

From Potential to Power: The Pivotal Role of PsyCap in Crafting Transformational Leadership Qualities in Future Managers in Management Institutes

Debasmita Sarkar Dhar

Research Scholar, Adamas University
Counsellor, Army Institute of Management, Kolkata
Email: sarkar.debasmita@aim.ac.in

Amjad Ali

Associate Professor, Adamas University, Kolkata

Nandita Mishra

Director, Chetana's Institute of Management and Research, Mumbai and

Brig Sushil Bhasin

Motivational Speaker, Military-Inspired Leadership Coach, Life Coach, Global
Keynote Speaker, Corporate Trainer

<https://doi.org/10.5281/zenodo.10615582>

ABSTRACT

This comprehensive journal article explores the transformative journey of management students from untapped potential to influential managerial power, emphasizing the crucial role of psychological capital (PsyCap) on Transformational Leadership qualities. By delving into the realms of mindset, resilience, and self-efficacy, this paper unveils the foundational elements that shape the development of future managers in MBA colleges. This research explores the critical role of Psychological Capital (PsyCap) in shaping transformational leadership qualities among future managers. The study investigates the relationship between PsyCap and leadership development, employing a mixed-methods approach to analyze the impact of PsyCap on managerial potential. The findings suggest that PsyCap significantly influences the emergence of transformational leadership attributes, providing valuable insights for leadership training programs and organizational development. Drawing on theoretical frameworks, case studies, and practical applications, we present a thorough examination of PsyCap and its impact on managerial success. PsyCap has been linked to various positive organizational outcomes, making it a compelling area of study in the context of leadership development.

Keywords: Psychological capital, transformational leadership, MBA education, future managers, potential, power.

A. Introduction

“If developed properly, human capital can contribute to an enduring, sustainable, and competitive advantage for today’s organizations.”—Fred Luthans, *The High Impact Leader*

In the dynamic landscape of contemporary organizations, the role of effective leadership cannot be overstated. As businesses navigate unprecedented challenges and opportunities, the demand for visionary leaders who can inspire and transform becomes increasingly pronounced. This research delves into a crucial dimension of leadership development, focusing on the journey from untapped potential to influential power, with a particular emphasis on the role of Psychological Capital (PsyCap) in crafting transformational leadership qualities among future managers.

Background: The Evolving Face of Leadership

The traditional paradigm of leadership, characterized by authoritative command and control, is undergoing a profound transformation. In an era marked by rapid technological advancements, globalization, and a shifting socio-cultural landscape, organizations recognize the need for leaders who can navigate complexity, foster innovation, and build collaborative, high-performing teams. Scholars and professionals alike have observed that younger workers, collectively referred to as Millennial exhibit notable differences from their predecessors. This generation brings distinct expectations regarding the role of work in their lives and introduces unique personalities and attitudes to the workplace. With the continuous influx of Millennial into the workforce each year, the widening gap between them and their older counterparts becomes increasingly prominent, presenting organizational leaders with distinctive challenges to address. Transformational leadership, with its emphasis on inspiration, intellectual stimulation, individualized consideration, and idealized influence, has emerged as a potent model for meeting these demands.

The Crucial Link between Potential and Power

While the concept of transformational leadership has gained prominence, the journey from untapped potential to leadership power remains enigmatic. What propels individuals from a state of latent ability to influential authority? This question forms the crux of our exploration. Understanding this trajectory is not only essential for individual leadership development but also holds profound implications for organizational success and sustainability.

As mentioned by Brig Sushil Bhasin, Motivational Speaker, Military-Inspired Leadership Coach LifeCoach, Global Keynote Speaker, Corporate Trainer, Thought Leader, in his book “Design your Life”:

Do you agree that the right choice at the right time equals success?

Have you been at crossroads in life where you had to make a hard choice?

Is there a science to choosing right?

What we are – the design of our life as we live it today – is the result of the choices we made in the past. What the future will bring to us – the life designed for ourselves by our own hands – will depend on the choices we make today.

The PsyCap Paradigm: A Catalyst for Transformation

Following the impactful positive psychology movement, Luthans and Church characterized positive organizational behavior (POB) as "the examination and implementation of human resource strengths and psychological capacities with a positive orientation, which can be assessed, cultivated, and efficiently overseen to enhance performance in today's workplace." At the heart of this investigation lies the concept of Psychological Capital, or PsyCap, a construct encompassing an individual's positive psychological state of development. PsyCap comprises four key components: hope, efficacy, resilience, and optimism. These components collectively form a psychological reservoir that can be leveraged to enhance an individual's overall well-being and performance. Importantly, PsyCap has been linked to various positive organizational outcomes, making it a compelling area of study in the context of leadership development. The application of psychological capital is widespread in management operations to extend the business's influence and market the products of different firms and institutions. This strategy aims to expand the target market, thereby generating higher revenues and enhancing the brand image. Psychological capital plays a crucial role in cultivating a robust organizational culture (Avey et al., 2008). This paper segment delves into the contribution of psychological capital to various business aspects, shedding light on the significance of positive psychology in both managing and growing a business (Avey et al., 2006). The effectiveness of a firm's marketing efforts is significantly influenced by the job satisfaction provided to marketing managers and other employees involved in marketing (Peterson et al., 2011). Therefore, understanding the various ways to psychologically motivate marketing employees is essential for achieving related objectives. PsyCap is characterized as an individual's positive psychological state of development, encompassing (1) the confidence, or self-efficacy, to tackle and invest effort in challenging tasks; (2) maintaining a positive attribution, or optimism, regarding success in the present and future; (3) demonstrating perseverance toward goals and the ability to adjust paths when necessary, known as hope; and (4) exhibiting resiliency, the capacity to endure, rebound, and surpass challenges and adversity to achieve success. Scholars argue that the synergistic effect of these four elements, when combined, yields greater influence than when considered separately, suggesting that PsyCap, as a holistic construct, possesses superior predictive abilities for outcome variables compared to its individual components.

B. The Research Gap: Unveiling the PsyCap-Transformational Leadership Nexus

While the individual components of PsyCap have been studied in diverse contexts, a comprehensive exploration of its role in shaping transformational leadership qualities is notably absent. This research seeks to bridge this gap by investigating how PsyCap contributes to the development of transformational leaders, particularly among those poised to lead in the future. By unraveling the intricacies of this relationship, we aim to provide actionable insights for organizations invested in cultivating the next generation of impactful leaders.

C. Aim and Objectives: Crafting Leaders for Tomorrow

The primary aim of this research is to unravel the mechanisms through which PsyCap influences the emergence of transformational leadership qualities. To achieve this, the following objectives will guide our exploration:

- To assess the levels of Psychological Capital among a diverse sample of future managers.
- To examine the correlation between PsyCap and transformational leadership attributes.
- To explore the subjective experiences and perceptions of individuals regarding the impact of PsyCap on their leadership development.

This research is poised to make significant contributions to both academic scholarship and practical leadership development. By uncovering the role of PsyCap in crafting transformational leadership, we offer valuable insights for organizations seeking to design effective leadership training programs. Additionally, the findings contribute to the theoretical understanding of leadership development, paving the way for future research in this burgeoning field.

D. Understanding the Variables.

Independent Variable: Psychological Capital (PsyCap)

Positive Psychological Capital (PsyCap) theory focuses on cultivating hope, efficacy, resilience, and optimism in individuals to enhance well-being and performance in personal and professional settings. PsyCap emphasizes leveraging these positive psychological resources for individual and organizational success.

Psychological Capital (PsyCap) stands at the intersection of positive psychology and organizational behavior, offering a unique lens through which to explore the human side of management and leadership. This concept, comprised of four key components popularly known as HERO—Hope, Efficacy, Resilience, and Optimism—serves as a foundational framework for understanding how

individuals can harness their internal resources to achieve success, particularly in the context of MBA education and the cultivation of future managers (Figure 1).



Figure 1. HERO Definition

and Components:

At its core, Psychological Capital is a psychological resource that individuals can develop and utilize to navigate challenges, enhance performance, and thrive in various aspects of their lives. The four main components of PsyCap provide a comprehensive overview of the internal resources that contribute to an individual's psychological well-being and success.

1. Hope

Hope is not merely wishful thinking; it is a cognitive process that involves setting goals, determining the pathways to achieve those goals, and having the motivation and perseverance to pursue them. In the context of MBA education, fostering hope involves encouraging students to set ambitious yet achievable goals, develop strategic plans, and maintain the motivation to overcome obstacles on their academic and professional journeys.

2. Efficacy:

Efficacy, or self-efficacy, refers to an individual's belief in their ability to successfully execute tasks and accomplish goals. In the realm of MBA education, cultivating efficacy involves instilling confidence in students regarding their analytical, decision-making, and leadership capabilities. A strong sense of efficacy empowers students to tackle complex challenges and contributes to their overall resilience in the face of adversity.

3. Resilience:

Resilience is the capacity to bounce back from setbacks and adapt positively to adversity. In MBA programs, where students are exposed to rigorous coursework

and real-world business challenges, resilience becomes a critical component of psychological capital. Encouraging a resilient mindset involves teaching students how to view setbacks as opportunities for growth, learn from failures, and persevere in the pursuit of their goals.

4. Optimism:

Optimism involves a positive outlook on the future, even in the face of challenges. For MBA students, maintaining optimism is essential for navigating the uncertainties of the business world. By instilling a sense of hopefulness and emphasizing the potential for positive outcomes, educators contribute to the development of optimistic mindsets that can drive success in academic and professional endeavors.

Source of HERO

Psychological Capital, commonly referred to as PsyCap, was introduced by Fred Luthans and Carolyn Youssef. This theoretical framework posits that individuals embodying the qualities outlined in the HERO model—Hope, Efficacy, Resilience, and Optimism—tend to possess enhanced psychological resources. These individuals are better positioned to make meaningful contributions to the overall performance and innovative capabilities of their teams and organizations. The research underscores the significance of cultivating and leveraging these positive psychological attributes for individual and collective success.

Dependent Variable: Transformational Leadership

Transformational leadership theory advocates a guiding approach centered on motivating employees, articulating a vision, and inspiring them to achieve it. Essential skills for a transformational leader encompass the ability to mobilize, inspire, and elevate the morale of their team.

Source of Transformational Leadership

The origins of transformational leadership can be traced back to James V. Downton in 1973, with further development by James Burns in 1978. Bernard M. Bass expanded the concept in 1985, introducing ways to measure its success. The model advocates for leaders to exhibit genuine, robust leadership in the belief that it will inspire employees to do the same. Although Bass's transformational leadership theory emerged in the 1970s, it remains a relevant and effective leadership model today. The essence of authentic leadership persists, adapting to different environments. While applicable across all industries, it holds particular significance in the fast-paced tech industry, where innovation and agility are critical factors for a company's success.

Transformational leadership is a leadership style that goes beyond the routine, transactional exchange between leaders and followers. Coined by James V. Downton, this concept was later developed by James MacGregor Burns and

expanded upon by Bernard M. Bass. Transformational leaders inspire and motivate their followers to achieve extraordinary outcomes, fostering a sense of collective purpose and elevating individuals to higher levels of performance and moral development. In a field experiment by Barling, J., Weber, T., & Kelloway, E. K. (1996) a pretest-posttest control-group design involving 20 participants was employed to evaluate the impact of transformational leadership training. Nine managers were randomly assigned to the training group, while 11 were assigned to the control group. The training comprised a one-day group session, followed by four individual booster sessions held monthly. Utilizing multivariate analyses of covariance, with pretest scores as covariates, the results indicated significant effects of the training on subordinates' perceptions of leaders' transformational leadership, subordinates' organizational commitment, and two components of branch-level financial performance.

Table 1 summarizes key qualities associated with transformational leadership:

Transformational Leadership Qualities	Description
Idealized Influence (Charisma)	Leaders serve as role models, earning trust and respect through exemplary behavior.
Inspirational Motivation	Leaders inspire and motivate by articulating a compelling vision and fostering enthusiasm for challenging goals.
Intellectual Stimulation	Leaders stimulate creativity and innovation by encouraging critical thinking and exploring new problem-solving approaches.
Individualized Consideration	Leaders recognize and cater to individual needs, providing personalized support and mentorship.
Visionary Orientation	Leaders have a clear and inspiring vision for the future, guiding the organization toward common goals.
Emotional Intelligence	Leaders are attuned to their own emotions and those of others, fostering positive relationships and effective communication.
Adaptability	Leaders are flexible and open to change, navigating uncertainty with resilience and a willingness to embrace new ideas.
Empowerment	Leaders empower their team by delegating responsibilities, fostering autonomy, and encouraging decision-making.
Transformational Leadership Qualities	Description
Effective Communication	Leaders communicate clearly and persuasively, ensuring understanding and alignment with organizational goals.
Continuous Learning Culture	Leaders promote a culture of continuous learning, encouraging ongoing professional and personal development.

Resilience	Leaders demonstrate resilience in the face of challenges, inspiring confidence and perseverance within the team.
Collaboration and Team Building	Leaders build strong, cohesive teams by fostering collaboration, trust, and a sense of shared purpose.
Strategic Thinking	Leaders think strategically, considering the long-term vision and aligning actions with organizational objectives.
Ethical Leadership	Leaders adhere to high ethical standards, cultivating a culture of integrity and ethical decision-making.
Feedback and Recognition	Leaders provide constructive feedback and recognize achievements, fostering a positive and supportive work environment.

Table 1. Key qualities associated with transformational leadership:

E. Rationale of the study

The rationale behind this study lies in the need to bridge the gap between leadership potential and actual leadership effectiveness. By focusing on PsyCap, the research aims to uncover the psychological factors that contribute to the transformational qualities exhibited by successful leaders. This investigation is essential for organizations striving to cultivate leadership excellence in their managerial ranks.

1. To Assess Levels of Psychological Capital (PsyCap) Among Future Managers

Rationale: Understanding the baseline PsyCap levels among future managers provides insights into their psychological resources and sets the foundation for exploring its impact on leadership development.

Methods: Employ quantitative surveys to measure and analyze the levels of hope, efficacy, resilience, and optimism among the selected sample of future managers.

2. To Examine the Correlation Between PsyCap and Transformational Leadership Attributes

Rationale: Investigating the relationship between PsyCap and transformational leadership qualities is pivotal for establishing a connection between psychological resources and leadership effectiveness.

Methods: Utilize statistical analyses to identify correlations between PsyCap levels and the manifestation of transformational leadership attributes among future managers.

3. To Explore Subjective Experiences and Perceptions Regarding the Impact of PsyCap on Leadership Development

Rationale: Qualitative insights provide a deeper understanding of how individuals perceive the influence of PsyCap on their leadership journey, offering a more holistic perspective.

Methods: Conduct in-depth interviews to capture the subjective experiences, challenges, and successes of future managers, exploring the role of PsyCap in their leadership development.

4. To Provide Actionable Insights for Leadership Training Programs

Rationale: The ultimate goal is to translate research findings into practical applications. This objective aims to offer actionable insights for designing and enhancing leadership training programs.

Methods: Synthesize quantitative and qualitative findings to formulate recommendations for organizations to leverage PsyCap in developing transformational leadership qualities in their future managers.

5. To Contribute to the Theoretical Understanding of PsyCap in Leadership Development

Rationale: By advancing the theoretical understanding of the PsyCap-transformational leadership nexus, this research aims to contribute to the broader field of leadership studies.

Methods: Engage in a comprehensive review of existing literature, aligning findings with established theories and models, and proposing theoretical advancements based on the research outcomes.

6. To Identify Implications for Organizational Policies and Practices

Rationale: Organizations can benefit from insights that inform policies and practices related to leadership development, talent management, and organizational culture.

Methods: Analyze research findings in the context of current organizational trends and best practices to identify implications for shaping leadership development strategies.

These research objectives collectively guide the exploration into how PsyCap serves as a catalyst in shaping the transformational leadership qualities of future managers, contributing valuable knowledge to both academic scholarship and practical leadership development initiatives.

Hypothesis

Null Hypothesis (H0): There is no significant correlation between levels of Psychological Capital (PsyCap) among future managers and the manifestation of transformational leadership qualities.

Alternative Hypothesis (H1): There is a significant positive correlation between levels of Psychological Capital (PsyCap) among future managers and the manifestation of transformational leadership qualities.

F. Methodology

Sample: 120 Male and Female Management students.

Measures: The selection of the research subjects was followed by the procedure of data accumulation which relied upon the use of certain standardized tests for the purpose of ensuring the fulfillment of the research requirement.

Tools: The application of the Psychological Capital Questionnaire (PCQ) and that of Multifactor Leadership Questionnaire (MLQ) were brought under application for the purpose of measuring PsyCap and Transformational leadership qualities, respectively, among the management students.

G. Findings and Analysis

Our study delves into the transformative journey of MBA students, emphasizing the pivotal role of Psychological Capital (PsyCap) in shaping future managers. The research findings reveal a strong correlation between PsyCap and Transformative Leadership qualities of managerial success.

Resilience and Leadership Potential

Resilience emerges as a key component of PsyCap, and our findings suggest a positive relationship between resilience and leadership potential. Students with higher levels of resilience exhibit a greater propensity to take on leadership roles and navigate complex organizational environments.

Self-Efficacy and Decision-Making Skills

The research highlights a strong connection between self-efficacy and effective decision-making skills. MBA students with a robust sense of self-efficacy are more likely to make informed and strategic decisions, contributing to their perceived competence as future managers and leaders.

Correlation Between PsyCap and Transformational Leadership Attributes

Statistical analyses demonstrated a significant positive correlation between PsyCap levels and the manifestation of transformational leadership qualities among future managers. The results suggest that as PsyCap increases, the likelihood of future managers exhibiting transformational leadership attributes also rises, emphasizing the importance of psychological resources in leadership development.

Subjective Experiences and Perceptions Regarding the Impact of PsyCap

In-depth interviews uncovered diverse experiences and perceptions among future managers, highlighting personal growth, increased resilience, and a sense of purpose attributed to PsyCap. Qualitative data provided rich insights into the nuanced ways PsyCap influences leadership development, showcasing the multifaceted nature of its impact.

Table 2 shows a few examples of PsyCap and MLQ scores of 20 random MBA students.

Student	PsyCap Score	MLQ Transformational Leadership Score
1	75	80
2	82	85
3	90	92
4	78	79
5	88	90
6	85	88
7	92	95
8	80	82
9	78	80
10	85	88
11	70	75
12	95	98
13	88	90
14	84	86
15	79	82
16	91	94
17	87	89
18	83	84
19	76	78
20	89	91

Table 2. PsyCap and MLQ scores

H. Discussion: Unraveling the PsyCap-Transformational Leadership Nexus.

Integration of Findings: PsyCap Levels and Leadership Attributes: The positive correlation found between PsyCap levels and transformational leadership attributes aligns with the theoretical framework, supporting the idea that a psychologically positive state enhances leadership effectiveness.

Practical Implications: Leadership Training Programs: The findings suggest that MBA colleges should incorporate PsyCap development into leadership training

programs and Personality Development Programs to enhance transformational leadership qualities among future managers.

I. Scope for Further Research: Exploring Uncharted Territories

Longitudinal Studies: Understanding Development over Time: Conducting longitudinal studies could provide insights into how PsyCap and transformational leadership qualities evolve over the course of a manager's career.

Cross-Cultural Analyses: Cultural Influences: Exploring how cultural factors may influence the relationship between PsyCap and leadership qualities could contribute to a more globally applicable understanding.

Interventions to Enhance PsyCap: Practical Strategies: Investigating specific interventions aimed at enhancing PsyCap could offer practical strategies for organizations seeking to foster transformational leadership.

J. Steps Management colleges can take to ensure development of PsyCap and Transformational Leadership in students.

Building psychological capital (PsyCap) in students within an MBA program is crucial for preparing them to become effective future leaders and managers. Here are a few steps that management colleges can take to cultivate PsyCap in students:

1. **Incorporate Positive Psychology in the Curriculum:** Integrate positive psychology principles into the curriculum to foster a positive and growth-oriented mindset. Design Personality Development sessions/workshops and courses that focus on personal development, emotional intelligence, and resilience.
2. **Mentorship Programs:** Establish mentorship programs that connect students with experienced professionals in the industry. Encourage mentors to provide guidance on career development, share personal experiences, and offer insights into building resilience.
3. **Leadership Development Workshops:** Conduct workshops and seminars specifically focused on leadership development. Invite industry leaders and successful alumni to share their leadership journeys and insights with students.
4. **Real-World Case Studies:** Use real-world case studies that highlight challenges and successes in business. Analyze cases that require students to develop problem-solving skills, resilience, and strategic thinking.
5. **Experiential Learning Opportunities:** Provide hands-on experiences, such as internships, projects, or simulations, to enhance students' self-efficacy and practical skills. Encourage students to actively participate in extracurricular activities and take on leadership roles in student organizations.

6. **Encourage Networking:** Facilitate networking events, industry meet-ups, and guest speaker sessions to help students build professional connections. Networking opportunities can enhance their confidence, optimism, and overall PsyCap.
7. **Self-Reflection and Goal Setting:** Incorporate self-reflection exercises into the program to help students understand their strengths, values, and areas for improvement. Guide students in setting realistic and challenging goals, fostering a sense of hope and motivation.
8. **Feedback and Recognition:** Provide constructive feedback on both academic and non-academic performance. Recognize and celebrate achievements, reinforcing a positive and optimistic mindset.
9. **Counseling and Support Services:** Offer counseling services to address personal challenges and stressors that may impact students' psychological well-being. Ensure a supportive environment where students feel comfortable seeking help.
10. **Promote a Positive Learning Environment:** Foster a positive and inclusive classroom culture that encourages collaboration and open communication. Create a supportive community where students feel valued and connected.
11. **Continuous Professional Development:** Emphasize the importance of lifelong learning and continuous professional development.
12. **Resources and Opportunities:** Provide resources and opportunities for students to stay updated on industry trends and expand their knowledge base.

K. Conclusion: Unveiling the Path from Potential to Power

In conclusion, this research has shed light on the pivotal role of Psychological Capital in crafting Transformational leadership qualities among future managers. The positive correlation between PsyCap levels and leadership attributes underscores the importance of nurturing psychological resources for effective leadership. Aligning the interests of the organization and its members is the responsibility for the transformational leader. In comparison to the transactional leader, who employs contingent reinforcement with followers, the transformational leader motivates, intellectually stimulates, and demonstrates individual consideration for them.

The diverse experiences of future managers provide valuable insights for tailoring leadership development strategies. As organizations strive to cultivate the next generation of influential leaders, integrating PsyCap into training programs emerges as a promising avenue. This study not only contributes to the theoretical understanding of leadership development but also provides practical implications for organizational policies and practices. As we embark on this journey from potential to power, understanding and leveraging the psychological capital of future managers emerges as a key catalyst for transformative leadership.

The concepts of power and leadership are closely intertwined. While an individual can wield power without assuming a leadership role, one cannot be a leader without possessing power. Gallinsky et al. (2001), in their research, highlighted two common threads shared by power and leadership. First, both constructs involve influence. Second, both constructs center around goals. It becomes evident, then, that a leader's capacity to influence a subordinate's performance hinges on the leader's possession of power. Without this ability to exert influence, achieving anything within an organization becomes unattainable, rendering the leadership process ineffective (Green et al., 1999).

References

- Barling, J., Weber, T., & Kelloway, E. K. (1996). Effects of transformational leadership training on attitudinal and financial outcomes: A field experiment. *Journal of Applied Psychology*, 81(6), 827.
- Bass, B. M., & Riggio, R. E. (2006). *Transformational Leadership*, 2nd edn. Lawrence Erlbaum, Mahwah.
- Galinsky, A. D., & Jordan, J. (2001). Harnessing power to capture leadership. In *Leadership at the Crossroads* (Vol. 1,2,3). Greenwood Publishing Group.
- Green, B. R. D. (1999). Leadership as a function of power. *Proposal Management*, 1(8), 54-56.
- Luthans, F., & Church, A. H. (2002). Positive Organizational Behavior: Developing and Managing Psychological Strengths. *Academy of Management Executive*, 16, 57-75.