command and control leadership approach to a more "trust and track" approach, marked with more employee autonomy in decision-making, improved the relationship between leaders and employees. It was apparent that instead of a "them and us" perspective, a strong team mentality occurred. Both leaders and employees used the term "We" in the new culture. The relationship was further improved through the brothers' insistence on employee input into the development of Tasty Catering's values. Here employees experienced a stronger person-organization fit as they realized that they had an important voice at Tasty Catering, and were not simply a source of revenue for the brothers.

A specific example from this company illustrates the importance of autonomous decision-making and trust between leaders and organizational members. At Tasty Catering, the workforce was kept informed of the financial situation of the organization. After a sharp downturn in the economy, the brothers apprised the workforce that if sales fell to a particular level, the owners would ask full-time employees for a list of five people to lay off. Unfortunately sales fell and the trigger point was reached.

At the team meeting to decide whom to let go, the brothers approached the full-time employee team and said, "Whom did you decide to be included in the reduction in force?" The team leader asked two questions, "Is this company going to survive?" The brothers said, "Yes." The team leader then asked, "Are all of us part of a family at this company?" The brothers said, "Yes." Then the team leader said. "Then we have decided to lay off no one!" The brothers, who had already significantly cut their salary, were about ready to explode, but the team leader quickly added: "We have decided that all the employees will reduce their hours and have calculated by doing this you will save more than just saving the cost of laying off five employees." The brothers were impressed, but cognizant that this would lead to hardships for the employees. So the brothers set up a loan fund for the employees to borrow money at a point or two above prime to help them through the difficult period. Once the business picked up, all the employees who had loans repaid them. The end result was dedicated and engaged employees.

Tasty catering, PsyCap, and engagement: In talking with Tasty Catering, it is clear that employee engagement is high: employees are devoted to their work, discuss constantly how to improve their productivity, and feel connected to the outcomes that they achieve. Through a qualitative analysis of hope, efficacy, resiliency, and efficacy (collectively PsyCap), it becomes apparent how their engagement develops. Generally, the revision to Tasty Catering's culture, brought about by collaboration between the brothers who owned the company and all of its employees, provided a context for engagement by improving PsyCap.

First, the culture's emphasis on individual responsibility set forth the pathways to build hope, as did the culture's emphasis on personal goal setting. Once employees feel hopeful of success and the future of their jobs and company, engagement grows. Second, the brother's involvement of employees in volatile situations, like the laying off of part of the workforce, enabled workers to both anticipate negative consequences and accurately assess risk to their jobs, both indicators of resiliency. Rather than feeling subsumed by anxiety and worry, the active role Tasty Catering allowed

their employees to take during times of financial hardship to focus on solutions to the problem at hand allowed them to move on and focus on their work. In other words, doubt and distraction did not draw cognitive resources away from their work, and resulted in improved engagement. Third, the transparency of Tasty Catering's financial information enabled employees to understand more clearly the link between actions now and success in the future, inspiring optimism. This transparency also fed into a culture of mutual commitment, where expectations of both employees and leaders were clearly defined.

As a further example, at Tasty Catering the CCO (chief cultural officer) coordinates a weekly e-mail called, "Inside the Dish," which provides the financial position and employee comments about the previous week and positive aspects of each unit's performance. The weekly e-mails can inspire employees as they learn new approaches and see favorable outcomes of their efforts, leading to increased perceptions of efficacy. Efficacy was also targeted for improvement at Tasty Catering through training programs. The company developed a "university" that taught a diversity of courses from English as a second language (ESL) to catering skills, leadership training and customer relationship management. This furthered employees' feelings of mutual support and caring and seemed to improve psychological efficacy from our discussions with employees and the senior leadership team. Having the social support and encouragement from the team members and from the larger organization led the individual employees to a sense that they can and will be able to meet the goals that they have created. From these conditions comes the height of all goal-directed behavior, engagement.

Tasty catering and leadership lessons: From Tasty Catering we can make clear recommendations to leaders on how to improve engagement through PsyCap: inclusion of employee ideas and voice in the value-setting and goal-setting of an organization is critical to developing the hope, efficacy, resilience, and optimism. Leaders who provide employees with agency over the direction of the organization (or the direction of a unit, for lower-level managers) create a culture of shared values and mutual respect insofar as the derived values are created through two-way discussion. Also important is transparency such that employees have an accurate and complete context for understanding their goals and performance expectations vis-à-vis the organization. Leaders introducing transparency highlight pathways between action and success for employees, leading to a culture fueled by achievement. Finally, opportunities for employees' self-improvement, such as through training or educational opportunities, improves their PsyCap and, in turn, their engagement. Time and resources for such endeavors is sure to be an advantage to an organization in improving workforce engagement, as leaders who provide opportunity for advancement induce PsyCap, and from that PsyCap employees become more vested and engaged in their jobs.

CASE 2—SRC HOLDINGS INC.

SRC Holdings Inc. owns over 15 different companies. It grew out of one person's determination to save the Springfield, Missouri unit of International Harvester (IH) when the whole

company was facing bankruptcy in the early 1980s. The original company, Springfield Remanufacturing Company, remade truck engine parts primarily for IH. SRC merges financial responsibility and goal setting such that every single member of the workforce has a hand in directing the future of the work unit and the organization. SRC Holdings Inc. uses open book management, which includes training the entire workforce to understand basic financial statements (income, balance sheet, and funds flow analysis), teaching the workforce detailed budgeting and accounting, assigning financial responsibility areas, and helping employees self-create a budget (rather than a leader-created budget) to guide performance in that area. Each unit's budget is combined into the master budget. The unit members and the unit leader *both* have responsibility to understand and integrate the unit-level budget to the master-budget. The master budget creates expectations for profit and cash generation for the year from which a bonus plan is created. From reaching the planned figures for each quarter, part of the bonus can be paid.

The bonus can be a significant payout amounting to several weeks of pay. By having the bonus paid quarterly, it becomes more reinforcing to the employee in that it connects effort and rewards more directly and immediately. Having the bonus based on overall organization performance creates a culture where employees help each other reach personal goals—because if one employee flounders, it can hurt the overall odds of the company reaching the numbers needed to achieve a bonus. As such, the budget serves as a critical linchpin between the financial direction of the organization and the goals underlying productivity driving the budget.

SRC Holdings Inc., PsyCap, and engagement: Pathways are central to hope as the employee realizes the different ways he or she can take in order to reach performance goals. In the SRC case, the design of the goal setting and bonus process creates an environment or culture where the employees work together to focus on ways to solve issues (create pathways) to achieve goals. In addition, leaders can act as mentors to help employees realize options (pathways) to meet goals. Goals themselves can be a structural tool used by leaders to illuminate pathways for employees. For example, a goal such as a sales quota does not provide much direction for the employee to understand how to obtain sales. However, outcome goals could include upstream goals (such as number of cold calls, goals in using language to close a sale, or number of visits to existing clients per quarter), which provide direction (pathways) to guide the novice employee in assisting to build hope. It is from this focus and support for goals that full engagement with one's task is probable.

Efficacy is also readily apparent in the employees at SRC Holdings, Inc., as is their engagement. As part of open book management, feedback is provided directly by a leader or a work system performance report and can be used to monitor or track performance over time. For example, several companies use the approach SRC calls the Great Game of Business, described above. In the approach the organizations chart weekly performance and have weekly "huddles" that post and discuss performance progress and expectations for the immediate future. During the huddle, an employee of each unit posts the progress of each unit. The end result of the huddle is a weekly update of the company's profit and loss, balance sheet, and cash flow statements.

As mentioned, the organization provides a bonus based on a critical number, which is based on meeting the budget line item that each unit provides. This prompts employees to prioritize discussion of productivity related to that critical number. Further, these meetings allow for immediate feedback with hard, objective, quantitative evidence. These meetings only last about 30 min but get all the employees involved in the process. Because of group involvement in the discussion of the critical number and underlying productivity, areas of assistance, support, or improvement are identified. No one employee feels singled out, as it is in the best interest of all employees to aid and support employees who are struggling to meet targets. This supports the development of perceptions of efficacy in the development of PsyCap. This efficacy improves engagement because one's fellow employees are the "wind beneath the sails" of an employee who is having trouble with doing the work, or who wants to improve.

SRC Holdings Inc. and leadership lessons: There are several lessons for leaders in the SRC Holdings Inc. example. As with Tasty Catering, transparency is a critical concern. Transparency allows co-workers to know and understand how their task relates to colleagues, and the role their colleagues' performance plays in personal outcomes. In this way, there is a mutually reinforcing incentive to collaborate and support one another in a way that builds hope for better outcomes and efficacy that one can achieve desired outcomes (that is, PsyCap). This positive orientation toward task performance enables complete devotion and connection to one's task, improving engagement.

Specifically, leaders providing information on the web of tasks assigned, rather than expecting employees to have tunnel vision with respect to their tasks, creates a culture of interconnectedness and interdependence among employees. This culture is marked by improved hope and efficacy. Through this intertwined fate, employees concentrate more fully on their task, given their understanding of its importance to workmates. Further, this example underscores the importance of linking financial performance and goals. Employees at SRC Holdings Inc. have a very clear understanding of how their individual behaviors can affect overall organizational financial performance and, as such, are particularly attuned to their task (that is, engaged). Employees can, from a historical vantage point, see the clear link between their engagement and positive financial outcomes, and it is this optimism, a critical component of PsyCap, that drives engagement.

CASE 3—JONES, LANG, & LASALLE (JLL)

The use of defined processes or checklists in organizations can support improving the clarity of pathways, imbuing hope in its members. For example, Jones, Lang, and LaSalle, a 39,000 employee international organization that is focused on property management, has a very specifically defined process to support their project managers so there is less chance for error. Projects as small as $2000 and as large as $2.2 billion for the construction of a large facility in New York City use a similar established process. The process maps allow employees to be more confident that they have not missed a step or an activity. Checklists have similar value to those using them. Pilots have a checklist for each part of the process of flying an aircraft, and commercial pilots have over

154 checklists to respond to emergency situations. Each guides performance and allows an employee greater confidence in what they are doing: they provide the pathways to assist the employee.

While JLL requires the checklist methodology to be used on projects of all sizes, it also has a requirement that is more personalized: employees receive a significant amount of personalized training and mentoring. Why is this? Although the checklist is common to all projects, there are points on the checklist that are idiosyncratic. Specifically each property management contract has its own set of complexities: from sub-contractors to suppliers to government entities to organized labor jurisdictions, each project has a unique set of demands. JLL has found that peer learning and mentoring are critical components of training. Such opportunities give employees the ability to learn project-specific information from someone with institutional know-how and at the same time develop a personal relationship with the teacher or mentor.

JLL, PsyCap, and engagement: In discussions with employees at JLL it becomes clear that the success that the company has had over multiple years helps to fuel optimism and efficacy that individuals can reach their contract goals. Having a set process for handling contract design and execution creates a predicable outcome. Project managers' mindsets related to hope, efficacy, resiliency, and optimism are rooted in trusting the processes they follow and in trusting the structure of the company that provides training, mentoring, and support systems. For example, the same checklist process is used to change out thousands of signs overnight for a fast food chain, the design and construction of a new ninety-story building, or the redesign and major remodeling of Madison Square Garden in New York City. The employees know that the checklist works, as there is a venerable historical record of such success, and as such they are optimistic of its continued viability.

This approach breeds engagement insofar as the employees can be goal-directed without worrying that their process may not work in the future or is risky; the checklist framework provides an evidence-based approach to the process they use. Also, through its investment in training and mentoring, JLL builds greater efficacy in its workforce by giving employees more tools, information, and knowledge to achieve certain "checks" on the checklist. Building this type of PsyCap enables employees to be more attuned and invested in their tasks because they have a clearer understanding of the demands of their task. Further, given the complexities of many of the projects, the list provides a concrete navigational plan of when those complexities should arise, enabling more resilience in the employees as they can assess risk to their productivity more accurately. As a result, engagement is not endangered when complexities arise.

JLL leadership lessons: There are a number of leadership lessons at JLL. First, a concrete plan toward achieving common goals is not only instructive for employees, but also provides them with a structure for understanding their task. That structure creates a sense of mastery and efficacy. Further, support for challenging demands of one's job also improves PsyCap. Organizations sometimes let employees try to figure out complexities on their own. While select employees will enjoy this autonomy, many will find it frustrating when knowledge or information to manage the complexities is present but

not made available to them. Leaders that provide opportunities for training and mentoring improve employees' understanding of their jobs, as JLL leadership fosters a culture of resiliency and efficacy, improving the probability that employees will be more focused and engaged in their work.

CASE 4—NEWSTREAM ENTERPRISES

NewStream Enterprises was formed in 1990 to provide comprehensive supply chain management to the world's leading On-and-Off Highway OEMs (original equipment manufacturers). It is an employee owned company that truly believes in the power of a workforce when each has a stake in outcome. Located in Joliet, Illinois, and Springfield, Missouri, NewStream Enterprises has a modern means of managing the upward mobility of employees. All jobs at NewStream Enterprises have a stringent list of requirements. Employees interested in a specific job or a specific promotion have access to these requirements. The human resource team is also always willing to talk with employees about career transitions or career mobility. Employees at NewStream Enterprises often remarked that they can easily see themselves remaining at NewStream Enterprises for the bulk of their career. This is particularly notable in today's work environment, wherein commitment to any one company is not the norm.

NewStream enterprises, PsyCap, and engagement: NewStream's approach to career management has a striking influence on the PsyCap and engagement of its workforce. Employees can see a personalized career trajectory, enabling them to self-set career goals and have a clear understanding of the path required to move forward, which improves hope. Further, the public nature of the job requirements makes each job seem possible for anyone, and not just reserved for a select group of employees. Employees realize improvements in efficacy when they come to understand how much support and belief in personal ability the company has in each employee. Employees also improve their optimism insofar as understanding current and past job requirements enables them to easily track their career successes, resulting in increased optimism. These components of PsyCap also influence the employees' engagement. They intuitively understand the dedication and intensity with which they must approach their work in order to stay on track with their self-set career goals. They also become engaged more readily when they understand that NewStream Enterprise's culture of career support is tangible.

NewStream enterprises leadership lessons: Leaders, through a relatively simple HR practice, can improve both the PsyCap and engagement of their employees. Specifically, they clearly identify job classes, requirements, and openings for employees. Doing so creates a culture of personal career awareness. Employees better understand where they are and where they may head with their task, improving PsyCap, and also enabling them to see more distinctly the link between how they treat their task and positive outcomes, thus leading to more engagement. In this way, leaders who can communicate the importance of an employee's current work as a conduit for future career success can increase engagement of their followers. Leaders who buttress this communication with HR policies about job requirements and career progression can realize increased follower engagement.

CASE 5—NORTH LAWNDALE EMPLOYMENT NETWORK (NLEN)

Our final case example provides a slightly different orientation on the relationship between PsyCap and engagement. Rather than talking about how the development of PsyCap in employees can improve employee engagement, here we discuss how the development of PsyCap in *clients* can improve *client* engagement. The final case example is NLEN, a not-for-profit organization that works with long-term unemployed and former inmates that are residents of the North Lawndale community, located in the near west side of Chicago. This area of Chicago is general thought to be "rough," marked by an active drug trade, high-crime, and high-poverty. Specifically, with structural unemployment over decades after major businesses left the area, there is little to be optimistic about. Residents have little hope and not many role models to help them learn how to learn the skills and knowledge to even obtain a job.

NLEN's core business is to stop the cycle of poverty. The organization focuses on all in the community, and in particular those released from prison. NLEN provides them with training and support in order to earn a high school equivalent degree (GED), basic skill training in resume preparation, interviewing skills, anger management, budgeting, and home management. Further, NLEN provides resources and networks to help their clients find jobs and provides counseling services to help the individual retain the job and handle the stress that comes with jobs that the resident may not be prepared to meet, given their lack of experience in the job market. The end result is that those released from prison that have gone through the NLEN program have a four percent recidivism rate, while nationally the rate is 62 percent. Moreover, the ex-inmates involved in the program have a better chance of acquiring and maintaining stable employment. In sum, these outcomes indicate that, when compared to ex-inmates not served by NLEN, NLEN's clients are more engaged with the world of work.

NLEN, PsyCap, and engagement: The key goal with the NLEN program, according to CEO Brenda Palms Barber, "is giving those who come to us the support to give them optimism, hope, and the belief that they can succeed." She continued to say, that "support means talking with them, arranging for medical care when needed, or providing bus fare and a good set of clothes to interview. Basically we are there to give them confidence that they can succeed and, with that confidence, they will succeed." In essence NLEN is building Positive PsyCap in those individuals that society seems to have forgotten. By providing resources and support to develop PsyCap within the client, NLEN enables the ex-inmates to focus their energies on finding and maintaining employment. This engagement with work is not available to ex-inmates not served by NLEN because, as discussed, our society and our culture provide little support for this unfortunate population.

NLEN leadership lessons: At first blush, comparing the engagement of ex-inmates to that of the typical worker seems odd. But, delving deeper and situating the ex-inmate as an "employee" rather than a client, there are lessons here to be gleaned for leaders. First, this case indicates that organizations can take an active role in developing PsyCap in its clients. By offering support that enables clients to reach goals, to feel better prepared because of the training provided, and to feel more autonomy over their environment because of direct interventions and support, NLEN develops PsyCap in those clients. This sets the stage for engagement *and* improvements in the client-organization relationship, as well as improvement in the relationship of the client with his or her new employer. In this organization we saw how PsyCap imbued in the clients made them feel more connected to with NLEN, highlighting the potential of PsyCap to improve client engagement to an organization. The lesson is also clear that building PsyCap can be an effective tool in becoming engaged, even in those who have little reason to have hope, efficacy, resiliency, and optimism.

THE ROLE OF PSYCAP IN THE DETERMINATION OF EMPLOYEE ENGAGEMENT

This article began with a description of current research on predictors of employee engagement, organizing these predictors into three traditional forms of capital: human, social, and family. We then argued that PsyCap was a critical fourth form of capital that is predictive of engagement. PsyCap imbues employees with the hardiness and energy to immerse in a task, that is, to be engaged. We first provided quantitative support for this argument from our recent research, and then highlighted further the connections between PsyCap and engagement qualitatively in five case-based examples.

In summary, we argue that a leader who is serious about increasing employee engagement should look closely at PsyCap as a means to directly influence the strength of the emotional ties of the employee to the organization, its values and goals. An active program to develop PsyCap in the organization will lead to strengthen the engagement between employees and the organization because the organization will be demonstrating its concern about the employee and working to improve their emotional state. For example, Tasty Catering, which applies the core dimensions of PsyCap in its leadership philosophy, has employee engagement measures that score in the upper decile level. From its leadership actions, Tasty Catering was awarded as American Psychological Association's "Psychologically Healthiest Workplace" in 2014. The CEO indicates, "The employee is the focus of the organization. If you focus on the employee, they will take care of the customers, and the desired outcomes will come to the organization." Through the myriad of leader behaviors described here to improve PsyCap, employee engagement appears more potentially attainable than ever before.

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